

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

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2010

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY**
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June 30, 2010

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**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY**
Directory of Officials
June 30, 2010

Board of Commissioners

Jim Cook..... Chairperson
Rosemary Alvarado Vice-Chairperson
Virginia Alvarado..... Commissioner
Rubie Misquez Commissioner
Vacant Commissioner

Administrative Staff

Jolene Padilla Executive Director

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
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www.fierrocpa.comIndependent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities and each major fund, 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, 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with 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 previously 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, 2010, 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 17, 2010, 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 financial statements that collectively comprise the Authority's basic financial statements, and the budgetary comparison statements. The accompanying schedule of cash accounts, schedule of pledged collateral 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 units listed above and other opinion units listed above 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 17, 2010

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Low Rent Fund	Capital Fund Program Fund	Total
ASSETS			
Current Assets:			
Cash	\$ 376,901	\$ -	\$ 376,901
Receivables (net of allowance):			
Accounts	1,421	-	1,421
Prepaid expenses	9,900	-	9,900
Inventory	3,595	-	3,595
Restricted Assets:			
Cash	15,143	-	15,143
Non-Current Assets:			
Land	15,695	-	15,695
Buildings	2,015,405	203,512	2,218,917
Buildings and other improvements	370,259	-	370,259
Furniture, equipment - dwelling	125,459	-	125,459
Furniture, equipment - administration	67,372	-	67,372
Less accumulated depreciation	(1,660,736)	-	(1,660,736)
Total capital assets, net	<u>933,454</u>	<u>203,512</u>	<u>1,136,966</u>
Total assets	<u>1,340,414</u>	<u>203,512</u>	<u>1,543,926</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	7,276	-	7,276
Accrued salaries	1,121	-	1,121
Accrued payroll liabilities	2,681	-	2,681
Customer deposits	15,143	-	15,143
Deferred revenues	344	-	344
Current maturities of:			
Compensated absences	1,119	-	1,119
Total current liabilities	<u>27,684</u>	<u>-</u>	<u>27,684</u>
Non-Current Liabilities:			
Compensated absences	3,148	-	3,148
Total liabilities	<u>30,832</u>	<u>-</u>	<u>30,832</u>
NET ASSETS			
Invested in capital assets	933,454	203,512	1,136,966
Unrestricted	376,128	-	376,128
Total net assets	<u>\$ 1,309,582</u>	<u>\$ 203,512</u>	<u>\$ 1,513,094</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, 2010

	Low Rent Fund	Capital Fund Program Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for services	\$ 158,527	\$ -	\$ 158,527
Operating Expenses:			
Personnel services	101,603	-	101,603
Employee benefits	23,465	-	23,465
Professional services	12,152	-	12,152
Utilities	57,339	-	57,339
General operating	102,686	-	102,686
Depreciation	66,888	-	66,888
	<u>364,133</u>	<u>-</u>	<u>364,133</u>
Total operating expenses			
Operating (loss)	(205,606)	-	(205,606)
Non-Operating Revenues (Expenses):			
HUD operating subsidy	173,029	-	173,029
Interest income	1,266	-	1,266
Miscellaneous income	10,113	-	10,113
	<u>184,408</u>	<u>-</u>	<u>184,408</u>
Total non-operating revenues (expenses)			
(Loss) before capital contributions and transfers	(21,198)	-	(21,198)
Capital contributions and Transfers:			
Capital contributions	-	260,631	260,631
Transfers in	468,794	-	468,794
Transfers (out)	-	(468,794)	(468,794)
	<u>468,794</u>	<u>(208,163)</u>	<u>260,631</u>
Total capital contributions and transfers			
Change in net assets	447,596	(208,163)	239,433
Net assets, beginning of year	<u>861,986</u>	<u>411,675</u>	<u>1,273,661</u>
Net assets, end of year	<u>\$ 1,309,582</u>	<u>\$ 203,512</u>	<u>\$ 1,513,094</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, 2010**

	Low Rent Fund	Capital Fund Program Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 158,462	\$ -	\$ 158,462
Cash payments to suppliers for goods and services	(164,332)	-	(164,332)
Cash payments to employees for services	(129,037)	-	(129,037)
Net cash (used) for operating activities	(134,907)	-	(134,907)
Cash Flows from Non-Capital and Financing Activities:			
Cash received from intergovernmental sources	173,029	-	173,029
Miscellaneous income	9,920	-	9,920
Net change in customer deposits	543	-	543
Net transfers in (out)	22,368	(22,368)	-
Net cash provided (used) by non-capital and financing activities	205,860	(22,368)	183,492
Cash Flows from Capital and Financing Activities:			
Cash received from intergovernmental sources	-	260,631	260,631
Acquisition of capital assets	-	(238,263)	(238,263)
Net cash provided by capital and financing activities	-	22,368	22,368
Cash Flows from Investing Activities:			
Interest income	194	-	194
Net increase in cash	71,147	-	71,147
Cash and cash equivalents, beginning of year	232,009	-	232,009
Cash and cash equivalents, end of year	<u>\$ 303,156</u>	<u>\$ -</u>	<u>\$ 303,156</u>
Displayed as:			
Cash	\$ 376,901	\$ -	\$ 376,901
Restricted cash	15,143	-	15,143
Time deposits not considered cash equivalents	(88,888)	-	(88,888)
	<u>\$ 303,156</u>	<u>\$ -</u>	<u>\$ 303,156</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, 2010**

	Low Rent Fund	Capital Fund Program Fund	Total
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:			
Operating (loss)	\$ (205,606)	\$ -	\$ (205,606)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	66,888	-	66,888
Change in Assets and Liabilities:			
(Increase) in accounts receivable	(409)	-	(409)
Decrease in prepaid expenses	1,543	-	1,543
(Increase) in inventories	(2,135)	-	(2,135)
Increase in accounts payable	499	-	499
Increase in accrued salaries	323	-	323
Increase in accrued payroll liabilities	2,322	-	2,322
Increase in compensated absences	1,324	-	1,324
Increase in deferred revenues	344	-	344
	70,699	-	70,699
Total adjustments			
Net cash (used) for operating activities	\$ (134,907)	\$ -	\$ (134,907)

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

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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.

Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this limitation. The Authority has elected not to follow subsequent private-sector guidance.

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

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.

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, 2010

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, 2010**

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, 2010

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, 2010**

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, 2010, 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	\$ 311,263	\$ (8,107)	\$ 303,156
Bank of America	Certificates of Deposit	88,888	-	88,888
		<u>\$ 400,151</u>	<u>\$ (8,107)</u>	<u>\$ 392,044</u>

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

Statement of Net Assets:	
Cash	\$ 376,901
Restricted cash	<u>15,143</u>
Total cash reported on the financial statements	<u>\$ 392,044</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

2. CASH (continued)

Cash Deposited with Financial Institutions (continued)

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.

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.

	Bank of America
Checking accounts	\$ 311,263
Certificates of deposit	88,888
Total deposits	400,151
Less FDIC checking	(250,000)
Less FDIC time deposits	(88,888)
	\$ 61,263
Pledged securities	\$ 136,028
Collateral requirement (50% of uninsured public funds)	30,632
Over (under) collateralization	\$ 105,396

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

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, 2010, \$61,263 of the Authority's bank balance of \$392,044 was exposed to custodial credit risk as follows:

	Bank of America
Uninsured and collateral held by pledging banks' trust dept. or agent not in the Authority's name	\$ 61,263

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010, consisted of the following:

Charges for services	\$	1,421
Less allowance for doubtful accounts		-
		\$ 1,421

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

4. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2010:

	Balance 06/30/09	Increases	Decreases	Balance 06/30/10
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 15,695	\$ -	\$ -	\$ 15,695
Other capital assets, being depreciated:				
Buildings	2,015,405	203,512	-	2,218,917
Building and other improvements	343,503	26,756	-	370,259
Furniture and equipment - dwellings	125,459	-	-	125,459
Furniture and equipment - administration	59,377	7,995	-	67,372
Total other capital assets, being depreciated	2,543,744	238,263	-	2,782,007
Less accumulated depreciation for:				
Buildings	(1,233,287)	(50,715)	-	(1,284,002)
Building improvements	(185,023)	(11,136)	-	(196,159)
Furniture and equipment - dwellings	(117,158)	(3,352)	-	(120,510)
Furniture and equipment - administration	(58,379)	(1,686)	-	(60,065)
Total accumulated depreciation	(1,593,847)	(66,889)	-	(1,660,736)
Other capital assets, net	949,897	171,374	-	1,121,271
Total capital assets, net	\$ 965,592	\$ 171,374	\$ -	\$ 1,136,966

5. ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences during the year ended June 30, 2010, were as follows:

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

5. ACCRUED COMPENSATED ABSENCES (continued)

	Balance 06/30/09	Additions	Deletions	Balance 06/30/10	Amount Due Within One Year
Accrued compensated absences	\$ 2,943	\$ 10,145	\$ (8,823)	\$ 4,267	\$ 1,119

6. 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 3.83% 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, 2010, 2009 and 2008 were \$6,891, \$6,546, and \$6,475, respectively, which equal the amount of the required contributions for each fiscal year.

7. 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.

8. 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.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

8. RISK MANAGEMENT (continued)

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.

9. 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.

10. INTERFUND TRANSFERS

The capital fund program fund has transferred \$22,368 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.

11. 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:

	<u>Financial Statements</u>	<u>Differences</u>	<u>Financial Data Schedule</u>
Assets	\$ 1,543,926	\$ -	\$ 1,543,926
Liabilities	\$ 30,832	\$ -	\$ 30,832
Net assets	1,513,094	-	1,513,094
Total liabilities and net assets	<u>\$ 1,543,926</u>	<u>\$ -</u>	<u>\$ 1,543,926</u>
Revenues	\$ 603,566	\$ -	\$ 603,566
Expenses	364,133	-	364,133
Excess (deficiency) of revenues over expenditures	<u>\$ 239,433</u>	<u>\$ -</u>	<u>\$ 239,433</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, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental revenues	\$ 145,000	\$ 145,000	\$ 173,029	\$ 28,029
Tenant rental income	160,000	160,000	150,825	(9,175)
Tenant revenue - other	8,000	8,000	7,702	(298)
Interest income	150	150	1,266	1,116
Other receipts	1,600	1,600	9,920	8,320
Total revenues	314,750	314,750	342,742	27,992
Expenses:				
Administrative salaries	70,000	71,270	71,263	7
Legal fees	2,000	-	-	-
Staff training	3,000	970	970	-
Travel	3,000	1,800	1,799	1
Accounting fees	3,000	3,400	3,396	4
Auditing fees	6,000	6,000	5,956	44
Other administrative expenses	8,500	8,500	8,467	33
Tenant services	2,000	50	41	9
Collection losses	3,500	-	-	-
Water	25,000	30,850	30,836	14
Electricity	4,000	3,410	3,531	(121)
Natural gas	13,000	11,900	12,028	(128)
Other utilities	12,000	10,950	10,944	6
Maintenance labor	38,000	30,500	30,340	160
Maintenance material	10,000	11,800	11,735	65
Maintenance contract costs	30,500	34,500	34,203	297
Property insurance	22,000	25,000	24,521	479
Employee benefits administrative	15,000	23,400	12,425	10,975
Employee benefits maintenance	-	-	11,040	(11,040)
Total expenses	270,500	274,300	273,495	805
Net income	\$ 44,250	\$ 40,450	\$ 69,247	\$ 28,797

**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, 2010**

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules: \$ 342,742

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. (173,029)

The Authority budgets for interest income as operating revenues for budgetary purposes. Miscellaneous revenues are reported as non-operating revenues for financial reporting purposes. (1,266)

The Authority budgets for miscellaneous revenues as operating revenues for budgetary purposes. Miscellaneous revenues are reported as non-operating revenues for financial reporting purposes. (9,920)

Total operating revenues as reported on the statement of revenues, expenses and changes in fund net assets \$ 158,527

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedules:
Low Rent fund budgetary statement \$ 273,495

Differences - Budget to GAAP:

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 capital fund program funds, they are reflected as a transfer to the low rent fund at which point they are reflected as expenses. 23,750

Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes. 66,888

Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets \$ 364,133

Transfers:

Actual amounts (budgetary basis) "transfers" from the budgetary comparison schedules:
Low Rent fund budgetary statement \$ -

Differences - Budget to GAAP:

The Authority does not budget transfers from the capital fund program fund once grants have been closed to the low rent fund. 468,794

Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets \$ 468,794

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, 2010

	Original Budget	Final Budget	Incurred Prior Fiscal Years	Incurred Fiscal Year 06/30/10	Total Project	Variance With Final Budget Over (Under)
Revenues:						
CFP grant revenues	\$ 113,358	\$ 66,126	\$ 1,500	\$ 64,625	\$ 66,125	\$ (1)
Expenses:						
Operations	10,000	6,500	-	4,180	4,180	2,320
Audit	4,500	1,500	1,500	-	1,500	-
Fees and costs	9,000	3,000	-	23,320	23,320	(20,320)
Site improvements	65,000	34,126	-	-	-	34,126
Dwelling structures	24,858	20,000	-	37,125	37,125	(17,125)
Non-dwelling equipment	-	1,000	-	-	-	1,000
Total expenses	<u>113,358</u>	<u>66,126</u>	<u>1,500</u>	<u>64,625</u>	<u>66,125</u>	<u>1</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 NM02P024501-08
REVENUES AND EXPENSES BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Incurred Prior Fiscal Years</u>	<u>Incurred Fiscal Year 06/30/10</u>	<u>Total Project</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:						
CFP grant revenues	\$ 115,781	\$ 115,781	\$ 63,612	\$ 52,170	\$ 115,782	\$ 1
Expenses:						
Operations	5,500	5,500	5,500	-	5,500	-
Management improvements	4,000	10,995	3,000	7,995	10,995	-
Administration	11,000	-	-	-	-	-
Audit	1,500	2,800	-	2,800	2,800	-
Fees and costs	4,000	536	536	-	536	-
Site improvements	50,281	68,639	52,858	15,781	68,639	-
Dwelling structures	33,500	8,548	1,718	6,830	8,548	-
Non-dwelling equipment	6,000	18,763	-	18,764	18,764	(1)
Total expenses	<u>115,781</u>	<u>115,781</u>	<u>63,612</u>	<u>52,170</u>	<u>115,782</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
PROGRAM NUMBER NM02P0245501-09
REVENUES AND EXPENSES BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Incurred Fiscal Year 06/30/10	Variance With Finance Budget Over (Under)
Revenues:				
CFP grant revenues	\$ 115,781	\$ 115,631	\$ -	\$ -
Expenses:				
Operations	20,000	20,000	-	-
Management improvements	5,000	5,000	-	-
Audit	2,000	3,000	-	-
Fees and costs	10,000	10,000	-	-
Dwelling equipment - non-expendable	39,000	22,000	-	-
Non-dwelling structures	39,781	35,631	-	-
Non-dwelling equipment	-	20,000	-	-
Total expenses	<u>115,781</u>	<u>115,631</u>	<u>-</u>	<u>-</u>
Net income	<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 NM02S024501-09
 REVENUES AND EXPENSES BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Incurred Fiscal Year 06/30/10	Variance With Final Budget Over (Under)
Revenues:				
CFP grant revenues	\$ 146,555	\$ 146,555	\$ 143,836	\$ (2,719)
Expenses:				
Dwelling structures	146,555	146,555	143,836	2,719
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, 2010**

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules:

Project Number		
Schedule of CFP NM02P024501-07 Revenues and Expenses	\$	64,625
Schedule of CFP NM02P024501-08 Revenues and Expenses		52,170
Schedule of CFP NM02P024501-09 Revenues and Expenses		-
Schedule of CFP NM02S024501-09 Revenues and Expenses		<u>143,836</u>
Total budgetary basis revenues		260,631

Differences - Budget to GAAP:

None.		<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets	<u>\$</u>	<u>260,631</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedules:

Schedule of CFP NM02P024501-07 Revenues and Expenses	\$	64,625
Schedule of CFP NM02P024501-08 Revenues and Expenses		52,170
Schedule of CFP NM02P024501-09 Revenues and Expenses		-
Schedule of CFP NM02S024501-09 Revenues and Expenses		<u>143,836</u>
Total budgetary basis expenses		260,631

Differences - Budget to GAAP:

The Authority budgets for expenditures paid for during the current accounting period. Capital expenditures are reflected as capital outlay expenditures on the budgetary comparison schedules while those amounts are capitalized for financial reporting purposes. (238,263)

The Authority budgets for non-capital expenditures for each capital fund program award. Rather than reflecting those expenditures in the GAAP income statements for the capital fund program fund, they are reflected as a transfer to the low rent fund at which point they are reflected as expenses. (22,368)

Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets	<u>\$</u>	<u>-</u>
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Transfers:

Actual amounts (budgetary basis) "transfers" from the budgetary comparison schedules:

Capital Fund program funds	\$	-
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Differences - Budget to GAAP:

The Authority does not budget transfers from the capital fund program funds once grants have been closed to the low rent fund. (468,794)

Total transfers as reported on the statement of revenues, expenses, and changes in fund net assets	<u>\$</u>	<u>(468,794)</u>
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SUPPLEMENTAL FINANCIAL INFORMATION

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2010**

<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	\$ 295,913	\$ (7,900)	\$ 288,013
Bayard Housing Authority	Checking	<u>15,350</u>	<u>(207)</u>	<u>15,143</u>
		311,263	(8,107)	303,156
Bayard Housing Authority	CD	12,449	-	12,449
Bayard Housing Authority	CD	25,350	-	25,350
Bayard Housing Authority	CD	<u>51,089</u>	<u>-</u>	<u>51,089</u>
		<u>88,888</u>	<u>-</u>	<u>88,888</u>
		<u>\$ 400,151</u>	<u>\$ (8,107)</u>	<u>\$ 392,044</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2010**

Bank of America, N.A.
NC1-007-25-03
100 N. Tryon St.
Charlotte, NC 28255-0001

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
Federal National Mortgage Assn	31391K7C5	11/01/17	\$ 160
Federal National Mortgage Assn	31400EQ52	04/01/18	2,887
Federal National Mortgage Assn	31403KG98	10/01/18	398
Federal National Mortgage Assn	31402CXF4	02/01/19	350
Federal National Mortgage Assn	31404LX39	10/01/28	2,820
Federal National Mortgage Assn	31391YXX0	03/01/29	328
Federal National Mortgage Assn	31391YXY8	08/01/29	1,803
Federal National Mortgage Assn	31405FH54	08/01/32	342
Federal National Mortgage Assn	31405FHY1	10/01/32	319
Federal National Mortgage Assn	31405FHZ8	10/01/32	195
Federal National Mortgage Assn	31405FHS4	12/01/32	645
Federal National Mortgage Assn	31404LV80	06/01/33	1,358
Federal National Mortgage Assn	314C2DC73	07/01/34	14,444
Federal National Mortgage Assn	3128M7YL4	07/01/35	1,012
Federal National Mortgage Assn	31403DT66	10/01/36	521
Federal National Mortgage Assn	31410FZ73	03/01/37	104,550
Federal National Mortgage Assn	3128KQZG4	06/01/37	571
Federal National Mortgage Assn	31410KPR9	07/01/38	3,316
			<u>\$ 136,019</u>

The holder of the security pledged by Bank of America, N.A. is the Bank of New York, One Wall Street, New York, NY 10286.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2010**

Line Item	Description	Total Projects
111	Cash - unrestricted	\$ 288,013
114	Cash - tenant security deposits	15,143
100	Total cash	303,156
126	Accounts receivable - tenants	1,421
126.1	Allowance for doubtful accounts - dwelling rent	-
120	Total receivables, net of allowance for doubtful accounts	1,421
131	Investments - unrestricted	88,888
142	Prepaid expenses and other assets	9,900
143	Inventories	3,595
143.1	Allowance for obsolete inventories	-
150	Total current assets	406,960
161	Land	15,695
162	Buildings	2,218,917
163	Furniture, equipment and machinery - dwellings	125,459
164	Furniture, equipment and machinery - administration	67,372
165	Leasehold improvements	370,259
166	Accumulated depreciation	(1,660,736)
160	Total capital assets, net of a/d	1,136,966
190	Total assets	<u>\$ 1,543,926</u>
312	Accounts payable <= 90 days	\$ 7,276
321	Accrued wage/payroll taxes payable	3,802
322	Accrued compensated absences - current portion	1,119
341	Tenant security deposits	15,143
342	Deferred revenues	344
310	Total current liabilities	27,684
354	Accrued compensated absences - non-current	3,148
300	Total liabilities	30,832
508.1	Invested in capital assets net of related debt	1,136,966
512.1	Unrestricted net assets	376,128
513	Total equity	1,513,094
600	Total liabilities and equity	<u>\$ 1,543,926</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2010**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	\$ 150,825	\$ -	\$ 150,825
70400	Tenant revenue - other	7,702		7,702
70500	Total tenant revenue	158,527	-	158,527
70600	HUD PHA operating grants	173,029	22,368	195,397
70610	Capital grants	-	238,263	238,263
71100	Investment income - unrestricted	1,266	-	1,266
71500	Other revenue	10,113	-	10,113
70000	Total revenues	342,935	260,631	603,566
91100	Administrative salaries	71,263	-	71,263
91200	Auditing fees	8,756	-	8,756
91310	Bookkeeping fees	3,396	-	3,396
91500	Employee benefit contributions - administrative	12,425	-	12,425
91600	Office expenses	8,467	-	8,467
91800	Travel	1,799	-	1,799
91900	Other	970	-	970
91000	Total operating - administrative	107,076	-	107,076
9240	Tenant services - other	41	-	41
91000	Total tenant services	41	-	41
93100	Water	30,836	-	30,836
93200	Electricity	3,531	-	3,531
93300	Gas	12,028	-	12,028
93600	Sewer	10,944	-	10,944
93000	Total utilities	57,339	-	57,339
94100	Ordinary maintenance and operations - labor	30,340	-	30,340
94200	Ordinary maintenance and operations - materials and other	24,127	-	24,127
94300-010	Ordinary maintenance and operations contracts - garbage and trash removal contracts	22,374	-	22,374
94300-020	Ordinary maintenance and operations contracts - heating and cooling contracts	3,663	-	3,663
94300-050	Ordinary maintenance and operations contracts - landscape and grounds contracts	3,459	-	3,459
94300-060	Ordinary maintenance and operations contracts - unit turnaround contracts	250	-	250
94300-080	Ordinary maintenance and operations contracts - plumbing contracts	5,480	-	5,480
94300-090	Ordinary maintenance and operations contracts - extermination contracts	5,436	-	5,436
94300-110	Ordinary maintenance and operations contracts - routine maintenance contracts	569	-	569

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2010**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
94300-120	Ordinary maintenance and operations contracts - miscellaneous contracts	1,530	-	1,530
94300	Ordinary maintenance and operations contracts	42,761	-	42,761
94500	Employee benefit contribution - ordinary maintenance	11,040	-	11,040
94000	Total maintenance	108,268	-	53,801
96110	Property insurance	13,510	-	13,510
96120	Liability insurance	5,346	-	5,346
96130	Workmen's compensation	3,489	-	3,489
96140	All other insurance	2,176	-	2,176
96100	Total insurance premiums	24,521	-	24,521
96900	Total operating expenses	297,245	-	297,245
97000	Excess revenues over operating expenses	45,690	260,631	306,321
97400	Depreciation expense	66,888	-	66,888
90000	Total expenses	364,133	-	364,133
10010	Operating transfer in	22,368	-	22,368
10020	Operating transfer out	-	(22,368)	(22,368)
10100	Total other financing sources (uses)	22,368	(22,368)	-
10000	Excess (deficiency) of revenues over (under) expenses	<u>\$ 1,170</u>	<u>\$ 238,263</u>	<u>\$ 239,433</u>
11030	Beginning equity	\$ 861,986	\$ 411,675	\$ 1,273,661
11040-070	Equity transfers	446,426	(446,426)	-
11190	Unit months available	840	-	840
11210	Unit months leased	821	-	821

ADDITIONAL INDEPENDENT AUDITORS' REPORT

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

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, and each major fund of the Public Housing Authority (Authority) of the City of Bayard, New Mexico, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 17, 2010. We have also audited the enterprise funds comparisons as of and for the year ended June 30, 2010, and have issued our opinion thereon dated November 17, 2010. 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 *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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting as item 2010-01. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

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 are described in the accompanying schedule of findings and responses as items 2009-01 and 2010-02.

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 17, 2010

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

Item 2009-01 – Bank Depositories

Statement of Condition – The Authority did not maintain its interest bearing deposits of \$88,888 at June 30, 2010 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 as of September 21, 2010, the Authority has split its interest bearing deposits (certificates of deposit) between the two local financial institutions.

Item 2010-01 – Tenant Eligibility

Statement of Condition – During the course of our audit, we performed audit tests of the tenant files retained by the Authority. We selected twenty-five tenant files to test. Our tests revealed the following matters:

- One occasion where the applicant did not fill out Form 214, *Personal Declaration of Status*.
- Two occasions where the applicant did not fill out the Community Service/Self Sufficiency Policy.

Criteria – The Authority has established policies and procedures regarding the retention of tenant information in order to substantiate eligibility as required by the U.S. Department of Housing and Urban Development (24 CFR sections 5.230, 5.601, 5.609, 960.253, 960.255, and 960.259).

24 CFR section 5.230 states that 'as a condition of admission or continued occupancy, the Authority requires the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility'.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

Item 2010-01 – Tenant Eligibility (continued)

Criteria (continued) – Furthermore, the Quality Housing and Work Responsibility Act of 1998 requires that ‘*all non-exempt public housing adult residents (18 or older) contribute eight (8) hours per month of community service (volunteer work) or participate in eight (8) hours of training, counseling, classes and other activities which help an individual toward self-sufficiency and economic independence. This is a requirement of the Public Housing Lease.*’

Effect – Not complying with rules and regulations established by the U.S. Department of Housing and Urban Development could jeopardize funding from the federal agency. Further, the agency may have penalties regarding noncompliance with their rules and regulations.

Cause – The Authority failed to review all tenant files for completeness and accuracy upon the tenant’s initial entrance into the Authority or the annual review of each of the tenant’s files. The Authority failed to ensure that all necessary forms which needed to be signed by a representative of the Authority, were reviewed, completed, and signed.

Recommendation – We recommend that Authority employees follow established rules and procedures regarding the completion of tenant files and the retention of the completed files. Furthermore, we recommend the Authority’s appointed representatives review and sign all documentation that needs Authority signatures.

Views of Responsible Officials and Planned Corrective Actions – The Authority concurs with the auditors’ recommendation. Authority staff has reviewed all tenant files to ensure they are complete, correct, and accurate in accordance with U.S. Department of Housing and Urban Development guidelines.

Item 2010-02 – Travel and Per Diem

Statement of Condition – During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was seven transactions, which were haphazardly selected throughout the fiscal year, and contained the following discrepancies:

- There were seven instances which required mileage (actual or per diem) reimbursement. Of those seven instances, all instances had the mileage reimbursement rate calculated incorrectly, due to changes to the Travel and Per Diem Act, instituted by the New Mexico Department of Finance and Administration via a memorandum issued to all governmental entities throughout New Mexico. For all seven instances, the employee was underpaid. The variance totaled \$335.
- We noted one instance of the seven transactions tested, where the Authority failed to correctly calculate the per diem reimbursement amount.

Criteria – The New Mexico Department of Finance and Administration have issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

Item 2010-02 – Travel and Per Diem (continued)

Criteria (continued) – On June 19, 2009, the New Mexico Department of Finance and Administration issued a memorandum to all governmental entities, including municipalities, concerning an immediate increase in the mileage reimbursement rate for all employees. The emergency amendment states, “*HB 336 amended Section 10-8-4 D NMSA 1978 of the Per Diem and Mileage Act to increase the current statutory mileage reimbursement rate of \$0.32 per mile up to a new maximum statutory mileage reimbursement rate – the Internal Revenue Service (“IRS”) standard mileage rate “set January 1st of the previous year.” The IRS rate on January 1, 2008 (“the previous year”) was \$.505 per mile. Therefore, this emergency amendment to the Rule states your local government shall, effective immediately, reimburse your local public bodies’ public officers and employees for mileage accrued in the use of a privately owned vehicle in the discharge of official duties at a rate of eighty percent of \$0.505 per mile.*”

Effect – Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

Cause – The Authority was unaware of the memorandum sent by the New Mexico Department of Finance and Administration concerning the increase in mileage reimbursement rates, which were effective immediately.

Recommendation – We recommend review the memorandum issued by the New Mexico Department of Finance and Administration concerning the increase in mileage reimbursement rates. We recommend the Authority review the Travel and Per Diem Act. We recommend the Authority staff reevaluate their internal control procedures over the calculation and reimbursement amounts for employee travel and per diem. Furthermore, we recommend the Authority amend their travel and per diem policy to reflect the correct allowable mileage reimbursement rates.

Views of Responsible Officials and Planned Corrective Actions – The Authority concurs with the auditors’ recommendation and is currently in the process of amending their travel and per diem policy. The Authority is also in the process of recalculating the amount of reimbursement for employee travel, so the proper reimbursement can be paid.

PRIOR YEAR’S AUDIT FINDING

Item 2009-01 – During the previous year’s audit, it was noted the Housing Authority failed to allocate their interest bearing accounts between the two banks within the City of Bayard. The finding has not been resolved and is repeated as item 2009-01.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE AND FINANCIAL STATEMENT PREPARATION
JUNE 30, 2010**

Exit Conference

The audit report for the fiscal year ended June 30, 2010, was discussed during the exit conference held on November 30, 2010. Present for the Public Housing Authority was: Jim Cook, chairperson; and Jolene Padilla, executive director. Present for the City of Bayard was: Charles Kelly, mayor; and Kristina V. Ortiz, city clerk-treasurer. 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 City of Bayard Public Housing Authority as of and for the year ended June 30, 2010. 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.