

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY**

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2009

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY**
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June 30, 2009

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**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY**
Directory of Officials
June 30, 2009

Board of Commissioners

Jim Cook Chairperson
Rosemary Alvarado Vice-Chairperson
Leslie Alexander Commissioner
Rudy Misquez Commissioner
Nelda Huffman Commissioner

Administrative Staff

Jolene Padilla..... Executive Director

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent Auditors' Report

Hector H. Balderas, State Auditor
and
Board of Commissioners
City of Bayard Public Housing Authority
Clayton, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Public Housing Authority (Authority) of the City of Bayard, New Mexico, a component unit of the City of Bayard, New Mexico, as of and for the year then ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions of these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparison statements present fairly, in all material respects, the respective budgetary comparisons for the year then ended in conformity with the budgetary basis of accounting more fully described in Note 1C, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2009, 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* and should be considered in assessing the results of our audit.

The Authority has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the individual fund financial statements and the budgetary comparison statements. The accompanying schedule of cash accounts and financial data schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements and other opinion units listed above. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and other opinion units listed above and in our opinion are fairly stated in all material respects in relation to the basic financial statements, and other opinion units listed above, taken as a whole.

Fierro + Fierro, P.A.

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

November 27, 2009

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Low Rent Fund	Capital Fund Program Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current Assets:			
Cash	\$ 305,031	\$ -	\$ 305,031
Receivables (net of allowance):			
Accounts	1,012	-	1,012
Prepaid expenses	11,443	-	11,443
Inventory	1,460	-	1,460
Restricted Assets:			
Cash	14,600	-	14,600
Non-current assets:			
Land	15,695	-	15,695
Buildings	1,665,671	349,734	2,015,405
Buildings and other improvements	229,813	113,690	343,503
Furniture, equipment - dwelling	120,190	5,269	125,459
Furniture, equipment - administration	-	59,377	59,377
Less accumulated depreciation	<u>(1,477,452)</u>	<u>(116,395)</u>	<u>(1,593,847)</u>
Total capital assets, net	<u>553,917</u>	<u>411,675</u>	<u>965,592</u>
Total assets	<u>887,463</u>	<u>411,675</u>	<u>1,299,138</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	6,777	-	6,777
Accrued salaries	798	-	798
Accrued payroll liabilities	359	-	359
Customer deposits	14,600	-	14,600
Current maturities of:			
Compensated absences	<u>2,354</u>	<u>-</u>	<u>2,354</u>
Total current liabilities	24,888	-	24,888
Non-Current Liabilities:			
Compensated absences	<u>589</u>	<u>-</u>	<u>589</u>
Total liabilities	25,477	-	25,477
NET ASSETS			
Invested in capital assets	553,917	411,675	965,592
Unrestricted	<u>308,069</u>	<u>-</u>	<u>308,069</u>
Total net assets	<u>\$ 861,986</u>	<u>\$ 411,675</u>	<u>\$ 1,273,661</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	Low Rent Fund	Capital Fund Program Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for services	\$ 171,133	\$ -	\$ 171,133
Operating Expenses:			
Personnel services	94,911	-	94,911
Employee benefits	8,994	-	8,994
Professional services	8,184	-	8,184
Utilities	49,607	-	49,607
General operating	77,257	-	77,257
Depreciation	49,503	13,844	63,347
	<u>288,456</u>	<u>13,844</u>	<u>302,300</u>
Total operating expenses			
	(117,323)	(13,844)	(131,167)
Non-Operating Revenues (Expenses):			
HUD operating subsidy	169,822	-	169,822
Capital funds program	-	130,878	130,878
Interest income	1,201	-	1,201
Miscellaneous income	3,858	-	3,858
	<u>174,881</u>	<u>130,878</u>	<u>305,759</u>
Total non-operating revenues (expenses)			
	57,558	117,034	174,592
Income before transfers			
Transfers:			
Transfers in	11,919	-	11,919
Transfers (out)	-	(11,919)	(11,919)
	<u>11,919</u>	<u>(11,919)</u>	<u>-</u>
Total transfers			
	69,477	105,115	174,592
Change in net assets			
Net assets, beginning of year	639,140	-	639,140
Restatements	153,369	306,560	459,929
	<u>792,509</u>	<u>306,560</u>	<u>1,099,069</u>
Net assets, beginning of year restated			
Net assets, end of year	<u>\$ 861,986</u>	<u>\$ 411,675</u>	<u>\$ 1,273,661</u>

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

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

	Low Rent Fund	Capital Fund Program Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 170,898	\$ -	\$ 170,898
Cash payments to suppliers for goods and services	(136,882)	-	(136,882)
Cash payments to employees for services	<u>(103,196)</u>	<u>-</u>	<u>(103,196)</u>
Net cash (used) for operating activities	(69,180)	-	(69,180)
Cash Flows from Non-Capital and Financing Activities:			
Cash received from intergovernmental sources	169,822	130,878	300,700
Miscellaneous income	3,858	-	3,858
Net change in customer deposits	651	-	651
Net transfers in (out)	<u>11,919</u>	<u>(11,919)</u>	<u>-</u>
Net cash provided by non-capital and financing activities	186,250	118,959	305,209
Cash Flows from Capital and Financing Activities:			
Acquisition of capital assets	-	(118,959)	(118,959)
Cash Flows from Investing Activities:			
Interest income	1,201	-	1,201
Purchase of certificates of deposit	<u>(87,622)</u>	<u>-</u>	<u>(87,622)</u>
Net cash (used) by investing activities	<u>(86,421)</u>	<u>-</u>	<u>(86,421)</u>
Net increase in cash	30,649	-	30,649
Cash and cash equivalents, beginning of year	<u>201,360</u>	<u>-</u>	<u>201,360</u>
Cash and cash equivalents, end of year	<u>\$ 232,009</u>	<u>\$ -</u>	<u>\$ 232,009</u>
Displayed as:			
Cash	\$ 305,031	\$ -	\$ 305,031
Restricted cash	14,600	-	14,600
Time deposits not considered cash equivalents	<u>(87,622)</u>	<u>-</u>	<u>(87,622)</u>
	<u>\$ 232,009</u>	<u>\$ -</u>	<u>\$ 232,009</u>

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

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Low Rent Fund</u>	<u>Capital Fund Program Fund</u>	<u>Total</u>
Reconciliation of Operating (Loss) to Net Cash			
Provided by Operating Activities:			
Operating (loss)	\$ (117,323)	\$ (13,844)	\$ (131,167)
Adjustments to Reconcile Operating (Loss) to Net			
Cash Provided by Operating Activities:			
Depreciation	49,503	13,844	63,347
Change in Assets and Liabilities:			
(Increase) in accounts receivable	(235)	-	(235)
Decrease in prepaid expenses	2,441	-	2,441
Decrease in inventories	1,698	-	1,698
(Decrease) in accounts payable	(5,973)	-	(5,973)
Increase in accrued salaries	376	-	376
Increase in accrued payroll liabilities	359	-	359
(Decrease) in compensated absences	(26)	-	(26)
Total adjustments	<u>48,143</u>	<u>13,844</u>	<u>61,987</u>
Net cash (used) for operating activities	<u>\$ (69,180)</u>	<u>\$ -</u>	<u>\$ (69,180)</u>

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Public Housing Authority (the Authority) of the City of Bayard was established in 1972. Five commissioners who are selected by the City of Bayard City Council govern it. For financial reporting purposes, the Authority is a discretely presented component unit of the City of Bayard. 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 Government Auditing Standards Board (GASB) pronouncements, as well as relevant pronouncement of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. Although the Authority has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Authority has chosen not to do so.

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, liabilities, net assets, revenues, and expenses.

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

These financial statements include the implementation of GASB Statement No. 34, *Basic Financial Statements, Management Discussion and Analysis*, for state and local governments and related standards. This standard provides for significant changes in terminology; recognition of contributions in the statements of revenues, expenses and changes in net assets; and other changes.

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 assets. Net assets such as total assets net of total liabilities, are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components. The Authority's operating statements present increases (revenues) and decreases (expenses) in net total assets.

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 resident 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 authorized by the U.S. Department of Housing and Urban Development.

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 commissioner's 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 total 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. Inventory

Inventory is valued at cost and consists of repair and maintenance supplies held for consumption. The Authority has created an allowance for obsolete inventory. The allowance is 10% of total cost. The Authority deems this percentage sufficient.

F. Receivables

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current fiscal year, are recorded as prepaid items.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 that is expected to be liquidated with expendable available financial resources, 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. Annual leave is earned according to the following schedule:

<u>Length of Employment</u>	<u>Regular Full-Time</u>	<u>Regular Part-Time</u>
3 months to 5 years	8 hrs/pay period	4 hrs/pay period
5 years to 10 years	9 hrs/pay period	4.5 hrs/pay period
10.1 years to 15 years	10 hrs/pay period	5 hrs/pay period
15.1 years to 20 years	11 hrs/pay period	5.5 hrs/pay period
20.1 years to 25 years	12 hrs/pay period	6 hrs/pay period
25 years +	13 hrs/pay period	6.5 hrs/pay period

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences (continued)

Regular full-time and regular part-time employees cannot carry more than seven hundred twenty (720) hours into subsequent years. Upon termination, any unused annual leave, equal to or less than four hundred (400) hours shall be paid.

J. Deferred Revenues

The Authority reports deferred revenue on its statement of net assets, when applicable. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the Authority receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.

K. Net Assets

Net assets comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

Invested in Capital Assets – This component of net assets 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 assets component as the unspent proceeds.

Restricted – This component of net assets 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 assets consists of net assets that do not meet the definition of *restricted* or *invested in capital assets, net of related debt*.

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.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2. CASH

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. 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 financial institutions within Bayard, New Mexico. The Authority's deposits are carried at cost.

As of June 30, 2009, 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:

	<u>Type of Account</u>	<u>Per Financial Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Bank of America	Checking	\$ 233,726	\$ (1,717)	\$ 232,009
Bank of America	Certificates of deposit	87,622	-	87,622
		<u>\$ 321,348</u>	<u>\$ (1,717)</u>	<u>\$ 319,631</u>

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 insured by the Federal Deposit Insurance Corporation.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2. CASH (continued)

Cash Deposited with Financial Institutions (continued)

According to the Federal Deposit Insurance Corporation, the public unit owns public unit deposits. Time deposits, saving deposits and interest-bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

	Bank of America
Checking accounts	\$ 233,726
Certificates of deposit	87,622
Total cash	321,348
Less FDIC checking	(233,726)
Less FDIC time deposits	(87,622)
Total uninsured public funds	\$ -

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2009, all of the Authority's deposits were insured and the Authority was not exposed to custodial credit risk.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009, consisted of the following:

Charges for services	\$ 1,012
Less allowance for doubtful accounts	-
	\$ 1,012

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

4. CAPITAL ASSETS

The Authority has restated it's beginning of year capital assets as the staff and fee accountant have taken the historical records and an inventory performed by a consulting firm to recreate the capital subsidiary records. Additionally, the capital assets were restated as to each fund of the Authority.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

4. CAPITAL ASSETS (continued)

	Balance 06/30/08	Restatement	Restated Balance 06/30/08
Land	\$ 276,311	\$ (260,616)	\$ 15,695
Buildings	1,743,243	272,162	2,015,405
Building improvements	612,414	(612,414)	-
Other improvements	171,208	(171,208)	-
Building and other improvements	-	229,813	229,813
Furniture and equipment - dwellings	-	120,190	120,190
Furniture and equipment - administration	23,197	36,180	59,377
Vehicles	40,257	(40,257)	-
Accumulated Depreciation			
Buildings	(1,743,243)	560,671	(1,182,572)
Building improvements	(529,697)	529,697	-
Other improvements	(88,945)	88,945	-
Building and other improvements	-	(177,220)	(177,220)
Furniture and equipment - dwellings	-	(113,928)	(113,928)
Furniture and equipment - administration	(14,437)	(42,343)	(56,780)
Vehicles	(40,257)	40,257	-
Net business-type activities assets	<u>\$ 450,051</u>	<u>\$ 459,929</u>	<u>\$ 909,980</u>

Capital assets for the fiscal year ended June 30, 2009:

	Restated Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 15,695	\$ -	\$ -	\$ 15,695
Other capital assets, being amortized and depreciated:				
Buildings	2,015,405	-	-	2,015,405
Building and other improvements	229,813	113,690	-	343,503
Furniture and equipment - dwellings	120,190	5,269	-	125,459
Furniture and equipment - administration	59,377	-	-	59,377
Total other capital assets, being depreciated	2,424,785	118,959	-	2,543,744

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

4. CAPITAL ASSETS (continued)

	Restated Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Less accumulated depreciation for:				
Buildings	(1,182,572)	(50,715)	-	(1,233,287)
Building improvements	(177,220)	(7,803)	-	(185,023)
Furniture and equipment - dwellings	(113,928)	(3,230)	-	(117,158)
Furniture and equipment - administration	(56,780)	(1,599)	-	(58,379)
Total accumulated amortization and depreciation	<u>(1,530,500)</u>	<u>(63,347)</u>	<u>-</u>	<u>(1,593,847)</u>
Other capital assets, net	<u>894,285</u>	<u>55,612</u>	<u>-</u>	<u>949,897</u>
Total capital assets, net	<u>\$ 909,980</u>	<u>\$ 55,612</u>	<u>\$ -</u>	<u>\$ 965,592</u>

5. ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences during the year ended June 30, 2009, were as follows:

	Balance 06/30/08	Additions	Deletions	Balance 06/30/09	Amounts Due Within One Year
Accrued compensated absences	<u>\$ 2,969</u>	<u>\$ 9,773</u>	<u>\$ 9,799</u>	<u>\$ 2,943</u>	<u>\$ 2,354</u>

6. RESTATEMENT OF NET ASSETS

The Authority has reflected two enterprise funds within these financial statements, (1) low rent fund, and; (2) capital fund program fund. The Authority has restated its net assets to reflect the two funds. Additionally, the Authority has restated its beginning of year capital assets as the staff and fee accountant have taken the historical records and an inventory performed by a consulting firm to recreate the capital subsidiary records.

	Low Rent Fund	Capital Fund Program Fund
Net assets, June 30, 2008	\$ 639,140	\$ -
Restated capital assets	<u>153,369</u>	<u>306,560</u>
Net assets restated June 30, 2008	<u>\$ 792,509</u>	<u>\$ 306,560</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

7. RETIREMENT PLAN

Plan Description

All of the full-time employees of the Authority participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 7% (ranges from 4.78% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Authority is required to contribute 7% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$6,546, \$6,475, and \$7,148, respectively, which equal the amount of the required contributions for each fiscal year.

8. 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.

9. 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.

10. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

10. CONTINGENT LIABILITIES (continued)

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.

11. INTERFUND TRANSFERS

The capital fund program fund has transferred \$11,919 to the low rent fund. The capital fund program fund is responsible for collecting revenues that are used for the operations and thus those funds were transferred for use in the low rent fund.

12. RECONCILIATION OF SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

The financial data schedule presented as supplemental federal financial information is financial data 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:

	<u>Financial Statements</u>		<u>Financial Data Schedule</u>
Assets	\$ 1,299,138	\$ -	\$ 1,299,138
Liabilities	\$ 25,477	\$ -	\$ 25,477
Net assets	1,273,661	-	1,273,661
Total liabilities and net assets	<u>\$ 1,299,138</u>	<u>\$ -</u>	<u>\$ 1,299,138</u>
Revenues	\$ 476,892	\$ -	\$ 476,892
Expenses	302,300	-	302,300
Excess (deficiency) of revenues over expenditures	<u>\$ 174,592</u>	<u>\$ -</u>	<u>\$ 174,592</u>

INDIVIDUAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
STATEMENT OF LOW RENT FUND REVENUES AND EXPENSES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental revenues	\$ 122,980	\$ 141,750	\$ 169,822	\$ 28,072
Tenant rental income	162,820	162,820	159,853	(2,967)
Tenant revenue - other	-	500	9,212	8,712
Interest income	3,020	150	1,201	1,051
Other receipts	30,500	8,520	5,926	(2,594)
Total revenues	319,320	313,740	346,014	32,274
Expenses:				
Administrative salaries	62,000	63,000	62,379	621
Legal expenses	2,000	3,000	260	2,740
Staff expenses	2,000	5,000	645	4,355
Travel	3,000	3,000	2,989	11
Accounting fees	3,980	3,980	2,553	1,427
Auditing fees	4,230	4,230	5,631	(1,401)
Other administrative expenses	15,000	11,100	17,124	(6,024)
Tenant services recreation	2,000	2,000	-	2,000
Collection losses	2,000	3,500	-	3,500
Water	16,500	16,500	25,766	(9,266)
Electricity	7,500	7,500	3,096	4,404
Natural gas	16,000	16,000	10,771	5,229
Other utilities	17,000	17,000	33,588	(16,588)
Maintenance labor	43,000	38,000	32,532	5,468
Maintenance material	25,000	10,000	10,542	(542)
Maintenance contract costs	27,500	46,400	7,615	38,785
Property insurance	25,000	17,000	14,468	2,532
Employee benefits administrative	33,333	13,400	5,936	7,464
Employee benefits maintenance	16,667	6,600	3,058	3,542
Total expenses	323,710	287,210	238,953	48,257
Net income	\$ (4,390)	\$ 26,530	\$ 107,061	\$ 80,531
Beginning of year cash available to absorb deficit budget	<u>\$ 4,390</u>	N/A		

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
LOW RENT FUND**

**RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES TO THE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

Revenues reflected on low rent fund budgetary comparison statement	\$	346,014
		<u>346,014</u>
Operating revenues reflected on the statement of revenues expenses and changes in fund net assets	\$	171,133
Non-Operating Revenues:		
HUD operating subsidy		169,822
Interest income		1,201
Miscellaneous		3,858
		<u>3,858</u>
Total revenues reflected on the statement of revenues, expenses and changes in fund net assets.	\$	346,014
		<u>346,014</u>
Expenses reflected on the low-rent fund budgetary comparison statement	\$	238,953
Differences - Budget to GAAP:		
Depreciation expense is not considered an expense for the budgetary basis but is considered an expense for financial reporting purposes.		49,503
		<u>49,503</u>
Total expenses reflected on the statement of revenues, expenses and changes in fund net assets.	\$	288,456
		<u>288,456</u>
Differences - Budget to GAAP:		
The Authority does not budget transfers for the capital fund program fund to the low rent fund.	\$	-
Differences - Budget to GAAP:		
The Authority does not budget transfers for the capital fund program fund to the low rent fund.		11,919
		<u>11,919</u>
Total non-operating revenues reflected on the statement of revenues, expenses and changes in fund net assets.	\$	11,919
		<u>11,919</u>

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CAPITAL FUND PROGRAM GRANT PROJECT NUMBER NM02P024501-06
REVENUES AND EXPENSES BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Incurred Prior Fiscal Years	Incurred Fiscal Year 06/30/09	Total Project	Variance With Finance Budget Over (Under)
Revenues:						
CFP grant revenues	\$ 111,575	\$ 114,871	\$ 49,105	\$ 65,766	\$ 114,871	-
Expenses:						
Operations	40,000	49,306	49,105	201	49,306	-
Fees and costs	7,000	7,000	-	7,000	7,000	-
Site improvements	54,575	53,296	-	53,296	53,296	-
Dwelling equipment - expendable	-	5,269	-	5,269	5,269	-
Non-dwelling equipment	10,000	-	-	-	-	-
Total expenses	<u>111,575</u>	<u>114,871</u>	<u>49,105</u>	<u>65,766</u>	<u>114,871</u>	<u>-</u>
Net income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CAPITAL FUND PROGRAM GRANT PROJECT NUMBER NM02P024501-07
REVENUES AND EXPENSES BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Incurred Prior Fiscal Years	Incurred Fiscal Year 06/30/09	Total Project	Variance With Finance Budget Over (Under)
Revenues:						
CFP grant revenues	\$ 113,358	\$ 66,126	\$ -	\$ 1,500	\$ 1,500	(64,626)
Expenses:						
Operations	10,000	6,500	-	-	-	6,500
Audit	4,500	1,500	-	1,500	1,500	-
Fees and costs	9,000	3,000	-	-	-	3,000
Site improvements	65,000	34,126	-	-	-	34,126
Dwelling structures	24,858	20,000	-	-	-	20,000
Non-dwelling equipment	-	1,000	-	-	-	1,000
Total expenses	<u>113,358</u>	<u>66,126</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>	<u>64,626</u>
Net income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CAPITAL FUND PROGRAM GRANT
PROGRAM NUMBER NM02P0245501-08
REVENUES AND EXPENSES BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Incurred Fiscal Year 06/30/09	Variance With Finance Budget Over (Under)
Revenues:				
CFP grant revenues	\$ 115,781	\$ 115,781	\$ 63,612	\$ (52,169)
Expenses:				
Operations	5,500	5,500	5,500	-
Management improvements	4,000	3,000	3,000	-
Administration	11,000	-	-	-
Audit	1,500	1,500	-	1,500
Fees and costs	4,000	4,000	536	3,464
Site improvements	50,281	52,858	52,858	-
Dwelling structures	33,500	43,923	1,718	42,205
Non-dwelling equipment	6,000	5,000	-	5,000
Total expenses	<u>115,781</u>	<u>115,781</u>	<u>63,612</u>	<u>52,169</u>
Net income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
CAPITAL FUND PROGRAM FUND
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES TO THE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

Revenues reflected on the capital fund program fund comparison statements:		
Project Number NM02P024501-06	\$	65,766
Project Number NM02P024501-07		1,500
Project Number NM02P024501-08		<u>63,612</u>
		130,878
Differences - Budget to GAAP:		
None.		<u>-</u>
Intergovernmental revenues reflected on the statement of revenues, expenses and changes fund net assets.	\$	<u><u>130,878</u></u>
Expenses reflected on the capital fund program fund comparison statements:		
Project Number NM02P024501-06	\$	65,766
Project Number NM02P024501-07		1,500
Project Number NM02P024501-08		<u>63,612</u>
		130,878
Differences - Budget to GAAP:		
Depreciation expense is not considered an expense for the budgetary basis but is considered an expense for financial reporting purposes.		13,844
The Authority budgets for expenditures paid for during the current accounting period. Capital expenditures are reflected as capital outlay expenditures on the budgetary comparison while those amounts are capitalized for financial reporting purposes.		(118,959)
The Authority budgets for non-capital expenditures for each capital fund program award. Rather than reflecting those expenditures in the GAAP income statement for the CFP fund they are reflected as a transfer to the low rent fund at which point they are reflected as expenses.		<u>(11,919)</u>
Total expenses reflected on the statement of revenues, expenses and changes in fund net assets.	\$	<u><u>13,844</u></u>

SUPPLEMENTAL FINANCIAL INFORMATION

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2009**

<u>Financial Institution/ Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Bank of America 608 Winifred Street Bayard, NM 88023				
Bayard Housing Authority	Checking	\$ 219,095	\$ (1,686)	\$ 217,409
Bayard Housing Authority	Checking	14,631	(31)	14,600
		<u>233,726</u>	<u>(1,717)</u>	<u>232,009</u>
Bayard Housing Authority	CD	12,209	-	12,209
Bayard Housing Authority	CD	25,000	-	25,000
Bayard Housing Authority	CD	50,413	-	50,413
		<u>87,622</u>	<u>-</u>	<u>87,622</u>
		<u>\$ 321,348</u>	<u>\$ (1,717)</u>	<u>\$ 319,631</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2009**

Line Item	Description	Total Projects
111	Cash - unrestricted	\$ 217,409
114	Cash - tenant security deposits	14,600
100	Total cash	232,009
126	Accounts receivable - tenants	1,012
126.1	Allowance for doubtful accounts - dwelling rent	-
120	Total receivables, net of allowance for doubtful accounts	1,012
131	Investments - unrestricted	87,622
142	Prepaid expenses and other assets	11,443
143	Inventories	1,460
143.1	Allowance for obsolete inventories	-
150	Total current assets	333,546
161	Land	15,695
162	Buildings	2,015,405
163	Furniture, equipment and machinery - dwellings	125,459
164	Furniture, equipment and machinery - administration	59,377
165	Leasehold improvements	343,503
166	Accumulated depreciation	(1,593,847)
160	Total capital assets, net of a/d	965,592
190	Total assets	<u>\$ 1,299,138</u>
312	Accounts payable <= 90 days	\$ 6,777
321	Accrued wage/payroll taxes payable	1,157
322	Accrued compensated absences - current portion	2,354
341	Tenant security deposits	14,600
310	Total current liabilities	24,888
354	Accrued compensated absences - Non-current	589
300	Total liabilities	25,477
508.1	Invested in capital assets net of related debt	965,592
512.1	Unrestricted net assets	308,069
513	Total equity	1,273,661
600	Total liabilities and equity	<u>\$ 1,299,138</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2009**

Line Item	Description	Low Rent 14.85	Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	\$ 159,853	\$ -	\$ 159,853
70400	Tenant revenue - other	9,212	-	9,212
70500	Total tenant revenue	169,065	-	169,065
70600	HUD PHA operating grants	169,822	-	169,822
70610	Capital grants	-	130,878	130,878
71100	Investment income - unrestricted	1,201	-	1,201
71500	Other revenue	5,926	-	5,926
70000	Total revenues	346,014	130,878	476,892
91100	Administrative salaries	62,379	-	62,379
91200	Auditing fees	5,631	-	5,631
91500	Employee benefit contributions - administrative	5,936	-	5,936
91600	Office expenses	9,903	-	9,903
91700	Legal	260	-	260
91800	Travel	2,989	-	2,989
91900	Other	10,419	-	10,419
91000	Total operating - administrative	97,517	-	97,517
93100	Water	25,766	-	25,766
93200	Electricity	3,096	-	3,096
93300	Gas	10,771	-	10,771
93600	Sewer	9,974	-	9,974
93000	Total utilities	49,607	-	49,607
94100	Ordinary maintenance and operations - labor	32,532	-	32,532
94200	Ordinary maintenance and operations - materials and other	10,542	-	10,542
94300-010	Ordinary maintenance and operations contracts - garbage and trash removal contracts	23,614	-	23,614
94300-070	Ordinary maintenance and operations contracts - electrical contracts	1,715	-	1,715
94300-090	Ordinary maintenance and operations contracts - extermination contracts	1,946	-	1,946
94300-110	Ordinary maintenance and operations contracts - janitorial contracts	3,954	-	3,954
94300	Ordinary maintenance and operations contracts	31,229	-	31,229
94500	Employee benefit contribution - ordinary maintenance	3,058	-	3,058
94000	Total maintenance	77,361	-	77,361

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2009**

Line Item	Description	Low Rent 14.85	Capital Fund Program 14.872	Total
96110	Property insurance	14,468	-	14,468
96140	All other insurance	-	-	-
96100	Total insurance premiums	14,468	-	14,468
96900	Total operating expenses	238,953	-	238,953
97000	Excess revenues over operating expenses	107,061	130,878	237,939
97400	Depreciation expense	49,503	13,844	63,347
90000	Total expenses	288,456	13,844	302,300
10010	Operating transfer in	11,919	-	11,919
10020	Operating transfer out	-	(11,919)	(11,919)
10100	Total other financing sources (uses)	11,919	(11,919)	-
	Excess (deficiency) of revenues over (under) expenses	<u>\$ 69,477</u>	<u>\$ 105,115</u>	<u>\$ 174,592</u>
11030	Beginning equity	\$ 639,140	\$ -	\$ 639,140
11040-010	Adjustments/Correction and Recording Fixed Assets	153,369	306,560	459,929
11190	Unit months available	840	-	840
11210	Unit months leased	821	-	821

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*

Hector H. Balderas, State Auditor
and
Board of Commissioners
City of Bayard Public Housing Authority
Bayard, New Mexico

We have audited the financial statements of the business-type activities of the Public Housing Authority (Authority) of the City of Bayard, New Mexico, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 27, 2009. We have also audited the enterprise funds financial budgetary comparisons as of and for the year ended June 30, 2009, and have issued our opinion thereon dated November 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 matter that is required to be reported under *Government Auditing Standards*.

We noted a certain matter that is required to be reported under *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which is described in the accompanying schedule of findings and responses as item 2009-01.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of commissioners, management, others within the Authority, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration Local Government Division and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



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

November 27, 2009

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

Item 2009-01 – Bank Depositories

Statement of Condition – The Authority did not maintain its interest bearing deposits of \$87,622 at June 30, 2009 in each of the financial institutions located within the City of Bayard boundaries in the ratio of the financial institution's total deposits. The Authority has all of its interest bearing deposits in one of the two financial institutions located within the geographical boundaries of the City of Bayard.

Criteria – Section 6-10-36C NMSA 1978A states in part, "Public money placed in interest-bearing deposits in banks and savings and loan associations shall be equitably distributed among all banks and savings and loan associations having their main or staffed branch offices within the geographical boundaries of the governmental unit that have qualified as public depositories. The deposits shall be in the proportion that each bank's or savings and loan association's deposits bear to the total deposits of all banks and savings and loan associations."

Effect – Noncompliance with the New Mexico state statutes could subject elected officials and employees to penalties.

Cause – The staff of the Authority were unaware of the requirement to allocate their interest bearing accounts between the banks located within the City of Bayard.

Recommendation – We recommend the Authority review Section 6-10-36C NMSA 1978A and enact a policy and procedure that would ensure compliance with Section 6-10-36C.

Views of Responsible Officials and Planned Corrective Actions – The Authority concurs with the auditors' recommendation and the Authority will begin looking into other financial institutions located within the geographical boundaries of the City of Bayard. At time of renewal the housing authority will allocate their interest bearing accounts between qualified banks located within the City of Bayard.

PRIOR YEAR'S AUDITOR FINDINGS

Item 2006-01

In the previous year the auditor noted that the Housing Authority did not maintain detailed subsidiary ledger records of capital assets. With the assistance of the fee accountant the Housing Authority has created a detailed subsidiary ledger. The finding is considered resolved.

Item 2006-02

In the prior year, the auditor noted that the Housing Authority did not maintain a complete general ledger at the Authority physical location. While the Authority does not have the electronic accounting data the Authority possesses all computer reports including a general ledger produced by the fee accountant. The Authority maintains all source data such as bank images of checks and deposits and all vendor invoices. The prior years finding is considered resolved.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

PRIOR YEAR'S AUDITOR FINDINGS (continued)

Item 2008-01

The audit report for the fiscal year ended June 30, 2008, was due at the New Mexico State Auditor's office on December 1, 2008. The audit report was submitted on April 21, 2009. The audit report for the fiscal year ended June 30, 2009, was submitted on a timely basis. The audit finding is considered resolved.

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE AND FINANCIAL STATEMENT PREPARATION
JUNE 30, 2009

Exit Conference

The audit report for the fiscal year ended June 30, 2009, was discussed during the exit conference held on November 30, 2009. Present for the Public Housing Authority was: Jim Cook, chairperson; and Jolene Padilla, executive director. Present for the City of Bayard was: A.C. Rodriguez, city councilor; and Kristina V. Ortiz, city clerk-treasurer. Present from the auditing firm was Ed Fierro, CPA.

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 City of Bayard Public Housing Authority as of and for the year ended June 30, 2009. 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.