

**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, 2011**  
**With Independent Auditor's Reports Thereon**

**Harshwal & Company LLP**  
**Certified Public Accountants**  
**500 Marquette Ave NW, Suite 240**  
**Albuquerque, NM 87102**  
**(505) 814-1201**

# **INTRODUCTORY SECTION**

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

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June 30, 2011**

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**STATE OF NEW MEXICO  
WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND, NEW MEXICO)  
OFFICIAL ROSTER  
June 30, 2011**

**Mayor and Board of Trustees**

|                  |              |
|------------------|--------------|
| Arthur Arguello  | Mayor        |
| Adrian Clouthier | Chairperson  |
| Nancy Cruz       | Board Member |
| Margie Woods     | Board Member |
| Kathy Romero     | Board Member |
| Angie Romero     | Board Member |

**Administrative Staff**

|                    |   |
|--------------------|---|
| Ricardo Valenzuela | Executive Director<br>(Contracted)                                |
| Alice M. Files     | Executive Director<br>(Soon to be promoted to Executive Director) |

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the business type activities and each major fund of the 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, 2011, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. We also have 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. 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 *Government 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.

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, 2011, 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 AUDITORS' REPORT, continued

In our 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 Wagon Mound Housing Authority, Village of Wagon Mound, New Mexico, as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for each major fund 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 budget comparisons of the Housing Authority for the year ended June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2011, on our consideration of the 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 assessing the results of our audit.

The Management's Discussion and Analysis on pages 6 through 11 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.

Our 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 our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

**Harshwal & Company LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**Albuquerque, New Mexico**  
**November 8, 2011**

***Wagon Mound Housing Authority  
Management's Discussion and Analysis  
June 30, 2011***

**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, 2011. The Wagon Mound Housing Authority (Authority) presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2011, 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 two individual programs. They include the Low Rent Housing Program and the Capital Fund Program. The Low Rent Housing Program consists of 18 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received from the Department of Housing & Urban Development based on a formula. The Capital Fund Program is also a formula based program from HUD. The purpose of this program 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:

- *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.



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

### **Overview of the Financial Statements-continued**

**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, 2011, 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, 2011.

### **Financial Highlights**

- The Wagon Mound Housing Authority's total net assets decreased from \$131,260 to \$131,004 a decrease of \$256. The total assets decreased by \$8,065 or 5%.
- The unrestricted net asset balance is listed as \$5,435 at June 30, 2011. This represents an increase of \$12,484 or 177% from the previous year.
- Total revenues decreased from \$153,272 to 109,896, a decrease of \$43,376 or 28%.
- Total expenses decreased by \$24,598 from \$134,750 to \$110,152 for the current year. This represents a decrease of 18%.

### **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, 2011 and June 30, 2010.

#### ***Summary Statement of Net Assets***

| <b>Category</b>                    | <b>FYE 2011</b> | <b>FYE 2010</b> | <b>Changes \$</b> | <b>Change %</b> |
|------------------------------------|-----------------|-----------------|-------------------|-----------------|
| Current Assets                     | \$ 15,923       | \$ 11,248       | \$ 4,675          | 42 %            |
| Fixed Assets (Net of Depreciation) | 125,569         | 138,309         | (12,740)          | (9)%            |
| Total Assets                       | 141,492         | 149,557         | (8,065)           | (5)%            |
| Current Liabilities                | 10,488          | 18,297          | (7,809)           | (43)%           |
| Total Liabilities                  | 10,488          | 18,297          | (7,809)           | (43)%           |
| Unrestricted Net Assets            | 5,435           | (7,049)         | 12,484            | 177 %           |
| Investment in Net Fixed Assets     | 125,569         | 138,309         | (12,740)          | (9)%            |
| Total Net Assets                   | \$ 131,004      | \$ 131,260      | \$ (256)          | - %             |

### **Current Assets**

Overall cash and cash equivalents increased by \$4,675 due primarily to an increase in maintenance materials inventory in the current fiscal year.

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

### **Housing Authority Activities & Highlights, continued**

#### **Fixed Assets**

Fixed assets are listed as \$125,569 for the current year. This represents a decrease of \$12,740 from the previous year, which is due primarily to the addition of the current year's accumulated depreciation.

#### **Current Liabilities**

Current liabilities balance decreased by \$7,809 from the previous year due to lower accounts payable than the prior year.

#### **Net Assets**

The Authority's unrestricted net assets increased from \$(7,049) to \$5,435, an increase of \$12,484, or 177% for the current year. This is due primarily to the excess of operating revenues over operating expenses before depreciation and the transfer of Capital Fund Program operations in the amount of \$6,161. 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 decreased by 12,740 for the current fiscal year. This is due primarily to the addition of the current year's depreciation.

### **Summary Statement of Revenues & Expenses and Changes in Net Assets Years Ended June 30, 2011 and June 30, 2010**

| <b>Category</b>                 | <b>FYE 2011</b> | <b>FYE 2010</b> | <b>Change \$</b> | <b>Change %</b> |
|---------------------------------|-----------------|-----------------|------------------|-----------------|
| Tenant Revenue                  | \$ 32,819       | \$ 29,195       | \$ 3,624         | 12 %            |
| HUD Operating Grants            | 76,477          | 84,155          | (7,678)          | (9)%            |
| Capital Grants                  | -               | 38,088          | (38,088)         | (100)%          |
| Interest Income                 | 61              | 120             | (59)             | (49)%           |
| Other Revenue                   | 539             | 1,714           | (1,175)          | (69)%           |
| Total Revenue                   | 109,896         | 153,272         | (43,376)         | (28)%           |
| Administration                  | 47,761          | 54,153          | (6,392)          | (12)%           |
| Utilities                       | 11,049          | 21,128          | (10,079)         | (48)%           |
| Ordinary Maintenance            | 32,539          | 36,382          | (3,843)          | (11)%           |
| General Expense                 | 6,063           | 7,512           | (1,449)          | (19)%           |
| Extraordinary Maintenance       | -               | 2,884           | (2,884)          | (100)%          |
| Depreciation                    | 12,740          | 12,691          | 49               | - %             |
| Total Expenses                  | 110,152         | 134,750         | (24,598)         | (18)%           |
| Excess of Revenue over Expenses | (256)           | 18,522          | (18,778)         | (101)%          |
| Net Assets, Beginning of Year   | 131,260         | 112,738         | 18,522           | 16 %            |
| Prior Period Adjustments        | -               | -               | -                | -               |
| Net Assets, End of Year         | \$ 131,004      | \$ 131,260      | \$ (256)         | 0 %             |

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

### **Housing Authority Activities & Highlights, continued**

#### **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 decreased by \$43,376 during the current fiscal year. Significant changes noted between the current and prior fiscal years include:

- Tenant revenue increased from 29,195 to 32,819, an increase of 3,624. This is due primarily to the average rent increasing from \$165 in the prior year to \$192 in the current year.
- HUD operating grants decreased by 7,678. Revenue related to operating subsidy decreased by \$7704. Operating revenue related to the Capital Fund Program also increased by \$26.
- Capital grants decreased by \$38,088 due to building improvements funded by the 2009 Capital Fund Grant and the ARRA Grant completed in the prior year.

Total expenses decreased by \$24,598 compared to the previous year. Significant changes from the previous year included the following:

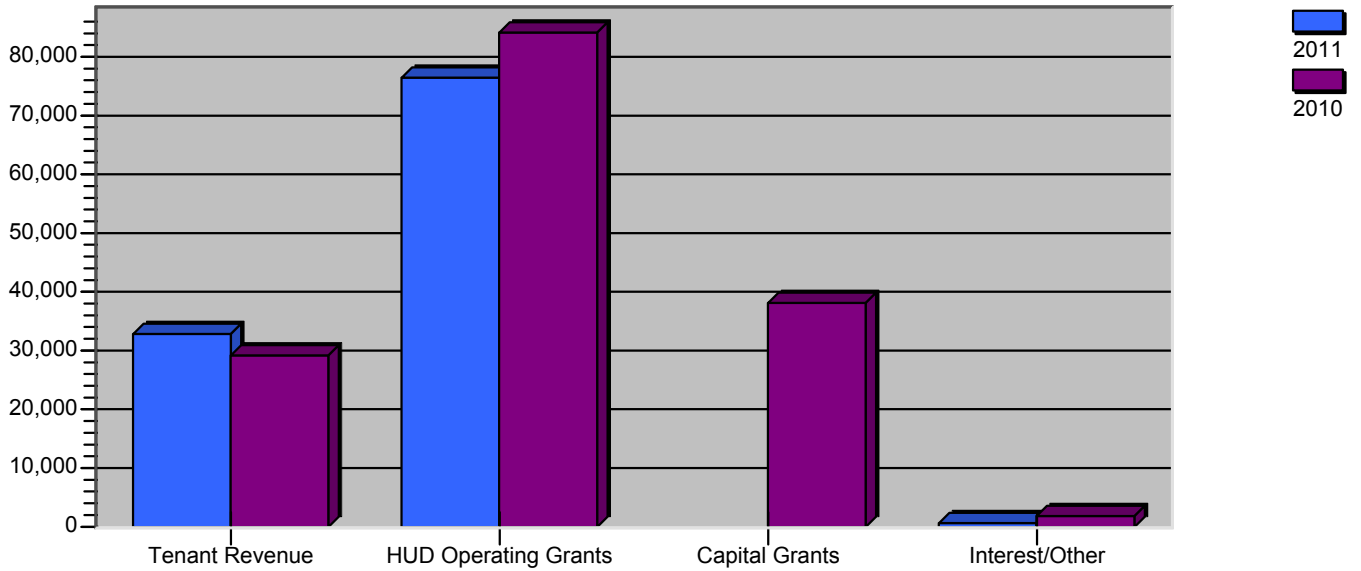
- Administration expenses decreased by \$6,392 from the previous year. This is due primarily to a decrease in travel by \$3,721 and a decrease in other administrative expenses by \$3,854.
- Utilities expense decreased by \$10,079 from the previous year. This is due primarily to a decrease in water by \$3,631, gas by \$5,721, and sewer by \$1,172.
- Ordinary maintenance expense decreased by \$3,843 due primarily to materials decreasing by \$6,730 and maintenance contracts decreasing by \$4,418, while maintenance labor increased by \$6,582.

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

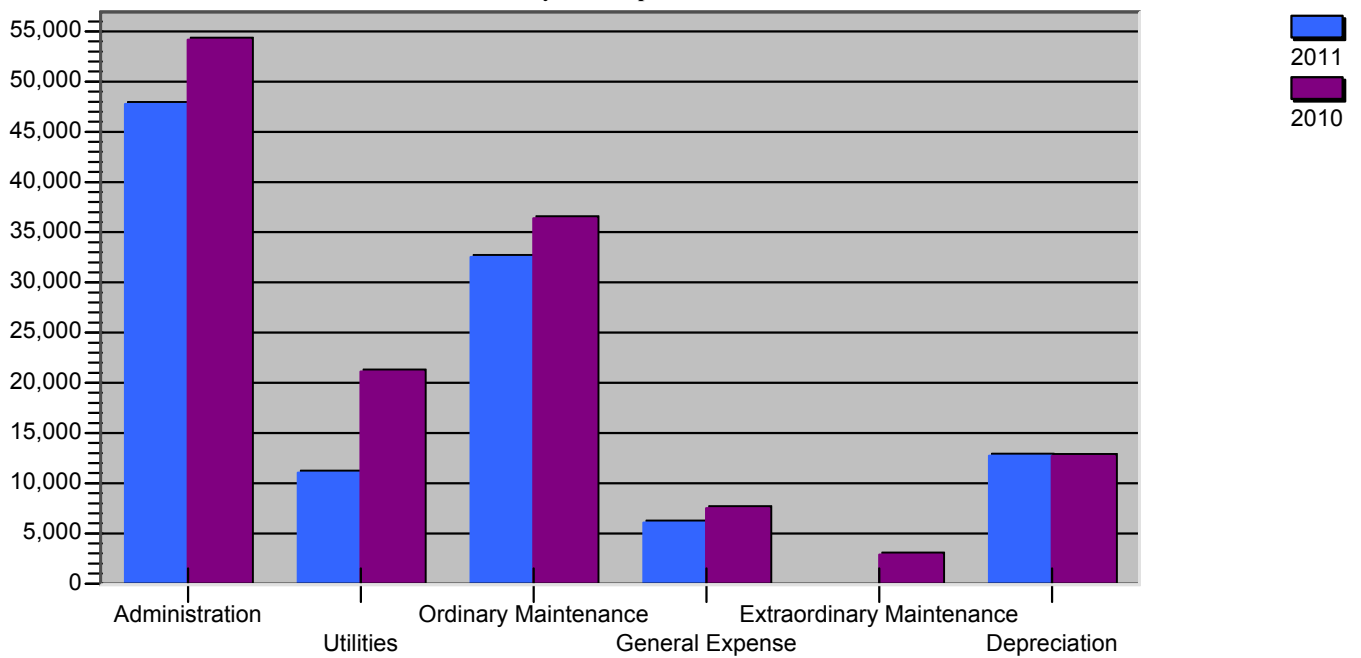
*Management's Discussion and Analysis-Continued*

*Housing Authority Activities & Highlights, continued*

**Wagon Mound Housing Authority**  
Analysis of Revenue FYE 6/30/11



**Wagon Mound Housing Authority**  
Analysis of Expenses FYE 6/30/11



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

### **Housing Authority Activities & Highlights, continued**

#### **Capital Assets**

As of June 30, 2011, the Wagon Mound Housing Authority's investment in capital assets was 125,569. This investment includes land, building, and equipment and construction in progress.

| <b>Category</b>          | <b>FYE 2011</b> | <b>FYE 2010</b> | <b>Change \$</b> | <b>Change%</b> |
|--------------------------|-----------------|-----------------|------------------|----------------|
| Land                     | 7,227           | \$ 7,227        | \$ -             | - %            |
| Buildings                | 840,774         | 840,774         | -                | - %            |
| Equipment                | 15,774          | 15,774          | -                | - %            |
| Construction in Progress | 4,709           | 4,709           | -                | - %            |
| Accumulated Depreciation | (742,915)       | (730,175)       | (12,740)         | 2 %            |
|                          |                 |                 |                  |                |
| Total Net Fixed Assets   | \$ 125,569      | \$ 138,309      | \$ (12,740)      | (9)%           |

No capital assets were purchased or completed in the current fiscal year. Accumulated depreciation changed due to the addition of the current year's depreciation.

#### **Subsequent Event**

Subsequent to June 30, 2011, the Housing Authority was able to draw CFP monies into their operations. The amount was \$20,804. These funds may be used for normal day-to-day activities of the Housing Authority and they have helped to increase the available cash balance of the Authority.

#### **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**  
**WAGON MOUND HOUSING AUTHORITY**  
**(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)**  
**WAGON MOUND, NEW MEXICO**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

|   | <b>Business<br/>Type<br/>Activities</b> |
|---|---|
|   | <u>                    </u>             |
| <b>ASSETS</b>                                   |   |
| Cash and cash equivalents                       | \$ 7,072                                |
| Inventory, net of obsolete inventory            | 5,162                                   |
| Prepaid Insurance                               | 344                                     |
| Temporary restricted Assets:                    |   |
| Cash and cash equivalents                       | 3,344                                   |
| Capital assets not being depreciated:           |   |
| Land  | 7,227                                   |
| Construction work in process                    | 4,709                                   |
| Capital assets net of accumulated depreciation: |   |
| Buildings and improvements                      | <u>113,633</u>                          |
| <b>Total Assets</b>                             | <b><u>141,491</u></b>                   |
| <b>LIABILITIES</b>                              |   |
| Accounts payable                                | 2,828                                   |
| Accrued salaries and benefits                   | 3,915                                   |
| Security deposits                               | <u>3,744</u>                            |
| <b>Total liabilities</b>                        | <b><u>10,487</u></b>                    |
| <b>NET ASSETS</b>                               |   |
| Net assets invested in capital assets           | 125,569                                 |
| Unrestricted                                    | <u>5,435</u>                            |
| <b>Total net assets</b>                         | <b><u>131,004</u></b>                   |
| <b>Total liabilities and net assets</b>         | <b><u>\$ 141,491</u></b>                |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
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, 2011**

| <u>Function/Programs</u>         | <u>Expenses</u>   | <u>Program Revenues</u>             |   | <u>Total</u>             |
|----------------------------------|-------------------|-------------------------------------|---|--------------------------|
|                                  |                   | <u>Charges<br/>for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> |                          |
| Business-type activities:        |                   |                                     |   |                          |
| Housing Services                 | \$ <u>110,152</u> | \$ <u>33,358</u>                    | \$ <u>76,477</u>                                  | \$ <u>(317)</u>          |
|                                  | <u>110,152</u>    | <u>33,358</u>                       | <u>76,477</u>                                     | <u>(317)</u>             |
| General revenues:                |                   |                                     |   |                          |
| Interests on investments         |                   |                                     |   | 61                       |
| Change in net assets             |                   |                                     |   | <u>(256)</u>             |
| Net assets at beginning of year  |                   |                                     |   | 131,260                  |
| <b>Net assets at end of year</b> |                   |                                     |   | <b>\$ <u>131,004</u></b> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
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, 2011

|  | <b>United State Department of<br/>Housing and Urban<br/>Development Programs</b> |                                       |                          |
|--|--|---------------------------------------|--------------------------|
|  | <b>Low<br/>Rent<br/>Housing</b>  | <b>Capital<br/>Funds<br/>Programs</b> | <b>Totals</b>            |
| <b><u>ASSETS</u></b>                             |  |                                       |                          |
| Current, unrestricted assets:                    |  |                                       |                          |
| Cash and Cash equivalents                        | \$ 7,072   |                                       | \$ 7,072                 |
| Inventory, net of obsolete inventory             | 5,162  |                                       | 5,162                    |
| Prepaid Insurance                                | <u>344</u>   |                                       | <u>344</u>               |
| <b>Total unrestricted current assets</b>         | <b><u>12,578</u></b>   |                                       | <b><u>12,578</u></b>     |
| Current, restricted assets:                      |  |                                       |                          |
| Cash and cash equivalents:                       |  |                                       |                          |
| Tenant Security deposits                         | <u>3,344</u>   |                                       | <u>3,344</u>             |
| Total current restricted assets                  | <u>3,344</u>   |                                       | <u>3,344</u>             |
| <b>Total current assets</b>                      | <b><u>15,922</u></b>   |                                       | <b><u>15,922</u></b>     |
| Capital assets:                                  |  |                                       |                          |
| Capital assets not being depreciated:            |  |                                       |                          |
| Land   | 7,227  |                                       | 7,227                    |
| Construction in progress                         |  | \$ 4,709                              | 4,709                    |
| Capital assets net of accumulated depreciation:  |  |                                       |                          |
| Buildings and building improvements              | <u>113,633</u>   |                                       | <u>113,633</u>           |
| <b>Total capital assets, net of depreciation</b> | <b><u>120,860</u></b>  | <b><u>4,709</u></b>                   | <b><u>125,569</u></b>    |
| <b>Total assets and other debits</b>             | <b><u>\$ 136,782</u></b>   | <b><u>\$ 4,709</u></b>                | <b><u>\$ 141,491</u></b> |

The accompanying notes are an integral part of these financial statements.



STATE OF NEW MEXICO  
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, 2011

|  | <b>United State Department of<br/>Housing and Urban<br/>Development Programs</b> |                                       |                          |
|--|--|---------------------------------------|--------------------------|
|  | <b>Low<br/>Rent<br/>Housing</b>  | <b>Capital<br/>Funds<br/>Programs</b> | <b>Totals</b>            |
|  | <u>          </u>  | <u>          </u>                     | <u>          </u>        |
| <b><u>LIABILITIES AND EQUITY</u></b>                       |  |                                       |                          |
| Current liabilities, payable from unrestricted assets:     |  |                                       |                          |
| Accounts payable   | \$ 2,828   |                                       | \$ 2,828                 |
| Accrued salaries and benefits                              | <u>3,915</u>   |                                       | <u>3,915</u>             |
| Total current liabilities payable from unrestricted assets | <u>6,743</u>   |                                       | <u>6,743</u>             |
| Current liabilities, payable from restricted assets:       |  |                                       |                          |
| Tenant security deposits payable                           | <u>3,744</u>   |                                       | <u>3,744</u>             |
| Total current liabilities payable from restricted assets   | <u>3,744</u>   |                                       | <u>3,744</u>             |
| <b>Total current liabilities</b>                           | <u><b>10,487</b></u>   |                                       | <u><b>10,487</b></u>     |
| <b>Total liabilities</b>                                   | <u><b>10,487</b></u>   |                                       | <u><b>10,487</b></u>     |
| Net Assets:  |  |                                       |                          |
| Invested in capital assets                                 | 120,860  | \$ 4,709                              | 125,569                  |
| Unrestricted   | <u>5,435</u>   |                                       | <u>5,435</u>             |
| <b>Total net assets</b>                                    | <u><b>126,295</b></u>  | <u><b>4,709</b></u>                   | <u><b>131,004</b></u>    |
| <b>Total liabilities and net assets</b>                    | <u><b>\$ 136,782</b></u>   | <u><b>\$ 4,709</b></u>                | <u><b>\$ 141,491</b></u> |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**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, 2011**

|                                       | <b>United State Department<br/>of Housing and Urban<br/>Development Programs</b> |                                       |                     |
|---------------------------------------|--|---------------------------------------|---------------------|
|                                       | <b>Low<br/>Rent<br/>Housing</b>  | <b>Capital<br/>Funds<br/>Programs</b> | <b>Totals</b>       |
|                                       | <u>          </u>  | <u>          </u>                     | <u>          </u>   |
| Operating revenues:                   |  |                                       |                     |
| Charges for services                  | \$ 33,358  |                                       | \$ 33,358           |
| Operating grants                      | <u>65,856</u>  | \$ <u>10,621</u>                      | <u>76,477</u>       |
|                                       | <u>99,214</u>  | <u>10,621</u>                         | <u>109,835</u>      |
| Operating expenses:                   |  |                                       |                     |
| Administrative                        | 45,949   | 1,812                                 | 47,762              |
| Utilities                             | 11,049   |                                       | 11,049              |
| Ordinary maintenance                  | 29,891   | 2,648                                 | 32,539              |
| General                               | 6,063  |                                       | 6,063               |
| Depreciation                          | <u>12,740</u>  |                                       | <u>12,739</u>       |
| Total operating expenses              | <u>105,692</u>   | <u>4,460</u>                          | <u>110,152</u>      |
| <b>Net operating income( loss)</b>    | <u><b>(6,478)</b></u>  | <u><b>6,161</b></u>                   | <u><b>(317)</b></u> |
| Nonoperating income (expenses):       |  |                                       |                     |
| Interest income                       | <u>61</u>  |                                       | <u>61</u>           |
| Total nonoperating revenue (expenses) | <u>61</u>  |                                       | <u>61</u>           |
| <b>Income (loss) before transfers</b> | <b>(6,417)</b>   | <b>6,161</b>                          | <b>(256)</b>        |
| Transfers in                          | 6,161  |                                       | 6,161               |
| Transfers out                         |  | <u>(6,161)</u>                        | <u>(6,161)</u>      |
| <b>Change in net assets</b>           | <b>(256)</b>   |                                       | <b>(256)</b>        |
| Fund net assets, at beginning of year | <u>131,260</u>   |                                       | <u>131,260</u>      |
| Fund net assets, at end of year       | <u>\$ 131,004</u>  |                                       | <u>\$ 131,004</u>   |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
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, 2011**

|  | <b>United State Department<br/>of Housing and Urban<br/>Development Programs</b> |                                       |                   |
|--|--|---------------------------------------|-------------------|
|  | <b>Low<br/>Rent<br/>Housing</b>  | <b>Capital<br/>Funds<br/>Programs</b> | <b>Totals</b>     |
| Cash flow from operating activities:                 |  |                                       |                   |
| Cash received from HUD for operating purposes        | \$ 65,856  | \$ 10,621                             | \$ 76,477         |
| Cash received from tenants and others for charges    | 33,989   |                                       | 33,989            |
| Cash payments to and on behalf of employees          | (29,379)   |                                       | (29,379)          |
| Cash payment to vendors for goods and services       | <u>(77,123)</u>  | <u>(4,460)</u>                        | <u>(81,583)</u>   |
| Net cash flows from operating activities             | <u>(6,657)</u>   | <u>6,161</u>                          | <u>(496)</u>      |
| Cash flows from noncapital financing activities:     |  |                                       |                   |
| Interprogram net transfers                           | <u>6,161</u>   | <u>(6,161)</u>                        | <u>          </u> |
| Net cash flows from noncapital financing activities  | <u>6,161</u>   | <u>(6,161)</u>                        | <u>          </u> |
| Cash flows from investing activities:                |  |                                       |                   |
| Interest received                                    | <u>61</u>  | <u>          </u>                     | <u>61</u>         |
| Net cash flows from investing activities             | <u>61</u>  | <u>          </u>                     | <u>61</u>         |
| Net increase (decrease) in cash and cash equivalents | (435)  |                                       | (435)             |
| Cash and cash equivalents, at beginning of year      | <u>10,851</u>  | <u>          </u>                     | <u>10,851</u>     |
| Cash and cash equivalents, at end of year            | <u>\$ 10,416</u>   | <u>          </u>                     | <u>\$ 10,416</u>  |
| Shown on Exhibit 3 as:                               |  |                                       |                   |
| Unrestricted cash and cash equivalents               | \$ 7,072   |                                       | \$ 7,072          |
| Restricted cash and cash equivalents                 | <u>3,344</u>   | <u>          </u>                     | <u>3,344</u>      |
|  | <u>\$ 10,416</u>   | <u>          </u>                     | <u>\$ 10,416</u>  |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**WAGON MOUND HOUSING AUTHORITY**  
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**WAGON MOUND, NEW MEXICO**  
**PROPRIETARY FUNDS / ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOWS, continued**  
**For The Year Ended June 30, 2011**

|   | <b>United State Department<br/>of Housing and Urban<br/>Development Programs</b> |                                       |                 |
|---|--|---------------------------------------|-----------------|
|   | <b>Low<br/>Rent<br/>Housing</b>  | <b>Capital<br/>Funds<br/>Programs</b> | <b>Totals</b>   |
| <b><u>Reconciliation of Operating Income (loss) To Net Cash<br/>Flows From Operating Activities</u></b> |  |                                       |                 |
| Net operating income (loss)   | \$ (6,478)   | \$ 6,161                              | \$ (317)        |
| Adjustment to reconcile operating income (loss) to cash<br>flows from operating activities:             |  |                                       |                 |
| Depreciation  | 12,740   |                                       | 12,740          |
| (Increase) decrease in assets:  |  |                                       |                 |
| Account receivable, net   | 319  |                                       | 319             |
| Prepaid expenses  | (266)  |                                       | (266)           |
| Prepaid expenses  | (5,162)  |                                       | (5,162)         |
| Increase (decrease) in liabilities:   |  |                                       |                 |
| Accounts payable  | (8,285)  |                                       | (8,285)         |
| Accrued salaries and benefits   | 163  |                                       | 163             |
| Deferred revenue  | (182)  |                                       | (182)           |
| Tenant security deposits  | 494  |                                       | 494             |
| Cash flows from operating activities  | <u>\$ (6,657)</u>  | <u>\$ 6,161</u>                       | <u>\$ (496)</u> |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**WAGON MOUND HOUSING AUTHORITY**  
**(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND, NEW MEXICO)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**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 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 Wagon Mound Housing Authority during the year ended June 30, 2011.

**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:

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WAGON MOUND HOUSING AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS, *continued*  
June 30, 2011

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

C. **BASIS OF PRESENTATION, continued**

Low Rent Housing Program:

PHA Code: NM032

Project No. NM032-00000111D & NM032-00000110D

Capital Funds Programs:

Project No. NM02P032501-10 & NM02P032501-09

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 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.

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.

STATE OF NEW MEXICO  
WAGON MOUND HOUSING AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS, *continued*  
June 30, 2011

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

D. **BASIS OF ACCOUNTING, *continued***

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)

F. **REVENUE 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 is 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.

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WAGON MOUND HOUSING AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2011

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

**H. INVENTORY**

Inventory is reported in the Statement of Net Assets (government-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.

**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.

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

There was no interest to capitalize on construction.

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, 2011.



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NOTES TO FINANCIAL STATEMENTS, *continued*  
June 30, 2011

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

**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.

**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, noncapital 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, 2011 there were no interfund receivables/payables in the proprietary fund financial statements.

A schedule of transfers during the year ended June 30, 2011 is presented in Note 3.

**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.

STATE OF NEW MEXICO  
WAGON MOUND HOUSING AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS, *continued*  
June 30, 2011

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

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.

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. There were not any restricted net assets at June 30, 2011.
- 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 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, 2011

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).

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).

**STATE OF NEW MEXICO  
WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND, NEW MEXICO)  
NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2011**

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

By its nature as a federally funded Housing Authority, the 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 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, 2011 the Housing Authority had complied with its investment policy and all deposits were insured.

**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:

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NOTES TO FINANCIAL STATEMENTS, *continued*  
June 30, 2011

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

**B. REVENUE RESTRICTIONS, *continued***

| <u>Revenue Source:</u>  | <u>Legal Restrictions of Use</u>   |
|---|--|
| Low Rent Housing Program:<br>LRH Operating subsidy and tenant rental income | Funds are available to achieve and maintain adequate operating and maintenance services and reserves.      |
| Housing Capital Fund:<br>Federal (HUD) grant                                | Funds are 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, 2011, 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.

Concentration of credit risk – During the year ended June 30, 2011 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, 2011, the Housing Authority's deposits were either fully insured and or collateralized with securities of a Federal Agency of the United States of America.

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NOTES TO FINANCIAL STATEMENTS, *continued*  
June 30, 2011

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

A. **CASH AND INVESTMENTS, continued**

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 charge.

D. **TRANSFERS**

During the year ended June 30, 2011 the Capital Funds Project (CFP) transferred \$6,161 operating net income to the Low Rent Housing Project (LRH).

E. **CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2011, was as follows:

|                                    | <u>Balance at</u><br><u>June 30, 2010</u> | <u>Addition</u>           | <u>Deletion</u> | <u>Balance at</u><br><u>June 30, 2011</u> |
|------------------------------------|---|---------------------------|-----------------|---|
| Assets not being depreciated       |   |                           |                 |   |
| Land                               | \$ 7,227                                  |                           |                 | \$ 7,227                                  |
| Construction in Progress           | <u>4,709</u>                              |                           |                 | <u>4,709</u>                              |
| Sub-total                          | <u>11,936</u>                             |                           |                 | <u>11,936</u>                             |
| Assets being depreciated           |   |                           |                 |   |
| Building and building improvements | 840,774                                   |                           |                 | 840,774                                   |
| Machinery and equipment            | <u>15,774</u>                             |                           |                 | <u>15,774</u>                             |
| Sub-total                          | <u>856,548</u>                            |                           |                 | <u>856,548</u>                            |
| Less accumulated depreciation:     |   |                           |                 |   |
| Building and building improvements | 714,401                                   | \$ 12,740                 |                 | 727,141                                   |
| Machinery and equipment            | <u>15,774</u>                             |                           |                 | <u>15,774</u>                             |
| Sub-total                          | <u>730,175</u>                            | <u>12,740</u>             |                 | <u>742,915</u>                            |
| <b>Net capital assets</b>          | <b><u>\$ 138,309</u></b>                  | <b><u>\$ (12,740)</u></b> |                 | <b><u>\$ 125,569</u></b>                  |

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2011**

**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.

**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.

## SUPPLEMENTARY INFORMATION



STATE OF NEW MEXICO  
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PROPRIETARY FUNDS / ENTERPRISE FUNDS  
LOW RENT HOUSING  
STATEMENT OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL (NON-GAP BASIS)  
For The Year Ended June 30, 2011

|   | Budgeted Amounts   |                 | Actual<br>(Budgetary<br>Basis) | Variances                      |                              |
|---|--------------------|-----------------|--------------------------------|--------------------------------|------------------------------|
|   | Original<br>Budget | Final<br>Budget |                                | Positive (Negative)            |                              |
|   |                    |                 |                                | Original<br>Budget to<br>Final | Actual to<br>Final<br>Budget |
| Revenues:                               |                    |                 |                                |                                |                              |
| Intergovernmental - Federal             | \$ 73,329          | \$ 65,856       | \$ 65,856                      | \$ (7,473)                     |                              |
| Charges for services                    | 29,420             | 32,880          | 33,358                         | 3,460                          | \$ 478                       |
| Interest                                | 170                | 90              | 61                             | (80)                           | (29)                         |
|   | <u>102,919</u>     | <u>98,826</u>   | <u>99,275</u>                  | <u>(4,093)</u>                 | <u>449</u>                   |
| Expenses:                               |                    |                 |                                |                                |                              |
| Current:                                |                    |                 |                                |                                |                              |
| Housing expenses:                       |                    |                 |                                |                                |                              |
| Administration                          | 49,380             | 47,110          | 45,949                         | 2,270                          | 1,161                        |
| Tenant services                         | 400                | 400             |                                |                                | 400                          |
| Utilities                               | 23,150             | 10,650          | 11,049                         | 12,500                         | (399)                        |
| Maintenance                             | 30,200             | 34,430          | 29,891                         | (4,230)                        | 4,539                        |
| General                                 | 8,000              | 9,650           | 6,063                          | (1,650)                        | 3,587                        |
|   | <u>111,130</u>     | <u>102,240</u>  | <u>92,952</u>                  | <u>8,890</u>                   | <u>9,288</u>                 |
| Revenues over (under) expenses          | (8,211)            | (3,414)         | 6,323                          | 4,797                          | 9,737                        |
| Other financing sources (uses):         |                    |                 |                                |                                |                              |
| Transfers in                            |                    | 6,160           | 6,161                          | 6,160                          | 1                            |
| Transfers out                           |                    |                 |                                |                                |                              |
|   | <u>\$ (8,211)</u>  | <u>\$ 2,746</u> | <u>12,484</u>                  | <u>\$ 10,957</u>               | <u>\$ 9,738</u>              |
| Reconciliation to GAAP Basis Statement: |                    |                 |                                |                                |                              |
| Non-budgeted income/expenses:           |                    |                 |                                |                                |                              |
| Capital assets transferred in           |                    |                 |                                |                                |                              |
| Depreciation                            |                    |                 | 12,740                         |                                |                              |
| Change in net assets                    |                    |                 | \$ (256)                       |                                |                              |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)  
WAGON MOUND, NEW MEXICO  
PROPRIETARY FUNDS / ENTERPRISE FUNDS  
CAPITAL FUNDS PROGRAMS  
STATEMENT OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL (NON-GAP BASIS)  
For The Year Ended June 30, 2011

|                                 | Budgeted Amounts   |                   | Actual<br>(Budgetary<br>Basis) | Variances                      |                              |
|---------------------------------|--------------------|-------------------|--------------------------------|--------------------------------|------------------------------|
|                                 |                    |                   |                                | Positive (Negative)            |                              |
|                                 | Original<br>Budget | Final<br>Budget   |                                | Original<br>Budget to<br>Final | Actual to<br>Final<br>Budget |
| Revenues:                       |                    |                   |                                |                                |                              |
| Operating grants                | \$ 0               | \$ 10,270         | \$ 10,621                      | \$ 10,270                      | \$ 351                       |
|                                 | <u>0</u>           | <u>10,270</u>     | <u>10,621</u>                  | <u>10,270</u>                  | <u>351</u>                   |
| Expenses:                       |                    |                   |                                |                                |                              |
| Current:                        |                    |                   |                                |                                |                              |
| Housing expenses:               |                    |                   |                                |                                |                              |
| Administration                  | 0                  | 1,810             | 1,812                          | (1,810)                        | (2)                          |
| Maintenance                     | <u>0</u>           | <u>2,300</u>      | <u>2,648</u>                   | <u>(2,300)</u>                 | <u>(348)</u>                 |
|                                 | <u>0</u>           | <u>4,110</u>      | <u>4,460</u>                   | <u>(4,110)</u>                 | <u>(350)</u>                 |
| Revenues over (under) expenses  | 0                  | 6,160             | 6,161                          | 6,160                          | 1                            |
| Other financing sources (uses): |                    |                   |                                |                                |                              |
| Transfers out                   | <u>          </u>  | <u>(6,160)</u>    | <u>(6,161)</u>                 | <u>(6,160)</u>                 | <u>(1)</u>                   |
|                                 | <u>          </u>  | <u>          </u> | <u>          </u>              | <u>          </u>              | <u>          </u>            |

The accompanying notes are an integral part of these financial statements.

## OTHER SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO**  
**WAGON MOUND HOUSING AUTHORITY**  
**(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)**  
**WAGON MOUND, NEW MEXICO**  
**SCHEDULE OF BANK DEPOSITORIES**  
**June 30, 2011**

| <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> |
|---------------------|-----------------------------------|-------------------|---------------------|----------------------------|---------------------------|--------------------------|---------------------|
| Community 1st Bank: |                                   |                   |                     |                            |                           |                          |                     |
|                     | Operating Account                 | 1                 | \$ 6,928            |                            | \$ (250)                  |                          | \$ 6,678            |
|                     | Savings Account                   | 2                 | 394                 |                            |                           |                          | 394                 |
|                     | Tenant Security Deposits          | 1                 | <u>3,344</u>        |                            |                           |                          | <u>3,344</u>        |
|                     | Total with financial institutions |                   | <u>\$10,666</u>     |                            | <u>\$ (250)</u>           |                          | <u>\$ 10,416</u>    |

Shown on Statement of Net Assets as:

|                            |                  |
|----------------------------|------------------|
| Cash and Cash equivalents  | \$ 7,072         |
| Current restricted assets: |                  |
| Cash and cash equivalents  | <u>3,344</u>     |
|                            | <u>\$ 10,416</u> |

Account Types:

- 1 Demand Deposits
- 2 Savings

**STATE OF NEW MEXICO**  
**WAGON MOUND HOUSING AUTHORITY**  
**(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND, NEW MEXICO)**  
**FINANCIAL DATA SCHEDULE**  
**June 30, 2011**

| Accounts Description                                       | Low<br>Rent Public<br>Housing | Public Housing<br>Capital<br>Funds<br>Programs | Total             |
|--|-------------------------------|--|-------------------|
| <b>ASSETS:</b>   |                               |  |                   |
| Cash - Unrestricted  | \$ 7,072                      |  | \$ 7,072          |
| Cash - Tenant Security Deposits                            | 3,344                         |  | 3,344             |
| <b>Total Cash</b>  | <b>10,416</b>                 |  | <b>10,416</b>     |
| Inventory, net of obsolete inventory                       | 5,162                         |  | 5,162             |
| Prepaid Expenses and Other Assets                          | 344                           |  | 344               |
| <b>Total Current Assets</b>                                | <b>15,922</b>                 |  | <b>15,922</b>     |
| Land   | 7,227                         |  | 7,227             |
| Buildings  | 840,774                       |  | 840,774           |
| Furniture, Equipment & Machinery - Administration          | 15,774                        |  | 15,774            |
| Accumulated Depreciation                                   | (742,915)                     |  | (742,915)         |
| Construction work in Progress                              |                               | \$ 4,709                                       | 4,709             |
| <b>Total Fixed Assets, Net of Accumulated Depreciation</b> | <b>120,860</b>                | <b>4,709</b>                                   | <b>125,569</b>    |
| <b>Total Non-Current Assets</b>                            | <b>120,860</b>                | <b>4,709</b>                                   | <b>125,569</b>    |
| <b>Total Assets</b>  | <b>136,782</b>                | <b>4,709</b>                                   | <b>141,491</b>    |
| <b>LIABILITIES:</b>  |                               |  |                   |
| Accounts payable <90 days                                  | 2,828                         |  | 2,828             |
| Accrued wage/payroll taxes payable                         | 3,915                         |  | 3,915             |
| Tenant Security Deposits                                   | 3,744                         |  | 3,744             |
| <b>Total Current Liabilities</b>                           | <b>10,487</b>                 |  | <b>10,487</b>     |
| <b>Total Liabilities</b>                                   | <b>10,487</b>                 |  | <b>10,487</b>     |
| Invested in Capital Assets, Net of Related Debt            | 120,860                       | 4,709  | 125,569           |
| Unrestricted Net Assets                                    | 5,435                         |  | 5,435             |
| <b>Total Equity/Net Assets</b>                             | <b>126,295</b>                | <b>4,709</b>                                   | <b>131,004</b>    |
| <b>Total Liabilities and Equity/Net Assets</b>             | <b>\$ 136,782</b>             | <b>\$ 4,709</b>                                | <b>\$ 141,491</b> |

**STATE OF NEW MEXICO  
WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND, NEW MEXICO)  
FINANCIAL DATA SCHEDULE  
June 30, 2011**

| Accounts Description  | Low<br>Rent Public<br>Housing | Public Housing<br>Capital Funds<br>Programs | Total             |
|---|-------------------------------|---|-------------------|
| <b>REVENUE:</b>   |                               |   |                   |
| Net Tenant Rental Revenue   | \$ 32,819                     |   | \$ 32,819         |
| Tenant Revenue-Other  | 539                           |   | 539               |
| <b>Total Tenant Revenue</b>   | <b>33,358</b>                 |   | <b>33,358</b>     |
| HUD PHA Operating Grants  | 65,856                        |   | 65,856            |
| Capital Grants  |                               | \$ 10,621                                   | 10,621            |
| Investment Income - Unrestricted                                      | 61                            |   | 61                |
| <b>Total Revenue</b>  | <b>99,275</b>                 | <b>10,621</b>                               | <b>109,896</b>    |
| <b>EXPENSES:</b>  |                               |   |                   |
| Administrative salaries   | 26,959                        |   | 26,959            |
| Auditing fees   | 5,463                         | 1,812                                       | 7,275             |
| Advertising and marketing   | 423                           |   | 423               |
| Employee benefit contributions - administrative                       | 2,583                         |   | 2,583             |
| Office expense  | 1,373                         |   | 1,373             |
| Legal expense   |                               |   |                   |
| Travel expense  | 2,637                         |   | 2,637             |
| Other administrative expenses   | 6,510                         |   | 6,510             |
| Tenant service  |                               |   |                   |
| Water   | 3,206                         |   | 3,206             |
| Electricity   | 2,074                         |   | 2,074             |
| Gas   | 3,908                         |   | 3,908             |
| Other utilities expense   | 1,861                         |   | 1,861             |
| Ordinary maintenance and operations - materials and other             | 5,033                         | 2,648                                       | 7,681             |
| Garbage & trash removal contracts                                     | 2,092                         |   | 2,092             |
| Plumbing contracts  | 260                           |   | 260               |
| Miscellaneous contracts   | 15,201                        |   | 15,201            |
| Property insurance  | 1,955                         |   | 1,955             |
| Liability insurance   | 695                           |   | 695               |
| Workman's compensation insurance                                      | 1,151                         |   | 1,151             |
| All other insurance   | 940                           |   | 940               |
| Other General Expenses  | 8,628                         |   | 8,628             |
| <b>Total Operating Expenses</b>                                       | <b>92,952</b>                 | <b>4,460</b>                                | <b>97,412</b>     |
| <b>Excess Operating Revenue over Operating Expenses</b>               | <b>6,323</b>                  | <b>6,161</b>                                | <b>12,484</b>     |
| Extraordinary Maintenance   |                               |   |                   |
| Depreciation Expenses   | 12,740                        |   | 12,740            |
| <b>Total Expenses</b>   | <b>105,692</b>                | <b>4,460</b>                                | <b>110,152</b>    |
| <b>OTHERS FINANCING SOURCES (USES):</b>                               |                               |   |                   |
| Operating Transfers In  | 6,161                         |   | 6,161             |
| Operating Transfers Out   |                               | (6,161)                                     | (6,161)           |
| <b>Total Other Financing Sources (Uses)</b>                           | <b>6,161</b>                  | <b>(6,161)</b>                              |                   |
| <b>Excess (Deficiency) of Total Revenue Over(Under) Total Expense</b> | <b>(256)</b>                  |   | <b>(256)</b>      |
| Beginning Net Assets/Equity   | 131,260                       |   | 131,260           |
| <b>Ending Net Assets/ Equity</b>                                      | <b>\$ 131,004</b>             |   | <b>\$ 131,004</b> |
| Unit Months Available   | 216                           |   |                   |
| Number of Unit Months Leased  | 166                           |   |                   |

## **COMPLIANCE SECTION**

**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**

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

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

We 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 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, 2011, and have issued our report thereon dated November 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Housing Authority's internal control over financial reporting as a basis for designing our 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, we do not express an opinion on the effectiveness of the 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies, as defined above.

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 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 the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.



**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**

We consider the deficiencies described in accompanying *Schedule of Findings and Responses* as items 11-01 to be significant deficiencies in internal control.

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 entity'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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The 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 the Housing Authority's response and, accordingly, we 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.

**Harshwal & Company LLP  
Certified Public Accountants**

*Harshwal & Company LLP*

**Albuquerque, New Mexico  
November 08, 2010**

**INDEPENDENT AUDITORS' REPORT  
ON ADDITIONAL INFORMATION**

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

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

Our report on the audit of the basic financial statements of the 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, 2011 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 our opinion, presents fairly, in all material respects, the financial position of the Wagon Mound Housing Authority as of June 30, 2011, and the results of its operations for the year then ended in conformity with the accounting practices prescribed or permitted by HUD/REAC.

**Harshwal & Company LLP  
Certified Public Accountants**

*Harshwal & Company LLP*

**Albuquerque, New Mexico  
November 8, 2011**

**STATE OF NEW MEXICO  
WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND, NEW MEXICO)  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2011**

**PRIOR YEAR FINDINGS**

**STATUS**

|       |   |          |
|-------|---|----------|
| 09-01 | Late Audit Report                         | Resolved |
| 10-01 | Timely Filing with Property Documentation | Repeat   |

**CURRENT YEAR FINDINGS**

|       |   |  |
|-------|---|--|
| 11-01 | Timely Filing with Property Documentation |  |
|-------|---|--|

STATE OF NEW MEXICO  
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, 2011

**11-01 Timely Filing with Proper Documentation**

**Criteria or Specific Requirement:** Filings and payments to IRS for taxes should be made within guidelines and due dates.

**Condition:** The quarterly 941 forms and payments for FY 2011 were not submitted by the deadline which is the last day of the month following the end of the quarter, so penalty and interest expense incurred.

**Cause and Effect:** There was a delay in submitting 941 forms and payments to the IRS. The Village is not in compliance with IRS rules regarding to the 941 form filing and payments.

**Auditors' Recommendations:** Management should ensure that the preparing and paying taxes be done on a timely manner so that the tax report and payment will be submitted on or before the deadline.

**Entity Response:** Our review of payments received from our Fee Account and payments made, clearly disclosed an unacceptable time frame from receipt to payment date on occasion.

The current Executive Director has been instructed to sign and date each bill received from the Fee Accountant and again sign and date the Tax Bill was mailed. These bills will be paid immediately upon receipt and recorded as requested.

It is also highly recommended that the Board Member signing these checks acknowledge and initial these Tax vouchers every month so as to remain in compliance with this payment and any other voucher of importance.

**STATE OF NEW MEXICO  
WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND, NEW MEXICO)  
EXIT CONFERENCE  
For The Year Ended June 30, 2011**

**Preparation of Financial Statements:**

The Wagon Mound Housing Authority is responsible for the form and content of the accompanying financial statements which have been prepared by Harshwal & Company LLP.

**Exit Conference**

On August 26, 2011, an exit conference was held at the offices of the Wagon Mound Housing Authority. In attendance were the following:

**Representing the Wagon Mound Housing Authority:**

Ricardo Valenzuela Executive Director

**Representing Harshwal & Company LLP:**

Sanwar Harshwal, *CPA, CIA, CFE, CISA, FCA* Auditor-in-Charge