



KRIEGEL/GRAY/SHAW & CO., P.C.

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STATE OF NEW MEXICO

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2013

VILLAGE OF WAGON MOUND HOUSING AUTHORITY
TABLE OF CONTENTS
JUNE 30, 2013

	<u>Page</u>
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS:	
Proprietary Funds:	
Statements of Net Position	9
Statements of Revenues, Expenses, and Changes in Fund Net Position	10
Statements of Cash Flows	11
NOTES TO FINANCIAL STATEMENTS	13
SUPPLEMENTARY INFORMATION	
Statement of Revenues and Expenses - Budget (Non-GAAP Basis) and Actual (Cash Basis):	
Low Rent	19
CFP – 2009	20
CFP – 2011	21
OTHER SUPPLEMENTARY INFORMATION	
Financial Data Schedule	22
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	24
Schedule of Findings and Responses	26
Exit Conference	31

VILLAGE OF WAGON MOUND HOUSING AUTHORITY
OFFICIAL ROSTER
JUNE 30, 2013

Board of Directors

<u>Name</u>	<u>Title</u>
<i>Arthur Arguello</i>	<i>Mayor</i>
<i>Kathy Romero</i>	<i>Chairperson</i>
<i>Ester Mondragon</i>	<i>Board Member</i>
<i>Margie Woods</i>	<i>Board Member</i>
<i>Angie Romero</i>	<i>Board Member</i>

Administrative Officials

<i>Theresa Carmody</i>	<i>Executive Director</i>
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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Village of Wagon Mound Housing Authority (Authority), a component unit of the Village of Wagon Mound (Village), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information, as defined by the Government Accounting Standards Board for the year ended June 30, 2013 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the year then ended in conformity with budgetary basis required by the U.S. Department of Housing and Urban Development that is more fully described in Note 8 which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Reporting Entity

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and changes in its financial position and cash flows of only that portion of the Village that is attributable to the Authority. They do not purport to, and do not present fairly the financial position of the Village as of June 30, 2013, and the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Financial Data Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013 on our consideration of the 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* in considering the Authority's internal control over financial reporting and compliance.

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

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 27, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

The following is an analysis for the Wagon Mound Housing Authority's financial performance. It is to provide the reader with an overview to the Authority's financial activities for the fiscal year ended June 30, 2013. The information contained here in this MD&A should be considered in conjunction with the Authority's basic financial statements.

Financial Highlights

- The Wagon Mound Housing Authority's total assets increased from \$159,948 to \$165,497 an increase of \$5,549 or 3.5%.
- The net position balance increased from \$151,343 to \$154,768 at June 30, 2013. This represents an increase of \$3,425 or 2.3% from the previous year. The unrestricted net position balance increased from \$34,332 to \$43,587, an increase of \$9,255 or 27.0%.
- Revenues decreased from \$143,859 to \$114,005 a decrease of \$29,854 or 20.8% from the previous year.
- Total expenses decreased by \$13,920, from \$124,500 to \$110,580 for the current year. This represents a decrease of 11.2%.

Using this Annual Report

This annual report consists of basic financial statements and notes to the financial statements. Management's Discussion and Analysis provides a narrative of the Authority's financial performance and activities for the year ended June 30, 2013. The basic statements provide readers with a broad overview of the Authority's finances. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

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

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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

- The Low Rent Housing Program consists of the 21 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula. Tenants typically pay dwelling rent, which is based on a formula that equates to 30 percent of the tenant's adjusted gross income.
- The Capital Fund program is also funded from HUD based on a formula. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.

Housing Authority Activities & Highlights

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the years ended June 30, 2013 and June 30, 2012.

Statement of Net Position-Condensed FYE June 30

<u>Category</u>	<u>FYE2013</u>	<u>FYE 2012 Restated</u>	<u>Dollar Change</u>
Current Assets	\$50,434	\$39,347	\$11,087
Noncurrent Assets	3,882	3,590	292
Capital Assets (Net of Depreciation)	111,181	117,011	(5,830)
<i>Total Assets</i>	<i>165,497</i>	<i>159,948</i>	<i>5,549</i>
Current Liabilities	6,847	5,015	1,832
Long Term Liabilities	3,882	3,590	292
<i>Total Liabilities</i>	<i>10,729</i>	<i>8,605</i>	<i>2,124</i>
Unrestricted Net Position	43,587	34,332	9,255
Net Investment in Capital Assets	111,181	117,011	(5,830)
<i>Total Net Position</i>	<i>\$154,768</i>	<i>\$151,343</i>	<i>\$3,425</i>

Cash & Investments

Unrestricted cash and investments totaled \$43,582, an increase of \$12,903 from the previous year.

Current Assets

Current assets increased 28.2%, from \$39,347 to \$50,434 due primarily to an increase in cash at year end.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY
 (A Component Unit of the Village of Wagon Mound)
MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2013

Current Liabilities

Current liabilities increased from \$5,015 to \$6,847 or 36.5%. This increase was primarily a result of an increase of \$2,243 in accounts payable.

Net Position

The total net position balance increased from \$151,343 to \$154,768 at June 30, 2013. Unrestricted net position is the amount of available funds for future appropriations. These funds are reserved for expenditures of the actual program. The Authority's unrestricted net position total of \$43,587 is an increase of \$9,255 from the previous year.

Statement of Revenues & Expenses
FYE June 30

<u>Category</u>	<u>FYE 2013</u>	<u>FYE 2012</u>	<u>Dollar Change</u>
Rental Revenue	\$32,209	\$35,234	(\$3,025)
HUD Operating Grants	54,319	64,441	(10,122)
Capital Grants	26,043	41,918	(15,875)
Interest Income	143	86	57
Other Revenue	1,291	2,180	(889)
<i>Total Revenue</i>	<u>114,005</u>	<u>143,859</u>	<u>(29,854)</u>
Personnel	34,285	39,549	(5,264)
Operating	62,638	71,511	(8,873)
Depreciation	13,657	13,440	217
<i>Total Expenses</i>	<u>110,580</u>	<u>124,500</u>	<u>(13,920)</u>
<i>Excess of Revenue over Expenses</i>	<u>\$3,425</u>	<u>\$19,359</u>	<u>(\$15,934)</u>

Results of Operations

Operating revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenues decreased by \$29,854. Total expenses decreased by \$13,920 from the previous year. Revenues decreased from the previous year principally due to the decrease in activity noted in the CFP Program and HUD operating subsidies. Expenses decreased from the previous year principally due to decreased operating costs.

Budgets

There were no budget adjustments during the year consistent with the HUD budgeting process. There were no significant variations from budget to actuals during the year.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY
(A Component Unit of the Village of Wagon Mound)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Capital Assets

As of June 30, 2013, the Wagon Mound Housing Authority's net investment in capital assets was \$111,181. This investment includes land, building, building improvements, office equipment, and maintenance equipment.

<u>Category</u>	<u>FYE 2013</u>	<u>FYE 2012</u> <u>Restated</u>	<u>Dollar Change</u>
Land	\$7,227	\$7,227	\$0
Buildings	830,418	830,418	0
Equipment	23,601	15,774	7,827
Non-dwelling Structures	20,865	20,865	0
Accumulated Depreciation	(770,930)	(757,273)	(13,657)
<i>Total Net Fixed Assets</i>	<i>\$111,181</i>	<i>\$117,011</i>	<i>(\$5,830)</i>

No significant changes in financial position or results of operations are anticipated for the fiscal year ending June 30, 2013.

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
Theresa Carmody, Executive Director
P.O. Box 311
Wagon Mound, New Mexico 87752

BASIC FINANCIAL STATEMENTS

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

PROPRIETARY FUNDS

STATEMENTS OF NET POSITION

JUNE 30, 2013

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$43,582	\$0	\$43,582
Prepaid insurance	667	0	667
Tenant receivable - net of allowance of \$61	280	0	280
Interest receivable	8	0	8
Inventory	5,897	0	5,897
<i>Total current assets</i>	50,434	0	50,434
Noncurrent Assets:			
Restricted cash - tenant security deposit	3,882	0	3,882
Net capital assets	103,571	7,610	111,181
<i>Total noncurrent assets</i>	107,453	7,610	115,063
<i>Total assets</i>	157,887	7,610	165,497
LIABILITIES AND net position			
Current Liabilities:			
Accounts payable	4,675	0	4,675
Wages payable and accrued payroll liabilities	2,171	0	2,171
Accrued compensation	0	0	0
Prepaid rent	1	0	1
<i>Total current liabilities</i>	6,847	0	6,847
Long-term Liabilities:			
Accrued compensated absences	0	0	0
Tenant security deposits	3,882	0	3,882
<i>Total long-term liabilities</i>	3,882	0	3,882
<i>Total liabilities</i>	10,729	0	10,729
Net Position:			
Net investment in capital assets	103,571	7,610	111,181
Unrestricted	43,587	0	43,587
<i>Total net position</i>	\$147,158	\$7,610	\$154,768

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

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

PROPRIETARY FUNDS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
OPERATING REVENUES:			
Rental income	\$32,209	\$0	\$32,209
HUD operating subsidy	54,319	0	54,319
Other revenue	1,291	0	1,291
<i>Total operating revenues</i>	87,819	0	87,819
OPERATING EXPENSES:			
Personnel	34,285	0	34,285
Operating	56,763	5,875	62,638
Depreciation	13,440	217	13,657
<i>Total operating expenses</i>	104,488	6,092	110,580
<i>Net operating income (loss)</i>	(16,669)	(6,092)	(22,761)
NON-OPERATING REVENUE AND (EXPENSES)			
HUD capital grants	0	26,043	26,043
Interest	143	0	143
<i>Total non-operating revenue and (expenses)</i>	143	26,043	26,186
<i>Income (loss) before transfers</i>	(16,526)	19,951	3,425
Transfers in (out)	12,341	(12,341)	0
Capital transfers in (out)	4,395	(4,395)	0
	16,736	(16,736)	0
<i>Change in net position</i>	210	3,215	3,425
<i>Total net position - beginning of year</i>	146,948	4,395	151,343
<i>Total net position, end of year</i>	\$147,158	\$7,610	\$154,768

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

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

PROPRIETARY FUNDS

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers (including other funds)	\$33,192	\$0	\$33,192
Grants - subsidies	54,319	0	54,319
Cash paid to suppliers	(52,171)	(5,875)	(58,046)
Cash paid to employees	(34,624)	0	(34,624)
<i>Net cash provided (used) by operating activities</i>	716	(5,875)	(5,159)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Transfers in (out)	12,341	(12,341)	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital lease payments	0	0	0
Capital grant	0	26,043	26,043
Purchase of capital assets	0	(7,827)	(7,827)
<i>Net cash provided (used) by capital and related financing activities</i>	0	18,216	18,216
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	138	0	138
<i>Net increase (decrease) in pooled cash and investments</i>	13,195	0	13,195
Pooled cash and investments, beginning of year	34,269	0	34,269
<i>Pooled cash and investments, end of year</i>	\$47,464	\$0	\$47,464
Non Cash Transactions:			
Capital transfers in (out)	\$4,395	(\$4,395)	\$0

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

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

PROPRIETARY FUNDS

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (loss)	(\$16,669)	(\$6,092)	(\$22,761)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	13,440	217	13,657
Change in assets and liabilities:			
Accounts receivable	56	0	56
Inventory	1,092	0	1,092
Prepaid expenses	673	0	673
Tenants prepaid rent	(71)	0	(71)
Accounts and contracts payable	2,243	0	2,243
Accrued payroll	(339)	0	(339)
Customer deposits	291	0	291
Total adjustments	17,385	217	17,602
Net cash provided (used) by operating activities	\$716	(\$5,875)	(\$5,159)

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

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This funding is provided through various grant programs.

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

Reporting Entity

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

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

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

Basis of Presentation

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

Proprietary Fund Type

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

FASB statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements, have been applied.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Proprietary Funds are as follows:

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

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

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The financial statements of the Village of Wagon Mound Housing Authority are recorded using the economic resources measurement focus and the accrual basis of accounting. All assets, all liabilities and deferred outflows and inflows of resources associated with the operations are included on the statement of net position.

Proprietary fund types are reported on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Grants are recognized as revenue when all eligibility requirements imposed by the provider have been met. It is the Housing Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

Budgets and Budgetary Accounting

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

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

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

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

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

Income Taxes

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

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

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

The accrual for compensated absences made as of June 30, 2013 is \$0.

Cash and Cash Equivalents

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

Interfund Transactions

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

Interfund payables and receivables are reflected in the appropriate fund.

Capital Assets

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

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

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

Software is capitalized in the machinery and equipment category.

Inventory

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

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2. CASH

Cash consists of United States currency and financial institution checking accounts. The Housing Authority follows state law in regard to deposits and investments. At June 30, 2013, the Housing Authority held only short term certificates of deposit and therefore, they were shown as cash equivalents.

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

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

Cash on Deposit

	Bank Balance	Carrying Amounts
<u>1st Community Bank</u>		
Public Fund – regular checking	\$11,453	\$11,453
Tenant security deposits – business checking	4,481	4,481
Savings	31,530	31,530
<i>Total cash</i>	\$47,464	\$47,464

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority's deposits may not be returned to it.

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

	First Community Bank
Amount held in bank	\$47,464
Less F.D.I.C.	47,464
<i>Amount uninsured</i>	\$0
100% Collateral requirement	\$0

NOTE 3. ACCOUNTS RECEIVABLE AND MORTGAGES RECEIVABLE

Accounts receivable are reported at their gross value. Those amounts considered doubtful have been recorded as allowance for doubtful accounts in the amount of \$61.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 4. CHANGES IN CAPITAL ASSETS

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

	Balance June 30, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
Non Depreciable Assets:					
Land	\$7,227	\$0	\$0	\$0	\$7,227
Depreciable Assets:					
Buildings	830,418	0	0	0	830,418
Non dwelling structures	20,865	0	0	0	20,865
Machinery and equipment	15,774	7,827	0	0	23,601
<i>Total</i>	<i>874,284</i>	<i>7,827</i>	<i>0</i>	<i>0</i>	<i>882,111</i>
Less Accumulated Depreciation:					
Buildings	(725,129)	(13,053)	0	0	(738,182)
Non dwelling structures	(16,370)	(387)	0	0	(16,757)
Machinery and equipment	(15,774)	(217)	0	0	(15,991)
<i>Total accumulated depreciation</i>	<i>(757,273)</i>	<i>(13,657)</i>	<i>0</i>	<i>0</i>	<i>(770,930)</i>
Total net position	\$117,011	(\$5,830)	\$0	\$0	\$111,181

Depreciation uses the straight-line method. Depreciation expense for the year was \$13,657.

NOTE 5. NET POSITION

The unrestricted net position represent the amounts available for budgeting future operations (i.e., current).

Net Position

Net position is displayed in three components:

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

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

Unrestricted Net Position – Net position that does not meet the definition of “restricted” and “Net investment in capital assets.”

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 6. PARTICIPATION IN PUBLIC ENTITY RISK POOL

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

NOTE 7. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

A.	Net Working Capital:	
	Proprietary Funds	\$43,587
		<hr/>

NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

NOTE 9. TRANSFERS

Transfers between funds were as follows:

	Operating Transfers Out		Totals
	Low Rent	CFP	
Operating Transfers In:			
Low Rent	\$0	\$12,341	\$12,341
CFP	0	0	0
Total	\$0	\$12,341	\$12,341

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

	Capital Transfers Out		Totals
	Low Rent	CFP	
Capital Transfers In:			
Low Rent	\$0	\$4,395	\$4,395
CFP	0	0	0
Total	\$0	\$4,395	\$4,395

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

SUPPLEMENTARY INFORMATION

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

LOW RENT

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
Rental income	\$32,270	\$32,270	\$31,901	(\$369)
HUD operating subsidy	54,319	54,319	54,319	0
Other	1,300	1,300	1,291	(9)
<i>Total revenues</i>	<u>87,889</u>	<u>87,889</u>	<u>87,511</u>	<u>(378)</u>
OPERATING EXPENSES:				
Tenant services	350	350	0	350
Personnel	33,340	33,340	34,624	(1,284)
Admin expenses	18,650	18,650	16,232	2,418
Operating and maintenance	38,160	38,160	19,846	18,314
Capital outlay	0	0	0	0
Utilities	17,460	17,460	16,093	1,367
<i>Total operating expenses</i>	<u>107,960</u>	<u>107,960</u>	<u>86,795</u>	<u>21,165</u>
<i>Operating income (loss)</i>	(20,071)	(20,071)	716	20,787
NON-OPERATING REVENUE (EXPENSES):				
HUD grants	0	0	0	0
Interest	190	190	138	(52)
Transfers in	12,340	12,340	12,341	1
<i>Total non-operating revenue (expenses)</i>	<u>12,530</u>	<u>12,530</u>	<u>12,479</u>	<u>(51)</u>
<i>Net income</i>	(7,541)	(7,541)	<u>\$13,195</u>	<u>\$20,736</u>
Budgeted cash and investment carryover	7,541	7,541		
	<u>\$0</u>	<u>\$0</u>		

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2013, is presented below:

Net income (budgetary basis)	\$13,195
Adjustments for revenue accruals, transfers, earnings on investments	(272)
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(12,713)
Change in net position (GAAP basis)	\$210

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

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

CFP FUND - 2009

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2013, is presented below:

Net income (budgetary basis)	\$0
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(4,395)
Change in net position (GAAP basis)	(\$4,395)

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

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

CFP FUND - 2011

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
Intergovernmental	\$0	\$0	\$0	\$0
Rental income	0	0	0	0
Other	0	0	0	0
Gain/loss on sale of asset	0	0	0	0
<i>Total revenues</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OPERATING EXPENSES:				
Operations	0	0	0	0
Audit costs	2,145	2,145	2,145	0
Capital outlay	11,557	11,557	7,827	3,730
Management improvements	0	0	0	0
Administration	0	0	0	0
Fees and costs	0	0	3,730	(3,730)
<i>Total operating expenses</i>	<u>13,702</u>	<u>13,702</u>	<u>13,702</u>	<u>0</u>
<i>Operating income (loss)</i>	(13,702)	(13,702)	(13,702)	0
NON-OPERATING REVENUE (EXPENSES):				
HUD grants	26,043	26,043	26,043	0
Interest	0	0	0	0
Transfers (out)	(12,341)	(12,341)	(12,341)	0
<i>Total non-operating revenue (expenses)</i>	<u>13,702</u>	<u>13,702</u>	<u>13,702</u>	<u>0</u>
<i>Net income</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2013, is presented below:

Net income (budgetary basis)	\$0
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	7,610
Change in net position (GAAP basis)	\$7,610

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

OTHER SUPPLEMENTARY INFORMATION

Village of Wound Mound Housing Authority
Wagon Mound, NM
Financial Data Schedule
6/30/2013

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	43,582	-	43,582
114	Cash - Tenant Security Deposits	3,882	-	3,882
100	Total Cash	47,464	-	47,464
126	Accounts Receivable - Tenants	341	-	341
126.1	Allowance for Doubtful Accts - Tenants	(61)	-	(61)
129	Accrued Interest Receivable	8	-	8
120	Total Receivables, Net of Allowance for Doubtfull Accts	288	-	288
142	Prepaid Expenses and Other Assets	667	-	667
143	Inventories	6,552	-	6,552
143.1	Allowance for Obsolete Inventories	(655)	-	(655)
150	Total Current Assets	54,316	-	54,316
161	Land	7,227	-	7,227
162	Buildings	851,283	7,827	859,110
164	Furniture, Equipment & Machinery - Administration	15,774	-	15,774
166	Accumulated Depreciation	(770,713)	(217)	(770,930)
160	Total Capital Assets, Net of Accumulated Depreciation	103,571	7,610	111,181
180	Total Non-Current Assets	103,571	7,610	111,181
190	Total Assets	157,887	7,610	165,497
312	Accounts Payable <= 90 Days	3,470	-	3,470
321	Accrued Wages / Payroll Taxes Payable	2,171	-	2,171
341	Tenant Security Deposits	3,882	-	3,882
342	Deferred Revenue	1	-	1
346	Accrued Liabilities - Other	1,205	-	1,205
310	Total Current Liabilities	10,729	-	10,729
354	Accrued Compensated Absences - Non Current	-	-	-
350	Total Noncurrent Liabilities	-	-	-
300	Total Liabilities	10,729	-	10,729
508.1	Invested in Capital Assets, Net of Related Debt	103,571	7,610	111,181
512.1	Unrestricted Net Assels	43,587	-	43,587
513	Total Equity/Net Assets	147,158	7,610	154,768
600	Total Liabilities and Equity/Net Assets	157,887	7,610	165,497
70300	Net Tenant Rental Revenue	32,209	-	32,209
70400	Tenant Revenue - Other	1,291	-	1,291
70500	Total Tenant Revenue	33,500	-	33,500
70600	HUD PHA Operating Grants	54,319	-	54,319
70610	Capital Grants	-	26,043	26,043
70700	Total Fee Revenue	54,319	26,043	80,362
71100	Investment Income - Unrestricted	143	-	143
70000	Total Revenue	87,962	26,043	114,005
91100	Administrative Salaries	19,580	-	19,580
91200	Auditing Fees	5,004	2,145	7,149
91400	Advertising & Marketing	379	-	379
91500	Employee Benefit Contributions - Administrative	1,773	-	1,773
91600	Office Expenses	4,082	-	4,082
91800	Travel	3,360	-	3,360
91900	Other	3,686	-	3,686
91000	Total Operating - Administrative	37,864	2,145	40,009
92400	Tenant Services - Other	-	-	-
92500	Total Tenant Services	-	-	-

Village of Wound Mound Housing Authority
Wagon Mound, NM
Financial Data Schedule
6/30/2013

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
93100	Water	3,240	-	3,240
93200	Electricity	1,956	-	1,956
93300	Gas	6,686	-	6,686
93600	Sewer	4,155	-	4,155
93000	Total Utilities	<u>16,037</u>	-	<u>16,037</u>
94100	Ordinary Maintenance and Operations - Labor	11,919	-	11,919
94200	Ordinary Maintenance and Operations - Materials & Other	12,027	3,730	15,757
94300	Ordinary Maint and Operations - Contract Costs	5,877	-	5,877
94500	Employee Benefit Contributions - Ordinary Maintenance	1,013	-	1,013
94000	Total Maintenance	<u>30,836</u>	<u>3,730</u>	<u>34,566</u>
96110	Property Insurance	3,911	-	3,911
96120	Liability Insurance	685	-	685
96130	Workmen's Compensation	357	-	357
96140	All Other Insurance	774	-	774
96100	Total Insurance Premiums	<u>5,727</u>	-	<u>5,727</u>
96400	Bad debt - Tenant Rents	584	-	584
96000	Total Other General Expenses	<u>584</u>	-	<u>584</u>
96900	Total Operating Expenses	<u>91,048</u>	<u>5,875</u>	<u>96,923</u>
97000	Excess Operating Revenue over Operating Expenses	(3,086)	20,168	17,082
97400	Depreciation Expense	<u>13,440</u>	<u>217</u>	<u>13,657</u>
90000	Total Expenses	<u>104,488</u>	<u>6,092</u>	<u>110,580</u>
10010	Operating Transfers In	12,341	-	12,341
10020	Operating Transfers Out	-	(12,341)	(12,341)
10100	Total Other Financing Sources (Uses)	12,341	(12,341)	-
10000	Excess (Deficiency) of Total Rev Over (Under) Total Exp	<u>(4,185)</u>	<u>7,610</u>	<u>3,425</u>
11030	Beginning Equity	\$ 146,948	\$ 4,395	\$ 151,343
11040	Prior Period Adj, Equity Transfers, Correction of Errors	\$ 4,395	\$ (4,395)	\$ -
11190	Unit Months Available	252	-	252
11210	Number of Unit Months Leased	198	-	198



**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***

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the business-type activities and each major fund of the Village of Wagon Mound Housing Authority, a component unit of the Village of Wagon Mound as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the related budgetary comparisons of the Authority, presented as supplemental information, and have issued our report thereon dated November 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2013-01, 2013-02, 2013-03, 2013-04, and 2011-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-01, 2013-02, 2013-04, 2013-05, and 2011-01.

The Authority's Responses to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 27, 2013

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2013-01 Mileage Reimbursement Incorrectly Calculated – Significant Deficiency and Non Compliance

Statement of Condition – Employees were reimbursed mileage at 100% of IRS established mileage rates or higher. Fifteen disbursements were identified as related to mileage reimbursements. Of these fifteen disbursements, seven were identified with incorrect mileage reimbursement rates resulting in an overpayment of \$130.80.

Criteria – Reimbursement of travel expenses to employees of all state agencies and local public bodies must comply with the New Mexico Mileage and Per Diem Act (2.42.2 NMAC).

Cause – Prior Housing Authority consultant instructed employees to use incorrect reimbursement rate.

Effect – Employees were reimbursed for mileage in excess of the maximum amount per the Mileage and Per Diem Act.

Recommendation – Management should review the New Mexico Mileage and Per Diem to ensure compliance.

Management's Response – Management concurs and has implemented procedures to use appropriate rate.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)
**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2013-02 Independent Contractor Paid as Employee – Significant Deficiency and Non Compliance

Statement of Condition – Housing Authority entered into contract with former employee to provide guidance to Board, review operation, and assist with training an Executive Director. Housing Authority continued to pay independent contractor as employee, including submission of payroll taxes.

Criteria – Independent contractors are not considered employees and fall under separate IRS and State of New Mexico rules and regulations.

Cause – Incorrect guidance by Independent Contractor acting as management.

Effect – The Housing Authority has incurred employer payroll taxes on amounts paid to independent contractor. Additionally, Housing Authority incurred mileage costs for independent contractor that would have been considered “commuting” if incurred as an employee.

Recommendation – Management should review IRS rules determining whether individuals providing services are employees or independent contractors and then follow guidelines for payment of independent contractors, when applicable.

Management Response – Management concurs and will follow IRS guidelines to determine whether individuals providing services are employees or independent contractors.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2013-03 Lack of Appropriate Documentation for Disbursement – Significant Deficiency

Statement of Condition – Of the 20 disbursement tested, one was found to have insubstantial documentation. Further testing on this vendor found that Housing Authority pays this vendor from statements rather than invoices and does not maintain supporting source documentation in disbursement files.

Criteria – Generally accepted accounting principles require that all disbursements be accompanied by adequate documentation, normally in the form of a receipt or invoice.

Cause – Lack of management attention and knowledge.

Effect – The Housing Authority does not maintain financial records to ensure disbursements are made for items relating solely to the Housing Authority. Consequently, payment may be made for items unrelated to the Housing Authority.

Recommendation – Prior to disbursing funds for materials or services from statements, the Housing Authority management should ensure that appropriate receipts or invoices accompany the statement. Those individuals who authorize payments must be able to make deliberate decisions about who to pay, how much to pay, and for what payment is made.

Management Response – Management has implemented procedures to ensure that appropriate supporting documentation is attached to all disbursements.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2013-04 Tenant Files Missing Updated Documentation – Significant Deficiency and Non Compliance

Statement of Condition – Of the ten tenant files reviewed, seven files were missing information and/or lacked up-dated information.

Criteria – HUD requires that tenant income qualifications for the Low Rent Program be reviewed at least annually.

Cause – Lack of management attention and knowledge.

Effect – Tenant rent, which is income based, may be calculated incorrectly.

Recommendation – Housing Authority should keep tenant files current in accordance with HUD requirements.

Management Response – Management concurs and has implemented procedures to keep tenant files up to date.

2013-05 Late Independent Public Accountant Recommendation – Non Compliance

Statement of Condition – The State Auditor received the IPA Recommendation Form and Audit Contract on June 10, 2013 after the required due date of May 15, 2013.

Criteria – Paragraph (6)(c) of Subsection G of 2.2.2.8 NMAC requires that component units of municipalities submit a completed IPA Recommendation Form and Audit Contract to the State Auditor by May 15.

Effect – The Housing Authority is not in compliance with state statute regarding submission of IPA Recommendation Form and Audit Contract.

Cause – The Housing Authority does not have a procedure to ensure that the IPA Recommendation Form and Audit Contracts are delivered to the State Auditor by the deadline.

Recommendation – We recommend that the Housing Authority implement a procedure to ensure that future Recommendation Forms and Audit Contracts are delivered to the State Auditor by the prescribed deadline.

Management's Response – The Housing Authority will implement a procedure to ensure that future State Auditor deadlines regarding Recommendation Forms and Audit Contracts are met.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2012-01 Travel Per Diem Incorrectly Applied – Significant Deficiency and Non Compliance

Not repeated.

2011-01 Timely Filing with Proper Documentation – Significant Deficiency and Non Compliance

Repeated with modifications.

Statement of Condition – The quarterly 941 and 903b forms and payments for the first and second quarters (ending March 31, 2013 and June 30, 2013) were not submitted by the deadline which is the last day of the month following the end of the quarter, so penalty and interest expenses were incurred. Additionally, payment of State Income Tax withholding for the semi-annual period ending December 31, 2012 was incorrect.

Criteria – Filings and payments to IRS and State of New Mexico for payroll taxes must be submitted by established deadlines.

Cause – Lack of Housing Authority management oversight.

Effect – The Housing Authority is not in compliance with taxing authority rules regarding the 941 and 903b form filing and payments resulting in penalties and interest costs.

Recommendation – Management should ensure that preparation of tax forms and payment of payroll taxes be done on a timely manner so that the tax report and payment will be submitted on or before the deadline and for the correct amount.

Management's Response – Management has updated their payroll procedures to include electronic payment of payroll taxes and will work with the fee accountant to ensure timely filing.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

EXIT CONFERENCE

JUNE 30, 2013

EXIT CONFERENCE:

The exit conference was held October 29, 2013 and was attended by the following:

From the Village of Wagon Mound Housing Authority:

Theresa Carmody, Executive Director

Melissa Cruz, Consultant

Esther Mondragon, Vice Chairperson

Rita Armijo, Chairperson

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

Ken Shaw, CPA/Shareholder

Kristi Granados, CPA, Staff Auditor

FINANCIAL STATEMENTS PREPARATION

Preparation of financial statements is the responsibility of management. Although, the Village of Wagon Mound Housing Authority's personnel provided significant assistance in the preparation, the statements and related footnotes were prepared by Kriegel/Gray/Shaw & Co., P.C.