

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY**

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2019

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY**

Table of Contents
June 30, 2019

| | <u>PAGE</u> |
|---|-------------|
| Directory of Officials | 1 |
| Independent Auditors' Report..... | 2-3 |
| Basic Financial Statements | |
| Statement of Net Position | 4 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position | 5 |
| Statement of Cash Flows | 6-7 |
| Notes to Financial Statements | 8-16 |
| Supplementary Information | |
| Statement of Low Rent Fund Revenues and Expenses Budget and Actual | 17 |
| Low Rent Fund – Reconciliation of the Budgetary Comparison Schedules to the Statement of Revenues, Expenses and Changes in Fund Net Position..... | 18 |
| Other Schedules Required by 2.2.2 NMAC | |
| Schedule of Cash Accounts | 19 |
| Financial Data Schedule | 20-22 |
| Additional Independent Auditors' Report | |
| 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> | 23-24 |
| Schedule of Findings and Responses | 25 |
| Exit Conference and Financial Statement Preparation | 26 |

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY**

Directory of Officials
June 30, 2019

Board of Commissioners

| | |
|-------------------------|------------------|
| Esther Mondragon | Chairperson |
| Claudia Martinez | Vice Chairperson |
| Angie Romero | Commissioner |
| Norma Jean Vasquez..... | Commissioner |
| Vacant | Commissioner |

Administrative Staff

| | |
|-----------------------|--------------------|
| Theresa Carmody | Executive Director |
|-----------------------|--------------------|

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Brian S. Colón, State Auditor
and
Board of Commissioners
Village of Wagon Mound Public Housing Authority
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 Public Housing Authority (Authority) of the Village of Wagon Mound, New Mexico, a component unit of the Village of Wagon Mound, New Mexico, as of and for the year ended June 30, 2019, 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 comparison for the low rent major enterprise fund presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2019, 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 misstatement, whether due to fraud or error.

Auditors' 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.

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 and each major fund, of the Authority, as of June 30, 2019, and the respective changes in financial position and cash flows thereof, and the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparison. The financial data schedule and the schedule of cash accounts required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial data schedule and the schedule of cash accounts required by 2.2.2 NMAC are the responsibility of management and were 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 and the schedule of cash accounts required by 2.2.2 NMAC are 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 21, 2019 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 effectiveness of the Authority's 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.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

November 21, 2019

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2019**

| | Low Rent Fund | Capital Fund Program Fund | Total |
|---------------------------------------|------------------|---------------------------------|------------|
| Assets: | | | |
| Current assets: | | | |
| Cash | \$ 54,866 | \$ - | \$ 54,866 |
| Receivables, net | 84 | - | 84 |
| Prepaid expenses | 2,353 | - | 2,353 |
| Inventory | 7,812 | - | 7,812 |
| Total current assets | 65,115 | - | 65,115 |
| Noncurrent assets: | | | |
| Restricted cash | 5,787 | - | 5,787 |
| Capital assets, not being depreciated | 11,517 | - | 11,517 |
| Capital assets, being depreciated | 84,805 | 24,386 | 109,191 |
| Total noncurrent assets | 102,109 | 24,386 | 126,495 |
| Total assets | \$ 167,224 | \$ 24,386 | \$ 191,610 |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 2,984 | \$ - | \$ 2,984 |
| Accrued salaries | 1,742 | - | 1,742 |
| Accrued payroll liabilities | 2,064 | - | 2,064 |
| Tenant deposits | 4,237 | - | 4,237 |
| Unearned revenues | 60 | - | 60 |
| Total current liabilities | 11,087 | - | 11,087 |
| Net Position: | | | |
| Net investment in capital assets | 96,322 | 24,386 | 120,708 |
| Unrestricted | 59,815 | - | 59,815 |
| Total net position | 156,137 | 24,386 | 180,523 |
| Total liabilities and net position | \$ 167,224 | \$ 24,386 | \$ 191,610 |

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

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

| | Low Rent Fund | Capital Fund Program Fund | Total |
|---|-------------------|---------------------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Operating Revenues: | | | |
| Charges for services | \$ 44,358 | \$ - | \$ 44,358 |
| Operating Expenses: | | | |
| Personnel services | 44,900 | - | 44,900 |
| Employee benefits | 3,604 | - | 3,604 |
| Repairs and maintenance | 22,216 | 2,570 | 24,786 |
| Professional services | 9,879 | - | 9,879 |
| Utilities | 10,050 | - | 10,050 |
| Insurance | 9,202 | - | 9,202 |
| General operating | 4,262 | - | 4,262 |
| Depreciation | 13,089 | 1,738 | 14,827 |
| | <u>117,202</u> | <u>4,308</u> | <u>121,510</u> |
| Total operating expenses | | | |
| Operating (loss) | (72,844) | (4,308) | (77,152) |
| Non-Operating Revenues (Expenses): | | | |
| Intergovernmental | 71,500 | 2,570 | 74,070 |
| Interest income | 45 | - | 45 |
| Miscellaneous income | 65 | - | 65 |
| | <u>71,610</u> | <u>2,570</u> | <u>74,180</u> |
| Total non-operating revenues (expenses) | | | |
| (Loss) before capital contributions | (1,234) | (1,738) | (2,972) |
| Capital contributions: | | | |
| Capital contributions | - | 5,286 | 5,286 |
| Capital transfers in | 59,783 | - | 59,783 |
| Capital transfers (out) | - | (59,783) | (59,783) |
| | <u>59,783</u> | <u>(54,497)</u> | <u>5,286</u> |
| Total capital contributions and transfers | | | |
| Change in net position | 58,549 | (56,235) | 2,314 |
| Net position, beginning of year | <u>97,588</u> | <u>80,621</u> | <u>178,209</u> |
| Net position, end of year | <u>\$ 156,137</u> | <u>\$ 24,386</u> | <u>\$ 180,523</u> |

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

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

| | Low Rent Fund | Capital Fund Program Fund | Total |
|--|-------------------|---------------------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Cash Flows from Operating Activities: | | | |
| Cash received from tenants | \$ 44,521 | \$ - | \$ 44,521 |
| Cash payments to suppliers for goods and services | (57,517) | (2,570) | (60,087) |
| Cash payments to employees for services | <u>(48,309)</u> | <u>-</u> | <u>(48,309)</u> |
| Net cash (used) by operating activities | (61,305) | (2,570) | (63,875) |
| Cash Flows from Non-Capital and Related Financing Activities: | | | |
| Cash received from intergovernmental sources | 77,119 | 2,570 | 79,689 |
| Cash received from miscellaneous sources | 65 | - | 65 |
| Net change in tenant deposits | <u>73</u> | <u>-</u> | <u>73</u> |
| Net cash provided by non-capital and related financing activities | 77,257 | 2,570 | 79,827 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Cash received from intergovernmental sources | - | 5,286 | 5,286 |
| Acquisition and construction of capital assets | <u>-</u> | <u>(5,286)</u> | <u>(5,286)</u> |
| Net cash (used) by capital and related financing activities | - | - | - |
| Cash Flows from Investing Activities: | | | |
| Interest income | <u>58</u> | <u>-</u> | <u>58</u> |
| Net increase in cash | 16,010 | - | 16,010 |
| Cash and cash equivalents, beginning of year | <u>44,643</u> | <u>-</u> | <u>44,643</u> |
| Cash and cash equivalents, end of year | <u>\$ 60,653</u> | <u>\$ -</u> | <u>\$ 60,653</u> |
| Displayed as: | | | |
| Cash | \$ 54,866 | \$ - | \$ 54,866 |
| Restricted cash | <u>5,787</u> | <u>-</u> | <u>5,787</u> |
| | <u>\$ 60,653</u> | <u>\$ -</u> | <u>\$ 60,653</u> |

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

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY**
STATEMENT OF CASH FLOWS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2019

| | Low Rent Fund | Capital Fund Program Fund | Total |
|--|--------------------|---------------------------------|--------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Reconciliation of Operating (Loss) to Net Cash | | | |
| Used by Operating Activities: | | | |
| Operating (loss) | \$ (72,844) | \$ (4,308) | \$ (77,152) |
| Adjustments to Reconcile Operating (Loss) to Net Cash Used by Operating Activities: | | | |
| Depreciation | 13,089 | 1,738 | 14,827 |
| Change in Assets and Liabilities: | | | |
| Decrease in tenants' receivable | 191 | - | 191 |
| Decrease in prepaid expenses | 132 | - | 132 |
| (Increase) in inventories | (1,701) | - | (1,701) |
| (Decrease) in accounts payable | (339) | - | (339) |
| Increase in accrued salaries | 457 | - | 457 |
| (Decrease) in accrued payroll liabilities | (262) | - | (262) |
| (Decrease) in unearned revenues | (28) | - | (28) |
| | <u>11,539</u> | <u>1,738</u> | <u>13,277</u> |
| Total adjustments | | | |
| Net cash (used) by operating activities | <u>\$ (61,305)</u> | <u>\$ (2,570)</u> | <u>\$ (63,875)</u> |

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

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Public Housing Authority (the Authority) of the Village of Wagon Mound was established in 1973. Three commissioners who are selected by the Village of Wagon Mound City Council govern it. For financial reporting purposes, the Authority is a discretely presented component unit of the Village of Wagon Mound. The Authority was created to provide a conduit for housing funds for disadvantaged citizens.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States 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 more significant of the government's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The most primary standard for including or excluding a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units.

B. Basis of Presentation and Accounting

The Authority's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The Authority applies the pronouncements issued by the Government Auditing Standards Board (GASB).

The accounts of the Authority are organized on the basis of proprietary fund type, specifically two enterprise funds. The activities of these funds are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

Enterprise funds account for activities: (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs, such as depreciation or debt service, be recovered with fees and charges rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs, such as depreciation or debt service. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's ongoing operation. The principal operating revenues are rental income and charges for services. Operating expenses include the cost of rental operations, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal non-operating revenues are governmental subsidies and grants. Grant revenue is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position such as total assets net of total liabilities, are segregated into invested in capital assets; restricted; and unrestricted components. The Authority's operating statements present increases (revenues) and decreases (expenses) in net position.

The Authority reports the following two major business-type funds:

The *low rent fund* accounts for the provisions of low rent income services to the residents of the Authority. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, billing, and collection.

The *capital fund program fund* accounts for the yearly capital grants and associated capital projects at the Authority. The fund is required by the U.S. Department of Housing and Urban Development.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgets

The Authority follows these procedures in establishing the budgetary process:

1. The executive director and the fee accountant prepare the budget in accordance with the U.S. Department of Housing and Urban Development (HUD) guidelines.
2. HUD reviews the proposed budget and makes corrections, revisions, and amendments as necessary.
3. The executive director submits the budget to the Authority's board of commissioners for approval.
4. The board of commissioners approves the budget.

The Authority does not budget depreciation expense; therefore, the budget is not prepared in accordance with generally accepted accounting principles. The budget is a guideline to operations and is not a legally enforceable document. The Authority's level of budgetary control is at the individual fund level.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits and certificates of deposit.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, certificates of deposit, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer's Investment Pool. New Mexico State Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the uninsured public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority. The pledged securities remain in the name of the financial institution.

E. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

F. Inventory

Material and supplies are valued at cost, which approximates market, using the first-in/first-out (FIFO). The Authority has created an allowance for obsolete inventory. The allowance is 10% of total cost. The Authority deems this percentage sufficient.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items.

H. Capital Assets

Capital assets, which include property, plant, equipment, computer hardware and software, furniture, fixtures, and vehicles are valued and reported at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date of donation.

Major outlay for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Prior to June 17, 2005, the Authority defined capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Effective June 17, 2005, in accordance with state statutes the Authority changed its capitalization threshold to include only assets with a cost of \$5,000 or more. All assets capitalized prior to June 17, 2005 that are property of the Authority remain on the financial and accounting records of the Authority.

Property, plant, equipment, and vehicles are depreciated using the straight-line method over the estimated useful lives as follows:

| | |
|--|----------|
| Buildings | 50 years |
| Equipment, computer hardware and software, furniture, and fixtures | 5 years |
| Building improvements | 20 years |
| Vehicles | 5 years |

I. Compensated Absences

Vested or accumulated vacation leave, is reflected as a liability of Authority. In accordance with the provisions of Governmental Accounting Standards Board, Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. There was no compensated absences amount at June 30, 2019.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

K. Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes on other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant, unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the same net position component as the spent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors, such as through debt covenants; grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

L. Cash Flows

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

M. 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 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.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. CASH

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposit of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand, interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States Treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities that are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited with Financial Institutions

The Authority maintains cash in one financial institutions in Las Vegas, New Mexico. The Authority's deposits are carried at cost.

As of June 30, 2019, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

| | Per Financial Institution | Reconciling Items | Per Financial Statements |
|--------------------|------------------------------|----------------------|-----------------------------|
| Community 1st Bank | \$ 61,560 | \$ (907) | \$ 60,653 |

The amounts reported as cash for the Authority within the financial statements is displayed as:

| | |
|--|-----------|
| Statement of Net Position: | |
| Cash | \$ 54,866 |
| Restricted cash | 5,787 |
| Total cash reported on the financial statements | \$ 60,653 |

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Authority. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Authority carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. CASH (continued)

Cash Deposited with Financial Institutions (continued)

| | Community 1st Bank |
|--|-----------------------|
| Total deposits in bank | \$ 61,560 |
| Less FDIC insurance | (61,560) |
| Uninsured public funds | - |
| Pledged collateral held by pledging bank's agent, but not in the Authority's name | - |
| Uninsured and uncollateralized public funds | \$ - |
| Total pledged collateral | \$ - |
| 50% pledged collateral requirement per state statute | - |
| Pledged collateral (under) over the requirement | \$ - |

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2019, none of the Authority's bank balance was exposed to custodial credit risk.

3. RECEIVABLES, NET

Receivables at June 30, 2019, consisted of the following:

| | |
|--------------------------------------|--------|
| Accounts: | |
| Tenants' rent | \$ 177 |
| Less allowance for doubtful accounts | (95) |
| | 82 |
| Intergovernmental: | |
| HUD operating subsidy | - |
| Interest | 2 |
| Receivables, net | \$ 84 |

The Authority's policy is to provide for uncollectible accounts based upon expected defaults.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2019:

| | Balance 06/30/18 | Increases | Decreases | Balance 06/30/19 |
|---|---------------------|------------|-----------|---------------------|
| Business-Type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 7,227 | \$ - | \$ - | \$ 7,227 |
| Construction in progress | 4,290 | - | - | 4,290 |
| Total capital assets, not being depreciated | 11,517 | - | - | 11,517 |
| Other capital assets, being depreciated: | | | | |
| Buildings | 903,291 | - | - | 903,291 |
| Non-dwelling structures | 40,803 | 5,286 | - | 46,089 |
| Furniture and equipment | 15,774 | - | - | 15,774 |
| Total other capital assets, being depreciated | 959,868 | 5,286 | - | 965,154 |
| Less accumulated depreciation for: | | | | |
| Buildings | (806,340) | (12,788) | - | (819,128) |
| Non-dwelling structures | (19,022) | (2,039) | - | (21,061) |
| Furniture and equipment | (15,774) | - | - | (15,774) |
| Total accumulated depreciation | (841,136) | (14,827) | - | (855,963) |
| Other capital assets, net | 118,732 | (9,541) | - | 109,191 |
| Total capital assets, net | \$ 130,249 | \$ (9,541) | \$ - | \$ 120,708 |

5. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

The Public Employees Retirement (PERA) Fund is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The employees are part-time and therefore do not qualify to participate.

6. POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act, Chapter IV, Article 7C, NMSA 1978 provides a comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Authority has elected not to participate in the post-employment health insurance plan.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority has purchased commercial insurance to provide for these contingencies. The Authority pays an annual premium for its general insurance coverage and risk of loss is transferred.

8. 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 amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

9. RECONCILIATION OF SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

The financial data schedule presented as supplemental federal financial information is additional financial information required by the U.S. Department of Housing and Urban Development (HUD). The schedule, although prepared in accordance with accounting principles generally accepted in the United States of America, requires reporting of the various grants awarded to the Authority as separate funds. These grants are combined by program within the financial statements. The financial data schedules require classifications and terminology that differ from those used in the financial statements. Therefore, the presentation may differ from that used in the financial statements. A reconciliation of the financial statements and financial data schedule is presented below:

| | Financial Statements | Differences | Financial Data Schedule |
|---|-------------------------|-------------|----------------------------|
| Assets | \$ 191,610 | \$ - | \$ 191,610 |
| Liabilities | \$ 11,087 | \$ - | \$ 11,087 |
| Net position | 180,523 | - | 180,523 |
| Total liabilities and net position | \$ 191,610 | \$ - | \$ 191,610 |
| Revenues | \$ 118,538 | \$ - | \$ 118,538 |
| Expenses | (121,510) | - | (121,510) |
| (Deficiency) of revenues over expenditures | \$ (2,972) | \$ - | \$ (2,972) |

10. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 21, 2019, which is the date of the independent auditors' report.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
STATEMENT OF LOW RENT FUND REVENUES AND EXPENSES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget Over (Under) |
|---------------------------------|--------------------|------------------|------------------|---|
| Operating Revenues: | | | | |
| Tenant income | \$ 40,630 | \$ 43,230 | \$ 44,358 | \$ 1,128 |
| Intergovernmental | 76,694 | 71,500 | 71,500 | - |
| Interest income | 30 | 50 | 45 | (5) |
| Miscellaneous income | 300 | 390 | 65 | (325) |
| Total operating revenues | 117,654 | 115,170 | 115,968 | 798 |
| Operating Expenses: | | | | |
| Administrative salaries | 24,960 | 28,450 | 28,781 | (331) |
| Travel | 2,000 | 200 | - | 200 |
| Accounting fees | 4,000 | 3,160 | 4,138 | (978) |
| Auditing fees | 6,400 | 3,960 | 5,741 | (1,781) |
| Advertising and marketing | 100 | - | - | - |
| Other administrative expenses | 6,000 | 4,100 | 4,262 | (162) |
| Collection losses | 1,000 | 100 | - | 100 |
| Tenant services | 480 | - | - | - |
| Water and solid waste | 3,310 | 3,480 | 3,477 | 3 |
| Electricity | 2,460 | 1,930 | 2,219 | (289) |
| Gas | 930 | 760 | 718 | 42 |
| Other utilities | 4,400 | 3,640 | 3,636 | 4 |
| Maintenance labor | 19,970 | 15,950 | 16,119 | (169) |
| Maintenance materials | 12,190 | 12,150 | 8,627 | 3,523 |
| Maintenance contracts | 8,500 | 14,060 | 13,589 | 471 |
| Insurance | 8,180 | 8,280 | 9,202 | (922) |
| Employee benefits | 10,040 | 3,740 | 3,604 | 136 |
| Total operating expenses | 114,920 | 103,960 | 104,113 | (153) |
| Net income | \$ 2,734 | \$ 11,210 | \$ 11,855 | \$ 645 |

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
LOW RENT FUND**

**RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES TO THE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

Sources/Inflows of Resources:

| | | |
|--|----|---------|
| Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedules: | \$ | 115,968 |
|--|----|---------|

Differences - Budget to GAAP:

| | | |
|--|--|----------|
| The Authority budgets for Low Rent grant revenues as operating revenues for budgetary purposes. Low Rent revenues are reported as non-operating revenues for financial reporting purposes. | | (71,500) |
|--|--|----------|

| | | |
|---|--|------|
| The Authority budgets for interest income as operating revenues for budgetary purposes. Interest income is reported as non-operating revenues for financial reporting purposes. | | (45) |
|---|--|------|

| | | |
|--|--|------|
| The Authority budgets for miscellaneous revenues as operating revenues for budgetary purposes. Miscellaneous revenue is reported as non-operating revenues for financial reporting purposes. | | (65) |
|--|--|------|

| | | |
|---|----|---------------|
| Total operating revenues as reported on the statement of revenues, expenses and changes in fund net position. | \$ | <u>44,358</u> |
|---|----|---------------|

Uses/Outflows of Resources:

| | | |
|--|----|---------|
| Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedules. | \$ | 104,113 |
|--|----|---------|

| | | |
|---|--|---------------|
| Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes. | | <u>13,089</u> |
|---|--|---------------|

| | | |
|---|----|----------------|
| Total operating expenses as reported on the statement of revenues, expenses and changes in fund net position. | \$ | <u>117,202</u> |
|---|----|----------------|

OTHER SCHEDULES REQUIRED BY 2.2.2 NMAC

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2019**

| <u>Financial Institution/ Account Description</u> | <u>Type of Account</u> | <u>Financial Institution Balance</u> | <u>Reconciling Items</u> | <u>Reconciled Balance</u> |
|---|----------------------------|--|------------------------------|-------------------------------|
| Community 1st Bank PO Box 100 Las Vegas, NM 87701 | | | | |
| Wagon Mound Housing Authority | Checking | \$ 29,616 | \$ (907) | \$ 28,709 |
| Wagon Mound Housing Authority | Checking | 5,787 | - | 5,787 |
| Wagon Mound Housing Authority | Savings | 26,157 | - | 26,157 |
| | | <u>\$ 61,560</u> | <u>\$ (907)</u> | <u>\$ 60,653</u> |

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2019**

| Line Item | Description | Total Projects |
|-----------|---|-------------------|
| 111 | Cash - unrestricted | \$ 54,866 |
| 114 | Cash - tenant security deposits | 5,787 |
| 100 | Total cash | 60,653 |
| 122 | Accounts receivable - HUD other projects | - |
| 126 | Accounts receivable - tenants | 177 |
| 126.1 | Allowance for doubtful accounts - dwelling rent | (95) |
| 129 | Accrued interest receivable | 2 |
| 120 | Total receivables, net of allowance for doubtful accounts | 84 |
| 142 | Prepaid expenses and other assets | 2,353 |
| 143 | Inventories | 8,680 |
| 143.1 | Allowance for obsolete inventories | (868) |
| 150 | Total current assets | 70,902 |
| 161 | Land | 7,227 |
| 162 | Buildings | 949,380 |
| 164 | Furniture, equipment and machinery - administration | 15,774 |
| 166 | Accumulated depreciation | (855,963) |
| 167 | Construction in progress | 4,290 |
| 160 | Total capital assets, net of a/d | 120,708 |
| 290 | Total assets | \$ 191,610 |
| 312 | Accounts payable <= 90 days | \$ 2,984 |
| 321 | Accrued wage/payroll taxes payable | 3,806 |
| 341 | Tenant security deposits | 4,237 |
| 342 | Unearned revenues | 60 |
| 310 | Total current liabilities | 11,087 |
| 300 | Total liabilities | 11,087 |
| 508.1 | Net investment in capital assets | 120,708 |
| 512.1 | Unrestricted net assets | 59,815 |
| 513 | Total equity | 180,523 |
| 600 | Total liabilities and equity | \$ 191,610 |

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2019**

| Line Item | Description | Low Rent 14.850 | Capital Fund Program 14.872 | Total |
|-----------|--|-----------------------|-----------------------------------|-----------|
| 70300 | Net tenant rental revenue | \$ 43,099 | \$ - | \$ 43,099 |
| 70400 | Tenant revenue - other | 1,259 | | 1,259 |
| 70500 | Total tenant revenue | 44,358 | - | 44,358 |
| 70600 | HUD PHA operating grants | 71,500 | 2,570 | 74,070 |
| 70610 | Capital grants | - | 5,286 | 5,286 |
| 71100 | Investment income - unrestricted | 45 | - | 45 |
| 71500 | Other revenue | 65 | - | 65 |
| 70000 | Total revenues | 115,968 | 7,856 | 123,824 |
| 91100 | Administrative salaries | 28,781 | - | 28,781 |
| 91200 | Auditing fees | 5,741 | - | 5,741 |
| 91310 | Bookkeeping fees | 4,138 | - | 4,138 |
| 91500 | Employee benefit contributions - administrative | 2,309 | - | 2,309 |
| 91600 | Office expenses | 3,485 | - | 3,485 |
| 91900 | Other | 839 | - | 839 |
| 91000 | Total operating - administrative | 45,293 | - | 45,293 |
| 93100 | Water | 3,477 | - | 3,477 |
| 93200 | Electricity | 2,219 | - | 2,219 |
| 93300 | Gas | 718 | - | 718 |
| 93600 | Sewer | 3,636 | - | 3,636 |
| 93000 | Total utilities | 10,050 | - | 10,050 |
| 94100 | Ordinary maintenance and operations - labor | 16,119 | - | 16,119 |
| 94200 | Ordinary maintenance and operations - materials and other | 8,627 | 2,570 | 11,197 |
| 94300-010 | Ordinary maintenance and operations contracts - garbage and trash removal contracts | 3,715 | - | 3,715 |
| 94300-050 | Ordinary maintenance and operations contracts - landscape and grounds contracts | 244 | - | 244 |
| 94300-070 | Ordinary maintenance and operations contracts - electrical contracts | 2,177 | - | 2,177 |
| 94300-080 | Ordinary maintenance and operations contracts - plumbing contracts | 3,580 | - | 3,580 |
| 94300-110 | Ordinary maintenance and operations contracts - routine maintenance contracts | 52 | - | 52 |
| 94300-111 | Ordinary maintenance and operations contracts - equipment maintenance contracts | 1,136 | - | 1,136 |
| 94300-120 | Ordinary maintenance and operations contracts - miscellaneous contracts | 2,685 | - | 2,685 |
| 94300 | Ordinary maintenance and operations contracts | 13,589 | - | 13,589 |
| 94500 | Employee benefit contribution - ordinary maintenance | 1,295 | - | 1,295 |
| 94000 | Total maintenance | 39,630 | 2,570 | 42,200 |

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2019**

| Line Item | Description | Low Rent 14.850 | Capital Fund Program 14.872 | Total |
|-----------|---|-----------------------|-----------------------------------|-----------------|
| 96110 | Property insurance | 4,906 | - | 4,906 |
| 96120 | Liability insurance | 1,005 | - | 1,005 |
| 96130 | Workmen's compensation | 2,560 | - | 2,560 |
| 96140 | All other insurance | 731 | - | 731 |
| 96100 | Total insurance premiums | <u>9,202</u> | <u>-</u> | <u>9,202</u> |
| 96400 | Bad debt - tenant rents | <u>(62)</u> | <u>-</u> | <u>(62)</u> |
| 96900 | Total operating expenses | <u>104,113</u> | <u>2,570</u> | <u>106,683</u> |
| 97000 | Excess revenues over operating expenses | 11,855 | - | 11,855 |
| 97400 | Depreciation expense | <u>13,089</u> | <u>1,738</u> | <u>14,827</u> |
| 90000 | Total expenses | <u>117,202</u> | <u>4,308</u> | <u>121,510</u> |
| | Excess (deficiency) of revenues over (under) expenses | <u>\$ (1,234)</u> | <u>\$ 3,548</u> | <u>\$ 2,314</u> |
| 11030 | Beginning equity | \$ 97,588 | \$ 80,621 | \$ 178,209 |
| 11040-070 | Equity transfers | \$ 59,783 | \$ (59,783) | \$ - |
| 11190 | Unit months available | 227 | - | 227 |
| 11210 | Unit months leased | 227 | - | 227 |

ADDITIONAL INDEPENDENT AUDITORS' REPORT

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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 Auditors' Report

Brian S. Colón, State Auditor
and
Board of Commissioners
Village of Wagon Mound Public Housing Authority
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 Public Housing Authority (Authority) of the Village of Wagon Mound, New Mexico, a component unit of the Village of Wagon Mound, New Mexico, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the budgetary comparison of low rent major enterprise fund of the Authority, presented as supplemental information, and have issued our report thereon dated November 21, 2019.

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, 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.

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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Authority'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.

Handwritten signature in cursive script that reads "Fierro + Fierro, P.A."

Fierro & Fierro, P.A.
Las Cruces, New Mexico

November 21, 2019

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes X No
- Significant deficiency (ies) identified? Yes X None reported
- Noncompliance material to financial
statements noted Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - STATUS OF PRIOR YEAR FINDINGS

Item 2018-001 – Other Non-Compliance – FY 2016-2017 Audit Report Presentation – Resolved.

Item 2018-002 – Other Non-Compliance – Tenant Files – Resolved.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PUBLIC HOUSING AUTHORITY**
EXIT CONFERENCE AND FINANCIAL STATEMENT PREPARATION
JUNE 30, 2019

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2019, was discussed during the exit conference held on December 2, 2019. Present for the Public Housing Authority was: Esther Mondragon, chairperson and Theresa Carmody, executive director. Present from the auditing firm was Dominic Fierro, Manager.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the audit report that contains the financial statements and notes to the financial statements of the Village of Wagon Mound Public Housing Authority as of and for the year ended June 30, 2019. The Authority prepares all accruals and deferrals to adjust the general ledger as necessary in order to present financial statements in accordance with generally accepted accounting principles. The Authority also performed all depreciation calculations for the Authority. The Authority's upper management has reviewed and approved the financial statements and related notes, and they believe the Authority's books and records adequately support them.