

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

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2015

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

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**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY**
Directory of Officials
June 30, 2015

Board of Commissioners

Rosemary Alvarado	Chairperson
Jovita Gonzales	Vice-Chairperson
Brenda Davis	Commissioner
Orpha Gonzalez.....	Commissioner
A.C. Rodriguez.....	Commissioner

Administrative Staff

Jolene D. Ortiz	Executive Director
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www.fierrocpa.comIndependent Auditors' ReportTimothy Keller, State Auditor
and
Board of Commissioners
City of Bayard Public Housing Authority
Bayard, New Mexico**Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities and each major fund, of the Public Housing Authority (Authority) of the City of Bayard, New Mexico, a component unit of the City of Bayard, New Mexico, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons for the major enterprise funds presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Auditors' Responsibility (continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund, of the Authority, as of June 30, 2015, and the respective changes in financial position and cash flows thereof, and the budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Information

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

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of vendor information for purchases exceeding \$60,000 (excluding GRT) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Fierro + Fierro, P.A.

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

November 23, 2015

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Low Rent Fund	Capital Fund Program Fund	Total
Assets:			
Current assets:			
Cash	\$ 433,787	\$ -	\$ 433,787
Receivables, net	419	-	419
Prepaid expenses	13,680	-	13,680
Inventory	2,760	-	2,760
Total current assets	450,646	-	450,646
Noncurrent assets:			
Restricted cash	15,977	-	15,977
Capital assets, not being depreciated	15,695	9,667	25,362
Capital assets, being depreciated	1,136,425	5,599	1,142,024
Total noncurrent assets	1,168,097	15,266	1,183,363
Deferred Outflows of Resources:			
Pension related	11,057	-	11,057
Total assets and deferred outflows of resources	<u>\$ 1,629,800</u>	<u>\$ 15,266</u>	<u>\$ 1,645,066</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 11,285	\$ -	\$ 11,285
Accrued salaries	3,942	-	3,942
Accrued payroll liabilities	1,211	-	1,211
Tenant deposits	15,977	-	15,977
Current maturities of:			
Compensated absences	3,268	-	3,268
Total current liabilities	35,683	-	35,683
Noncurrent liabilities:			
Compensated absences	1,858	-	1,858
Net pension liability	104,534	-	104,534
Total noncurrent liabilities	106,392	-	106,392
Total liabilities	142,075	-	142,075
Deferred Inflows of Resources:			
Unearned revenues	348	-	348
Pension related	40,968	-	40,968
Total deferred inflows of resources	41,316	-	41,316
Net Position:			
Net investment in capital assets	1,152,120	15,266	1,167,386
Unrestricted	294,289	-	294,289
Total net position	1,446,409	15,266	1,461,675
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,629,800</u>	<u>\$ 15,266</u>	<u>\$ 1,645,066</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 POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Low Rent Fund	Capital Fund Program Fund	Total
Operating Revenues:			
Charges for services	\$ 180,720	\$ -	\$ 180,720
Operating Expenses:			
Personnel services	140,031	-	140,031
Employee benefits	32,287	-	32,287
Repairs and maintenance	39,553	-	39,553
Professional services	12,477	-	12,477
Utilities	54,764	-	54,764
General operating	49,805	-	49,805
Depreciation	80,696	276	80,972
Total operating expenses	<u>409,613</u>	<u>276</u>	<u>409,889</u>
Operating (loss)	(228,893)	(276)	(229,169)
Non-Operating Revenues (Expenses):			
Intergovernmental	183,134	-	183,134
Interest income	598	-	598
Miscellaneous income	2,025	-	2,025
Total non-operating revenues (expenses)	<u>185,757</u>	<u>-</u>	<u>185,757</u>
(Loss) before capital contributions and transfers	(43,136)	(276)	(43,412)
Capital contributions and Transfers:			
Capital contributions	-	12,355	12,355
Transfers in	245,024	-	245,024
Transfers (out)	-	(245,024)	(245,024)
Total capital contributions and transfers	<u>245,024</u>	<u>(232,669)</u>	<u>12,355</u>
Change in net position	201,888	(232,945)	(31,057)
Net position, beginning of year	1,385,662	248,211	1,633,873
Restatement	(141,141)	-	(141,141)
Net position, beginning of year, restated	<u>1,244,521</u>	<u>248,211</u>	<u>1,492,732</u>
Net position, end of year	<u>\$ 1,446,409</u>	<u>\$ 15,266</u>	<u>\$ 1,461,675</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, 2015**

	Low Rent Fund	Capital Fund Program Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash Flows from Operating Activities:			
Cash received from tenants	\$ 180,955	\$ -	\$ 180,955
Cash payments to suppliers for goods and services	(159,248)	(5,813)	(165,061)
Cash payments to employees for services	<u>(171,001)</u>	<u>-</u>	<u>(171,001)</u>
Net cash (used) by operating activities	(149,294)	(5,813)	(155,107)
Cash Flows from Non-Capital and Financing Activities:			
Cash received from intergovernmental sources	164,134	-	164,134
Cash received from miscellaneous sources	2,025	-	2,025
Net change in customer deposits	(202)	-	(202)
Net transfers in (out)	<u>19,000</u>	<u>(19,000)</u>	<u>-</u>
Net cash provided (used) by non-capital and related financing activities	184,957	(19,000)	165,957
Cash Flows from Capital and Financing Activities:			
Cash received from intergovernmental sources	-	31,355	31,355
Acquisition and construction of capital assets	<u>-</u>	<u>(6,542)</u>	<u>(6,542)</u>
Net cash provided by capital and related financing activities	-	24,813	24,813
Cash Flows from Investing Activities:			
Proceeds from maturities of investments	178,837	-	178,837
Purchase of investments	(179,304)	-	(179,304)
Interest income	<u>565</u>	<u>-</u>	<u>565</u>
Net cash provided by investing activities	<u>98</u>	<u>-</u>	<u>98</u>
Net increase in cash	35,761	-	35,761
Cash and cash equivalents, beginning of year	<u>234,699</u>	<u>-</u>	<u>234,699</u>
Cash and cash equivalents, end of year	<u><u>\$ 270,460</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 270,460</u></u>
Displayed as:			
Cash	\$ 433,787	\$ -	\$ 433,787
Restricted cash	15,977	-	15,977
Time deposits not considered cash equivalents	<u>(179,304)</u>	<u>-</u>	<u>(179,304)</u>
	<u><u>\$ 270,460</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 270,460</u></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 (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2015**

	Low Rent Fund	Capital Fund Program Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Reconciliation of Operating (Loss) to Net Cash			
Used by Operating Activities:			
Operating (loss)	\$ (228,893)	\$ (276)	\$ (229,169)
Adjustments to Reconcile Operating (Loss) to Net Cash Used by Operating Activities:			
Depreciation	80,696	276	80,972
Change in Assets and Liabilities:			
(Increase) in tenants' receivable	(73)	-	(73)
(Increase) in prepaid expenses	(304)	-	(304)
Decrease in inventories	2,392	-	2,392
(Decrease) in accounts payable	(2,143)	(5,813)	(7,956)
Increase in accrued salaries	1,287	-	1,287
(Decrease) in accrued payroll liabilities	(1,647)	-	(1,647)
(Decrease) in compensated absences	(957)	-	(957)
Increase in deferred revenues	348	-	348
	<u>79,599</u>	<u>(5,537)</u>	<u>74,062</u>
Total adjustments			
Net cash (used) by operating activities	<u>\$ (149,294)</u>	<u>\$ (5,813)</u>	<u>\$ (155,107)</u>

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, 2015

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 the pronouncements issued by the Government Auditing Standards Board (GASB).

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

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

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

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

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net 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 residents of the Authority. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, billing, and collection.

The *capital fund program fund* accounts for the yearly capital grants and associated capital projects at the Authority. The fund is 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, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgets

The Authority follows these procedures in establishing the budgetary process:

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

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

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

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 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, 2015

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 Outflows/Inflows of Resources

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

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

K. Net Position

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

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

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

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

L. Cash Flows

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

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

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

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

Cash Deposited with Financial Institutions

The Authority maintains cash in two financial institutions within Bayard, New Mexico. The Authority's deposits are carried at cost.

As of June 30, 2015, 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>Per Financial Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
First American Bank	\$ 438,718	\$ (4,931)	\$ 433,787
Washington Federal	15,977	-	15,977
	<u>\$ 454,695</u>	<u>\$ (4,931)</u>	<u>\$ 449,764</u>

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

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

2. CASH (continued)

Cash Deposited with Financial Institutions (continued)

Statement of Net Position:	
Cash	\$ 433,787
Restricted cash	<u>15,977</u>
Total cash reported on the financial statements	<u><u>\$ 449,764</u></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 collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Authority carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	First American Bank	Washington Federal
Total deposits in bank	\$ 454,695	\$ 15,977
Less FDIC insurance	<u>(250,000)</u>	<u>(15,977)</u>
Uninsured public funds	204,695	-
Pledged collateral held by pledging bank's agent, but not in the Authority's name	<u>437,435</u>	<u>-</u>
Uninsured and uncollateralized public funds	<u>\$ (232,740)</u>	<u>\$ -</u>
Total pledged collateral	\$ 437,435	\$ -
50% pledged collateral requirement per state statute	<u>102,438</u>	<u>-</u>
Pledged collateral (under) over the requirement	<u><u>\$ 334,997</u></u>	<u><u>\$ -</u></u>

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

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$204,695 of the City's bank balance of \$470,672 was exposed to custodial credit risk as follows:

	First American Bank
Uninsured and collateral held by agent, not in the Authority's name	<u><u>\$ 204,695</u></u>

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

3. RECEIVABLES, NET

Receivables at June 30, 2015, consisted of the following:

Accounts:		
Tenants' rent	\$	386
Less allowance for doubtful accounts		-
		386
Interest		33
	\$	419

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

4. CAPITAL ASSETS

During the fiscal year, the Authority transferred capital assets and associated accumulated depreciation from the Capital Fund Program Fund to the Low Rent Fund. The Authority errors in the categorization of the amounts reported at June 30, 2014, within the business-type activities. The effect of the changes is as follows:

	Restated Balance 06/30/14	Corrections	Restated Balance 06/30/14
Business-Type Activities:			
Land	\$ 15,695	\$ -	\$ 15,695
Construction in progress	3,188	-	3,188
Buildings	2,221,636	255,183	2,476,819
Building and other improvements	748,885	(270,148)	478,737
Furniture and equipment - dwellings	131,659	14,964	146,623
Furniture and equipment - administration	100,274	1	100,275
 Accumulated depreciation:			
Buildings	(1,508,050)	(15,834)	(1,523,884)
Building and other improvements	(278,682)	18,807	(259,875)
Furniture and equipment - dwellings	(125,778)	(1,744)	(127,522)
Furniture and equipment - administration	(72,823)	(1,229)	(74,052)
	\$ 1,236,004	\$ -	\$ 1,236,004

Capital assets for the fiscal year ended June 30, 2015:

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

4. CAPITAL ASSETS (continued)

	Restated Balance 06/30/14	Increases	Decreases	Balance 06/30/15
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 15,695	\$ -	\$ -	\$ 15,695
Construction in progress	3,188	6,479	-	9,667
Total capital assets, not being depreciated	18,883	6,479	-	25,362
Other capital assets, being depreciated:				
Buildings	2,476,819	-	-	2,476,819
Building and other improvements	478,737	-	-	478,737
Furniture and equipment - dwellings	146,623	5,875	-	152,498
Furniture and equipment - administration	100,275	-	-	100,275
Total other capital assets, being depreciated	3,202,454	5,875	-	3,208,329
Less accumulated depreciation for:				
Buildings	(1,523,884)	(56,588)	-	(1,580,472)
Building improvements	(259,875)	(17,893)	-	(277,768)
Furniture and equipment - dwellings	(127,522)	(3,013)	-	(130,535)
Furniture and equipment - administration	(74,052)	(3,478)	-	(77,530)
Total accumulated depreciation	(1,985,333)	(80,972)	-	(2,066,305)
Other capital assets, net	1,217,121	(75,097)	-	1,142,024
Total capital assets, net	<u>\$ 1,236,004</u>	<u>\$ (68,618)</u>	<u>\$ -</u>	<u>\$ 1,167,386</u>

5. ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences during the year ended June 30, 2015, were as follows:

	Balance 06/30/14	Additions	Deletions	Balance 06/30/15	Amount Due Within One Year
Accrued compensated absences	<u>\$ 6,083</u>	<u>\$ 15,601</u>	<u>\$ (16,558)</u>	<u>\$ 5,126</u>	<u>\$ 3,268</u>

6. RESTATEMENT OF NET POSITION

The Authority has implemented GASB 68, which has required a restatement of net position. As a result, the following restatements have been made to the beginning net position:

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

6. RESTATEMENT OF NET POSITION (continued)

	Government-Wide Business-Type Activities	Individual Funds
<i>Major Funds</i>		
Low Rent Fund		
Implementation of GASB 68	\$ (141,141)	\$ (141,141)

7. RETIREMENT PLAN

Summary of Significant Accounting Policies

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information About the Pension Plan

Plan description - The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Audit Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 that can be obtained at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. RETIREMENT PLAN (continued)

General Information About the Pension Plan (continued)

Contributions - The contribution requirements of defined benefit plan members and the Authority are established in state statute Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY 14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report which can be obtained at [http://osanm.org/media/audits/366 Public Employees Retirement Association 2014 pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014_pdf).

The PERA coverage option that applies to Authority is the Municipal General Division. Statutorily required contributions to the pension plan from the Authority were \$11,057 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11, NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Authority's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

Municipal General Division - At June 30, 2015, the Authority reported a liability of \$104,534 for its proportionate share of the net pension liability. At June 30, 2014, the Authority's proportion was .0134 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

7. RETIREMENT PLAN (continued)

General Information About the Pension Plan (continued)

For the year ended June 30, 2015, the Authority recognized PERA Fund Municipal General Division pension expense of \$4,361. At June 30, 2015, the Authority reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 71
Net difference between projected and actual earnings on pension plan investments	-	40,897
The Authority's contributions subsequent to the measurement date	11,057	-
	\$ 11,057	\$ 40,968

\$11,057 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	June 30:
2016	\$ 10,242
2017	10,242
2018	10,242
2019	10,242

Actuarial assumptions: As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

7. RETIREMENT PLAN (continued)

General Information About the Pension Plan (continued)

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

All Funds Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%
Total	100.00%	

Discount rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following tables show the sensitivity of the net pension liability to changes in the discount rate.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

7. RETIREMENT PLAN (continued)

The tables present the Authority's net pension liability for the PERA Fund Municipal General Division that the Authority participates in, under the current single rate assumption; as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
PERA Fund Municipal General Division			
The Authority proportionate share of the net pension liability	\$ 197,071	\$ 104,534	\$ 33,046

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

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. 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.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

11. INTERFUND TRANSFERS

The capital fund program fund has transferred \$245,024 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 additional financial information required by the U.S. Department of Housing and Urban Development (HUD). The schedule, although prepared in accordance with accounting principles generally accepted in the United States of America, requires reporting of the various grants awarded to the Authority as separate funds. These grants are combined by program within the financial statements. The financial data schedules require classifications and terminology that differ from those used in the financial statements. Therefore, the presentation may differ from that used in the financial statements. A reconciliation of the financial statements and financial data schedule is presented below:

	Financial Statements	Differences	Financial Data Schedule
Assets	\$ 1,645,066	\$ -	\$ 1,645,066
Liabilities	\$ 142,075	\$ -	\$ 142,075
Deferred inflows of resources	41,316	-	41,316
Net position	1,461,675	-	1,461,675
Total liabilities and net position	\$ 1,645,066	\$ -	\$ 1,645,066
Revenues	\$ 378,832	\$ -	\$ 378,832
Expenses	(409,889)	-	(409,889)
Excess (deficiency) of revenues over expenditures	\$ (31,057)	\$ -	\$ (31,057)

SUPPLEMENTARY INFORMATION

**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, 2015**

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues:				
Tenant income	\$ 159,400	\$ 167,900	\$ 180,720	\$ 12,820
Intergovernmental	155,000	158,000	164,134	6,134
Interest income	600	600	598	(2)
Miscellaneous income	800	800	2,025	1,225
Total operating revenues	315,800	327,300	347,477	20,177
Operating Expenses:				
Administrative salaries	85,842	86,200	86,172	28
Training	1,500	270	269	1
Travel	1,500	1,800	1,793	7
Accounting fees	4,000	3,862	3,680	182
Auditing fees	4,770	4,800	4,797	3
Legal	200	-	-	-
Other administrative expenses	9,220	10,130	10,051	79
Collection losses	300	300	-	300
Water and solid waste	27,000	27,550	28,597	(1,047)
Electricity	4,000	3,600	3,740	(140)
Gas	10,500	9,500	8,641	859
Other utilities	12,500	13,350	13,786	(436)
Maintenance labor	60,590	60,590	53,859	6,731
Maintenance materials	13,000	17,200	17,164	36
Maintenance contracts	17,000	22,000	22,389	(389)
Insurance	25,950	32,700	32,692	8
Employee benefits	47,000	40,100	32,287	7,813
Total operating expenses	324,872	333,952	319,917	14,035
Net income (loss)	\$ (9,072)	\$ (6,652)	\$ 27,560	\$ 34,212
Beginning of year cash available to absorb deficit budget	\$ 9,072	\$ 6,652		

**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 POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedules: \$ 347,477

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. (164,134)

The Authority budgets for interest income as operating revenues for budgetary purposes. Interest income is reported as non-operating revenues for financial reporting purposes. (598)

The Authority budgets for miscellaneous revenues as operating revenues for budgetary purposes. Miscellaneous revenue is reported as non-operating revenues for financial reporting purposes. (2,025)

Total operating revenues as reported on the statement of revenues, expenses and changes in fund net position. \$ 180,720

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedules. \$ 319,917

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. 9,000

Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes. 80,696

Total operating expenses as reported on the statement of revenues, expenses and changes in fund net position. \$ 409,613

Transfers:

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

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. 245,024

Total transfers as reported on the statement of revenues, expenses, and changes in fund net position. \$ 245,024

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CAPITAL FUND PROGRAM
GRANT PROJECT NUMBER NM02P024501-13
REVENUES AND EXPENSES BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Incurred Prior Fiscal Years	Incurred Fiscal Year 06/30/15	Total Project	Variance With Finance Budget Over (Under)
Revenues:						
CFP grant revenues	\$ 89,707	\$ 89,707	\$ 13,188	\$ 76,519	\$ 89,707	\$ -
Expenses:						
Operations	10,000	5,000	5,000	-	5,000	-
Management improvements	5,000	5,000	5,000	-	5,000	-
Audit	4,000	4,000	-	4,000	4,000	-
Fees and costs	7,500	9,000	3,188	5,812	9,000	-
Dwelling structures	60,207	64,850	-	64,850	64,850	-
Dwelling equipment - nonexpendable	3,000	1,857	-	1,857	1,857	-
Total expenses	<u>89,707</u>	<u>89,707</u>	<u>13,188</u>	<u>76,519</u>	<u>89,707</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 NM02P024501-14
REVENUES AND EXPENSES BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Incurred Fiscal Year 06/30/15</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
CFP grant revenues	\$ 95,242	\$ 95,242	\$ 19,667	\$ (75,575)
Expenses:				
Operations	10,000	10,000	10,000	-
Management improvements	5,000	5,000	5,000	-
Audit	4,000	4,000	4,000	-
Fees and costs	9,000	9,000	667	8,333
Dwelling structures	67,242	63,042	-	63,042
Non-dwelling structures	-	3,000	-	3,000
Non-dwelling equipment	-	1,200	-	1,200
Total expenses	<u>95,242</u>	<u>95,242</u>	<u>19,667</u>	<u>75,575</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 POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules:	
Schedule of CFP NM02P024501-13 Revenues and Expenses	\$ 76,519
Schedule of CFP NM02P024501-14 Revenues and Expenses	<u>19,667</u>
Total budgetary basis revenues	96,186

Differences - Budget to GAAP:

For budgetary purposes, the Authority reports capital fund program revenues as such while those revenues are reported as capital contributions for financial reporting purposes.	<u>(96,186)</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net position.	<u>\$ -</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedules:	
Schedule of CFP NM02P024501-13 Revenues and Expenses	\$ 76,519
Schedule of CFP NM02P024501-14 Revenues and Expenses	<u>19,667</u>
Total budgetary basis expenses	96,186

Differences - Budget to GAAP:

Capital expenditures are reflected as capital outlay expenditures on the budgetary comparison schedules while those amounts are capitalized for financial reporting purposes.	(6,542)
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.	(89,644)
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.	<u>276</u>
Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net position.	<u>\$ 276</u>

Capital Contributions and Transfers:

Actual amounts (budgetary basis) "capital contributions and transfers" from the budgetary comparison schedules:	
Capital Fund program funds	\$ -

Differences - Budget to GAAP:

For budgetary purposes, the Authority reports capital fund program revenues as such while those revenues are reported as capital contributions for financial reporting purposes.	(12,355)
The Authority does not budget transfers from the capital fund program funds once grants have been closed to the low rent fund.	<u>(232,669)</u>
Total transfers as reported on the statement of revenues, expenses, and changes in fund net position.	<u>\$ (245,024)</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND MUNICIPAL GENERAL DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS*

	<u>2015</u>
Authority's porportion of the net pension liability (asset)	0.0134%
Authority's proportionate share of the net pension liability (asset)	\$ 104,534
Authority's covered-employee payroll	\$ 142,358
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.43%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

*The amounts presented were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend compiled, the Authority will present information for those years for which information is available.

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*

	2015
Contractually required contribution	\$ 11,057
Contributions in relation to the contractually required contribution	\$ 11,057
Contribution deficiency (excess)	\$ -
Authority's covered-employee payroll	\$ 130,086
Contributions as a percentage of covered-employee payroll	8.50%

*The amounts presented were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend compiled, the Authority will present information for those years for which information is available.

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Changes of benefit terms - The PERA fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit report. That report is available at http://www.pera.state.nm.us/fdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of assumption - The Public employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2014, is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf.

The summary of key findings for the PERA fund (on page 2 of the report) states, *based on recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.*

OTHER SCHEDULES REQUIRED BY 2.2.2 NMAC

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2015**

<u>Financial Institution/ Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
First American Bank 1609 N. Swan St. Silver City, NM 88061				
Bayard Housing Authority	Checking	\$ 259,414	\$ (4,931)	\$ 254,483
Bayard Housing Authority	CD	50,870	-	50,870
Bayard Housing Authority	CD	50,870	-	50,870
Bayard Housing Authority	CD	51,865	-	51,865
Bayard Housing Authority	CD	25,699	-	25,699
		<u>179,304</u>	<u>-</u>	<u>179,304</u>
		<u>\$ 438,718</u>	<u>\$ (4,931)</u>	<u>\$ 433,787</u>
Washington Federal 1203 N. Hudson St. Silver City, NM 88061				
Bayard Housing Authority	Checking	<u>\$ 15,977</u>	<u>\$ -</u>	<u>\$ 15,977</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2015**

First American Bank
303 W. Main Bank
Artesia, NM 88210-7526

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
Bloomfield NM Sch	077581MS2	08/01/22	\$ 103,178
GNMA II 5x1	36225EUR1	09/20/39	334,257
			<u>\$ 437,435</u>

The holder of the security pledged by First American Bank is the Federal Home Loan Bank of Dallas, 8500 Freeport Parkway South, Suite 100, Irving, TX 75063-2547.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2015**

Line Item	Description	Total Projects
111	Cash - unrestricted	\$ 254,483
114	Cash - tenant security deposits	15,977
100	Total cash	270,460
126	Accounts receivable - tenants	386
126.1	Allowance for doubtful accounts - dwelling rent	-
129	Accrued interest receivable	33
120	Total receivables, net of allowance for doubtful accounts	419
131	Investments - unrestricted	179,304
142	Prepaid expenses and other assets	13,680
143	Inventories	2,760
143.1	Allowance for obsolete inventories	-
150	Total current assets	466,623
161	Land	15,695
162	Buildings	2,476,819
163	Furniture, equipment and machinery - dwellings	152,498
164	Furniture, equipment and machinery - administration	100,275
165	Leasehold improvements	478,737
166	Accumulated depreciation	(2,066,305)
167	Construction in progress	9,667
160	Total capital assets, net of a/d	1,167,386
200	Deferred outflows of resources	11,057
190	Total assets	<u>\$ 1,645,066</u>
312	Accounts payable <= 90 days	\$ 11,285
321	Accrued wage/payroll taxes payable	5,153
322	Accrued compensated absences - current portion	3,268
341	Tenant security deposits	15,977
342	Unearned revenues	348
310	Total current liabilities	36,031
354	Accrued compensated absences - non-current	1,858
357	Accrued pension and OPEB liabilities	104,534
	Total noncurrent liabilities	106,392
300	Total liabilities	142,423
400	Deferred inflows of resources	40,968
508.1	Net investment in capital assets	1,167,386
512.1	Unrestricted net assets	294,289
513	Total equity	1,461,675
600	Total liabilities and equity	<u>\$ 1,645,066</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2015**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	\$ 172,638	\$ -	\$ 172,638
70400	Tenant revenue - other	8,082		8,082
70500	Total tenant revenue	180,720	-	180,720
70600	HUD PHA operating grants	164,134	19,000	183,134
70610	Capital grants	-	12,355	12,355
71100	Investment income - unrestricted	598	-	598
71500	Other revenue	2,025	-	2,025
70000	Total revenues	347,477	31,355	378,832
91100	Administrative salaries	86,172	-	86,172
91200	Auditing fees	8,797	-	8,797
91310	Bookkeeping fees	3,680	-	3,680
91500	Employee benefit contributions - administrative	15,985	-	15,985
91600	Office expenses	10,320	-	10,320
91800	Travel	1,793	-	1,793
91900	Other	5,000	-	5,000
91000	Total operating - administrative	131,747	-	131,747
93100	Water	28,597	-	28,597
93200	Electricity	3,740	-	3,740
93300	Gas	8,641	-	8,641
93600	Sewer	13,786	-	13,786
93000	Total utilities	54,764	-	54,764
94100	Ordinary maintenance and operations - labor	53,859	-	53,859
94200	Ordinary maintenance and operations - materials and other	17,164	-	17,164
94300-010	Ordinary maintenance and operations contracts - garbage and trash removal contracts	16,523	-	16,523
94300-020	Ordinary maintenance and operations contracts - heating and cooling contracts	70	-	70
94300-080	Ordinary maintenance and operations contracts - plumbing contracts	75	-	75
94300-090	Ordinary maintenance and operations contracts - extermination contracts	1,879	-	1,879
94300-110	Ordinary maintenance and operations contracts - routine maintenance contracts	295	-	295
94300-120	Ordinary maintenance and operations contracts - miscellaneous contracts	3,547	-	3,547
94300	Ordinary maintenance and operations contracts	22,389	-	22,389
94500	Employee benefit contribution - ordinary maintenance	16,302	-	16,302
94000	Total maintenance	109,714	-	109,714

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2015**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
96110	Property insurance	11,826	-	11,826
96120	Liability insurance	4,527	-	4,527
96130	Workmen's compensation	13,276	-	13,276
96140	All other insurance	3,063	-	3,063
96100	Total insurance premiums	<u>32,692</u>	<u>-</u>	<u>32,692</u>
96900	Total operating expenses	<u>328,917</u>	<u>-</u>	<u>328,917</u>
97000	Excess revenues over operating expenses	18,560	31,355	49,915
97400	Depreciation expense	<u>80,696</u>	<u>276</u>	<u>80,972</u>
90000	Total expenses	<u>409,613</u>	<u>276</u>	<u>409,889</u>
10010	Operating transfer in	19,000	-	19,000
10020	Operating transfer out	<u>-</u>	<u>(19,000)</u>	<u>(19,000)</u>
10100	Total other financing sources (uses)	<u>19,000</u>	<u>(19,000)</u>	<u>-</u>
	Excess (deficiency) of revenues over (under) expenses	<u>\$ (43,136)</u>	<u>\$ 12,079</u>	<u>\$ (31,057)</u>
11030	Beginning equity	\$ 1,385,662	\$ 248,211	\$ 1,633,873
11040-010	Restatement	(141,141)	-	(141,141)
11040-070	Equity transfers	226,024	(226,024)	-
11190	Unit months available	840	-	840
11210	Unit months leased	822	-	822

ADDITIONAL INFORMATION

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF VENDOR INFORMATION
FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2015**

<u>RFB#/ RFP#</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>Amount of Awarded Contract</u>	<u>Amount of Amended Contract</u>	<u>Name and Physical Address per the Procurement Documentation, of <u>ALL</u> Vendor(s) That Responded</u>	<u>In-State/ Out-of- State Vendor (Y or N) (Based on Statutory Definition)</u>	<u>Was the Vendor in-state and Chose Veteran's Preference (Y or N) For Federal Funds Answer N/A</u>	<u>Brief Description of the Scope of Work</u>
N/A	Bid	Sol System Builders, LLC	\$ 109,330	\$ 104,341	3123 San Saulo, SW Albuquerque, NM 87105	Y	N/A	Replaced Cabinets
					Circle F Construction P.O. Box 2606 Deming, NM 88030	Y		
					Mira Loma, Inc. #10 Mira Loma Rd Arenas Valley, NM 88022	Y		
					Cole Enterprises P.O. Box 873 Clovis, NM 88102	Y		
					M-Core Construction, LLC 1468 N. Main Street Clovis, NM 88101	Y		

ADDITIONAL INDEPENDENT AUDITORS' REPORT

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
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Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Timothy Keller, State Auditor
and
Board of Commissioners
City of Bayard Public Housing Authority
Bayard, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund, of the Public Housing Authority (Authority) of the City of Bayard, New Mexico, a component unit of the City of Bayard, New Mexico, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the budgetary comparisons of major enterprise funds of the Authority, presented as supplemental information, and have issued our report thereon dated November 23, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2015-001.

The Authority's Response to Finding

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

Purpose of this Report

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

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

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

November 23, 2015

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENT FINDINGS

Item 2015-001 – 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 instance where the applicant did not fill out Form 214, *Personal Declaration of Status*.
- One instance where the applicant did not sign the Community Service form.
- One instance where a tenant's income was not verified.

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'*.

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 (Executive Director & Housing Manager) will review all tenant files, during their annual re-examination process) to ensure they are complete, correct, and accurate in accordance with U.S. Department of Housing and Urban Development guidelines.

STATUS OF PRIOR YEAR FINDINGS

None.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE AND FINANCIAL STATEMENT PREPARATION
JUNE 30, 2015**

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2015, was discussed during the exit conference held on December 1, 2015. Present for the Public Housing Authority was: Rosemary Alvarado, chairperson; Jolene D. Ortiz, executive director; and Kathy Carrillo, housing manager. Present for the City of Bayard was: Chon Fierro, mayor pro-tem; and Kristina V. Ortiz, city clerk-treasurer. Present from the auditing firm was Dominic Fierro, audit 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, 2015. 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.