

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

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2017

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

Table of Contents
June 30, 2017

	<u>PAGE</u>
Directory of Officials.....	1
Independent Auditors' Report.....	2-4
Basic Financial Statements	
Statement of Net Position	5
Statement of Revenues, Expenses, and Changes in Fund Net Position	6
Statement of Cash Flows	7-8
Notes to Financial Statements	9-23
Supplementary Information	
Statement of Low Rent Fund Revenues and Expenses Budget and Actual	24
Low Rent Fund – Reconciliation of the Budgetary Comparison Schedules to the Statement of Revenues, Expenses and Changes in Fund Net Position.....	25
Required Supplementary Information	
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	26
Schedule of Contributions Public Employees Retirement Association (PERA) Plan PERA Fund Municipal General Division Last 10 Years	27
Notes to Required Supplementary Information.....	28
Other Schedules Required by 2.2.2 NMAC	
Schedule of Cash Accounts	29
Schedule of Pledged Collateral	30
Financial Data Schedule	31-33
Additional Independent Auditors' Report	
Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34-35
Schedule of Findings and Responses	36
Exit Conference and Financial Statement Preparation	37

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY**
Directory of Officials
June 30, 2017

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
-----------------------	--------------------

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

Wayne A. Johnson, 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, 2017, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison for the low rent major enterprise fund presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2017, 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, 2017, and the respective changes in financial position and cash flows thereof, and the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparison. The financial data schedule and 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 financial data schedule and 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017 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.

The image shows a handwritten signature in cursive script that reads "Fierro + Fierro, P.A.".

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

December 7, 2017

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Low Rent Fund	Capital Fund Program Fund	Total
Assets:			
Current assets:			
Cash	\$ 539,083	\$ -	\$ 539,083
Receivables, net	44	-	44
Prepaid expenses	11,537	-	11,537
Inventory	6,128	-	6,128
Total current assets	556,792	-	556,792
Noncurrent assets:			
Restricted cash	16,473	-	16,473
Capital assets, not being depreciated	15,695	270,883	286,578
Capital assets, being depreciated	1,007,753	12,657	1,020,410
Total noncurrent assets	1,039,921	283,540	1,323,461
Deferred Outflows of Resources:			
Pension related	68,799	-	68,799
Total assets and deferred outflows of resources	<u>\$ 1,665,512</u>	<u>\$ 283,540</u>	<u>\$ 1,949,052</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 10,092	\$ -	\$ 10,092
Accrued salaries	5,275	-	5,275
Accrued payroll liabilities	1,392	-	1,392
Tenant deposits	16,473	-	16,473
Unearned revenues	2,304	-	2,304
Current maturities of liabilities:			
Compensated absences	3,659	-	3,659
Total current liabilities	39,195	-	39,195
Noncurrent liabilities:			
Compensated absences	6,024	-	6,024
Net pension liability	215,684	-	215,684
Total noncurrent liabilities	221,708	-	221,708
Total liabilities	260,903	-	260,903
Deferred Inflows of Resources:			
Pension related	6,720	-	6,720
Net Position:			
Invested in capital assets	1,023,448	283,540	1,306,988
Unrestricted	374,441	-	374,441
Total net position	1,397,889	283,540	1,681,429
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,665,512</u>	<u>\$ 283,540</u>	<u>\$ 1,949,052</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 NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Low Rent Fund	Capital Fund Program Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for services	\$ 185,976	\$ -	\$ 185,976
Operating Expenses:			
Personnel services	141,088	-	141,088
Employee benefits	65,374	-	65,374
Repairs and maintenance	31,760	-	31,760
Professional services	9,419	-	9,419
Utilities	53,592	-	53,592
General operating	53,204	-	53,204
Depreciation	63,910	1,717	65,627
	<u>418,347</u>	<u>1,717</u>	<u>420,064</u>
Total operating expenses			
	418,347	1,717	420,064
Operating (loss)	(232,371)	(1,717)	(234,088)
Non-Operating Revenues (Expenses):			
Intergovernmental	178,863	-	178,863
Interest income	889	-	889
Miscellaneous income	322	-	322
	<u>180,074</u>	<u>-</u>	<u>180,074</u>
Total non-operating revenues (expenses)			
	180,074	-	180,074
(Loss) before capital contributions and transfers	(52,297)	(1,717)	(54,014)
Capital contributions and Transfers:			
Capital contributions	-	153,517	153,517
Transfers in	12,036	-	12,036
Transfers (out)	-	(12,036)	(12,036)
	<u>12,036</u>	<u>141,481</u>	<u>153,517</u>
Total capital contributions and transfers			
	12,036	141,481	153,517
Change in net position	(40,261)	139,764	99,503
Net position, beginning of year	1,438,150	143,776	1,581,926
Net position, end of year	<u>\$ 1,397,889</u>	<u>\$ 283,540</u>	<u>\$ 1,681,429</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, 2017**

	Low Rent Fund	Capital Fund Program Fund	Total
Cash Flows from Operating Activities:			
Cash received from tenants	\$ 187,130	\$ -	\$ 187,130
Cash payments to suppliers for goods and services	(216,379)	-	(216,379)
Cash payments to employees for services	(138,072)	-	(138,072)
Net cash (used) by operating activities	(167,321)	-	(167,321)
Cash Flows from Non-Capital and Financing Activities:			
Cash received from intergovernmental sources	178,863	-	178,863
Cash received from miscellaneous sources	322	-	322
Net change in tenant deposits	450	-	450
Net transfers in (out)	12,036	(12,036)	-
Net cash provided (used) by non-capital and related financing activities	191,671	(12,036)	179,635
Cash Flows from Capital and Financing Activities:			
Cash received from intergovernmental sources	-	153,517	153,517
Acquisition and construction of capital assets	-	(141,481)	(141,481)
Net cash provided by capital and related financing activities	-	12,036	12,036
Cash Flows from Investing Activities:			
Proceeds from maturities of investments	207,006	-	207,006
Purchase of investments	(180,608)	-	(180,608)
Interest income	880	-	880
Net cash provided by investing activities	27,278	-	27,278
Net increase in cash	51,628	-	51,628
Cash and cash equivalents, beginning of year	323,320	-	323,320
Cash and cash equivalents, end of year	<u>\$ 374,948</u>	<u>\$ -</u>	<u>\$ 374,948</u>
Displayed as:			
Cash	\$ 539,083	\$ -	\$ 539,083
Restricted cash	16,473	-	16,473
Time deposits not considered cash equivalents	(180,608)	-	(180,608)
	<u>\$ 374,948</u>	<u>\$ -</u>	<u>\$ 374,948</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, 2017**

	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)	\$ (231,371)	\$ (1,717)	\$ (233,088)
Adjustments to Reconcile Operating (Loss) to Net Cash Used by Operating Activities:			
Depreciation	63,910	1,717	65,627
Change in Assets and Liabilities:			
Increase in prepaid expenses	(202)	-	(202)
(Increase) in inventories	(3,360)	-	(3,360)
(Decrease) in accounts payable	(468)	-	(468)
(Decrease) in accrued salaries	(28)	-	(28)
Increase in accrued payroll liabilities	37	-	37
Increase in compensated absences	3,007	-	3,007
Increase in deferred revenues	1,154	-	1,154
	<u>140</u>	<u>-</u>	<u>140</u>
Total adjustments			
	<u>140</u>	<u>-</u>	<u>140</u>
Net cash (used) by operating activities	<u>\$ (167,321)</u>	<u>\$ -</u>	<u>\$ (167,321)</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, 2017

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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

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

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

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

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

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

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

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, are recorded as prepaid items.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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:

Length of Employment	Regular Full-Time	Regular Part-Time
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, 2017

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, 2017**

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.

N. 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. 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.

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, 2017, 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:

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

2. CASH (continued)

Cash Deposited with Financial Institutions (continued)

	Per Financial Institution	Reconciling Items	Per Financial Statements
First American Bank	\$ 539,936	\$ (853)	\$ 539,083
Washington Federal	16,768	(295)	16,473
	<u>\$ 556,704</u>	<u>\$ (1,148)</u>	<u>\$ 555,556</u>

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

Statement of Net Position:	
Cash	\$ 539,083
Restricted cash	<u>16,473</u>
Total cash reported on the financial statements	<u>\$ 555,556</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	\$ 539,936	\$ 16,768
Less FDIC insurance	<u>(250,000)</u>	<u>(16,768)</u>
Uninsured public funds	289,936	-
Pledged collateral held by pledging bank's agent, but not in the Authority's name	<u>209,837</u>	<u>-</u>
Uninsured and uncollateralized public funds	<u>\$ 80,099</u>	<u>\$ -</u>
Total pledged collateral	\$ 209,837	\$ -
50% pledged collateral requirement per state statute	<u>144,968</u>	<u>-</u>
Pledged collateral (under) over the requirement	<u>\$ 64,869</u>	<u>\$ -</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

2. CASH (continued)

Cash Deposited with Financial Institutions (continued)

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, 2017, \$289,936 of the City’s bank balance of \$556,704 was exposed to custodial credit risk as follows:

	First American Bank
Uninsured and collateral held by agent, not in the Authority's name	\$ 289,936

3. RECEIVABLES, NET

Receivables at June 30, 2017, consisted of the following:

Accounts:	
Tenants' rent	\$ -
Less allowance for doubtful accounts	-
	-
Interest	44
	\$ 44

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, 2017:

	Balance 06/30/16	Increases	Decreases	Balance 06/30/17
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 15,695	\$ -	\$ -	\$ 15,695
Construction in progress	129,402	141,481	-	270,883
Total capital assets, not being depreciated	145,097	141,481	-	286,578

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

4. CAPITAL ASSETS (continued)

	Balance 06/30/16	Increases	Decreases	Balance 06/30/17
Other capital assets, being depreciated:				
Buildings	2,476,819	-	-	2,476,819
Building and other improvements	478,737	-	-	478,737
Furniture and equipment - dwellings	161,937	-	-	161,937
Furniture and equipment - administration	100,275	-	-	100,275
Total other capital assets, being depreciated	3,217,768	-	-	3,217,768
Less accumulated depreciation for:				
Buildings	(1,622,037)	(40,714)	-	(1,662,751)
Building and other improvements	(295,661)	(17,893)	-	(313,554)
Furniture and equipment - dwellings	(133,936)	(4,453)	-	(138,389)
Furniture and equipment - administration	(80,097)	(2,567)	-	(82,664)
Total accumulated depreciation	(2,131,731)	(65,627)	-	(2,197,358)
Other capital assets, net	1,086,037	(65,627)	-	1,020,410
Total capital assets, net	<u>\$ 1,231,134</u>	<u>\$ 75,854</u>	<u>\$ -</u>	<u>\$ 1,306,988</u>

5. ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences during the year ended June 30, 2017, were as follows:

	Balance 06/30/16	Additions	Deletions	Balance 06/30/17	Amount Due Within One Year
Accrued compensated absences	<u>\$ 6,676</u>	<u>\$ 14,978</u>	<u>\$ (11,971)</u>	<u>\$ 9,683</u>	<u>\$ 3,659</u>

6. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information About the Pension Plan

Plan description - The Public Employees Retirement 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 Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the Public Employees Retirement Fund 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.

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

6. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

General Information About the Pension Plan

Plan description (continued) - Eligibility for membership in the Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits provided – Benefits are generally available at age sixty-five with five or more years of service or after twenty-five years of service, regardless of age for Tier I members. Provisions also exist for retirement between ages sixty and sixty-five, with varying amounts of service required. Certain police and fire members may retire at any age with twenty or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average salary for the thirty-six consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2.00% to 3.50% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

Tier II – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013, with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the members' age and service credit equals at least eighty-five or at age sixty-seven with eight or more years of service credit. General members hired on or before June 30, 2013 (Tier 1) remain eligible to retire at any age with twenty-five or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4, and 5 are eligible to retire at any age with twenty-five or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in twenty-five year retirement plans; however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age sixty with six or more years of service credit. Generally, under Tier II pension factors were reduced by 0.50%, employee contribution increased by 1.50% and effective July 1, 2014, employer contributions were raised by 0.50%. The computation of final average salary increased as the average of salary for sixty consecutive months.

Contributions – See PERA's comprehensive annual financial report for the contribution rates and pension factors as of July 1, 2016.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

6. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

General Information About the Pension Plan (continued)

Coverage Plan	Employee Contribution Percentage			Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000	Employer Contribution Percentage	Tier I	Tier II	
State Plan 3	7.42%	8.92%	16.99%	3.00%	2.50%	90%
Municipal Plan 1 (plan open to new employers)	7.00%	8.50%	7.40%	2.00%	2.00%	90.00%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.50%	2.00%	90.00%
Municipal Plan 3 (plan closed to new employers on 6/95)	13.15%	14.65%	9.55%	3.00%	2.50%	90.00%
Municipal Plan 4 (plan closed to new employers on 6/00)	15.65%	17.15%	12.05%	3.00%	2.50%	90.00%
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.00%	2.00%	90.00%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.50%	2.00%	90.00%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.50%	2.00%	90.00%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.00%	2.50%	90.00%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.50%	3.00%	90.00%
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.00%	2.00%	90.00%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.50%	2.00%	90.00%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.50%	2.00%	90.00%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.00%	2.50%	90.00%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.50%	3.00%	90.00%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.00%	3.00%	90.00%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.00%	3.00%	90.00%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.00%	3.00%	90.00%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.00%	3.00%	90.00%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the Authority reported a liability of \$215,684 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll forward liabilities as of June 30, 2016. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

6. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

PERA Fund Municipal General Division

At June 30, 2017, the Authority reported a liability of \$215,684 for its proportionate share of the net pension liability. At June 30, 2017, the Authority's proportion was .0135 percent, which was an increase of .0009 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Authority recognized PERA Fund Municipal General Division pension expense of \$9,623. At June 30, 2017, 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	\$ 12,647	\$ 36
Net difference between projected and actual earnings on pension plan investments	39,686	-
Net difference between projected and actual experience on pension plan investments	10,776	2,105
Changes in proportion and differences between contributions and proportionate share of contributions	-	4,579
The Authority's contributions subsequent to the measurement date	5,690	-
	<u>\$ 68,799</u>	<u>\$ 6,720</u>

\$68,799 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u>	
2018	\$ 13,541
2019	13,541
2020	26,169
2021	10,249
2022	-
Thereafter	-

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

6. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Actuarial assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.48% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	2.75% for the first 10 years, then 3.25% annual rate
• Projected salary increases	2.75% to 14.00% annual rate
• Includes inflation at	2.25% annual rate for 10 years, then 2.75% thereafter
• Mortality Assumption	RP-2000 Mortality Tables (combined table for healthy post-retirees, Employee Table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
• Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The long-term expected rate of return on pension plan investments was determined using a building block method 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
Global Equity	43.50%	7.39%
Risk Reduction and Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	100.00%	

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

6. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Discount rate - A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the state assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

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. In particular, 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 (6.48%) or one percentage point higher (8.48%) than the single discount rate.

	1% Decrease 6.48%	Current Discount Rate 7.48%	1% Increase 8.48%
PERA Fund Municipal General Division			
The Authority's proportionate share of the net pension liability	\$ 321,566	\$ 215,684	\$ 127,860

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial report.

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. 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.

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 \$12,036 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:

	Financial Statements	Differences	Financial Data Schedule
Assets	\$ 1,880,253	\$ -	\$ 1,880,253
Deferred outflows of resources	68,799	-	68,799
 Total assets and deferred outflows of resources	 <u>\$ 1,949,052</u>	 <u>\$ -</u>	 <u>\$ 1,949,052</u>
 Liabilities	 \$ 258,599	 \$ -	 \$ 258,599
Deferred inflows of resources	9,024	-	9,024
Net position	<u>1,681,429</u>	<u>-</u>	<u>1,681,429</u>
 Total liabilities and net position	 <u>\$ 1,949,052</u>	 <u>\$ -</u>	 <u>\$ 1,949,052</u>
 Revenues	 \$ 519,567	 \$ -	 \$ 519,567
Expenses	<u>(419,064)</u>	<u>-</u>	<u>(419,064)</u>
 Excess (deficiency) of revenues over expenditures	 <u>\$ 100,503</u>	 <u>\$ -</u>	 <u>\$ 100,503</u>

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, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues:				
Tenant income	\$ 181,900	\$ 181,900	\$ 185,976	\$ 4,076
Intergovernmental	158,000	158,000	163,878	5,878
Interest income	600	600	889	289
Miscellaneous income	800	800	322	(478)
Total operating revenues	341,300	341,300	351,065	9,765
Operating Expenses:				
Administrative salaries	89,000	94,050	93,827	223
Training	500	-	-	-
Travel	2,500	2,500	2,481	19
Accounting fees	4,000	4,000	4,158	(158)
Auditing fees	6,000	5,300	5,261	39
Legal	200	250	238	12
Other administrative expenses	9,310	6,710	5,918	792
Collection losses	300	300	197	103
Water and solid waste	27,000	27,910	29,168	(1,258)
Electricity	4,000	3,000	2,984	16
Gas	9,000	7,500	7,418	82
Other utilities	12,500	13,500	14,022	(522)
Maintenance labor	63,610	62,610	47,261	15,349
Maintenance materials	13,000	11,490	9,380	2,110
Maintenance contracts	20,000	21,800	22,380	(580)
Insurance	28,000	28,000	27,349	651
Employee benefits	48,500	48,500	65,374	(16,874)
Total operating expenses	337,420	337,420	337,416	4
Net income (loss)	\$ 3,880	\$ 3,880	\$ 13,649	\$ 9,769
Beginning of year cash available to absorb deficit budget	\$ -	\$ -		

**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, 2017**

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedules: \$ 351,065

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. (163,878)

The Authority budgets for interest income as operating revenues for budgetary purposes. Interest income is reported as non-operating revenues for financial reporting purposes. (889)

The Authority budgets for miscellaneous revenues as operating revenues for budgetary purposes. Miscellaneous revenue is reported as non-operating revenues for financial reporting purposes. (322)

Total operating revenues as reported on the statement of revenues, expenses and changes in fund net position. \$ 185,976

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedules. \$ 337,416

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. 17,021

Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes. 63,910

Total operating expenses as reported on the statement of revenues, expenses and changes in fund net position. \$ 418,347

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. 12,036

Total transfers as reported on the statement of revenues, expenses, and changes in fund net position. \$ 12,036

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*

	2015	2016	2017
Authority's porportion of the net pension liability (asset)	0.0134%	0.0126%	0.0135%
Authority's proportionate share of the net pension liability (asset)	\$ 104,534	\$ 128,468	\$ 215,684
Authority's covered-employee payroll	\$ 142,358	\$ 149,243	\$ 130,041
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.43%	86.08%	165.86%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	81.31%	69.18%

* *Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Bayard Public Housing Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 11,057	\$ 11,044	\$ 9,623
Contributions in relation to the contractually required contribution	<u>\$ 11,057</u>	<u>\$ 11,044</u>	<u>\$ 9,623</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 142,358	\$ 149,243	\$ 130,041
Contributions as a percentage of covered-employee payroll	8.50%	7.40%	7.40%

* *Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Bayard Public Housing Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Changes of benefit terms - The PERA fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit report. That report is available at <https://www.saonm.org>.

Changes of assumption - The Public employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2016, is available at <https://www.nmpera.org>.

OTHER SCHEDULES REQUIRED BY 2.2.2 NMAC

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2017**

<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	\$ 359,328	\$ (853)	\$ 358,475
Bayard Housing Authority	CD	51,308	-	51,308
Bayard Housing Authority	CD	51,308	-	51,308
Bayard Housing Authority	CD	52,151	-	52,151
Bayard Housing Authority	CD	25,841	-	25,841
		<u>180,608</u>	<u>-</u>	<u>180,608</u>
		<u>\$ 539,936</u>	<u>\$ (853)</u>	<u>\$ 539,083</u>
Washington Federal 1203 N. Hudson St. Silver City, NM 88061				
Bayard Housing Authority	Checking	<u>\$ 16,768</u>	<u>\$ (295)</u>	<u>\$ 16,473</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2017**

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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
GNMA II 5x1	36225EUR1	09/20/39	<u>\$ 209,837</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, 2017**

Line Item	Description	Total Projects
111	Cash - unrestricted	\$ 358,475
114	Cash - tenant security deposits	16,473
100	Total cash	374,948
126	Accounts receivable - tenants	-
126.1	Allowance for doubtful accounts - dwelling rent	-
129	Accrued interest receivable	44
120	Total receivables, net of allowance for doubtful accounts	44
131	Investments - unrestricted	180,608
142	Prepaid expenses and other assets	11,537
143	Inventories	6,128
143.1	Allowance for obsolete inventories	-
150	Total current assets	573,265
161	Land	15,695
162	Buildings	2,476,819
163	Furniture, equipment and machinery - dwellings	161,937
164	Furniture, equipment and machinery - administration	100,275
165	Leasehold improvements	478,737
166	Accumulated depreciation	(2,197,358)
167	Construction in progress	270,883
160	Total capital assets, net of a/d	1,306,988
200	Deferred outflows of resources	68,799
290	Total assets	\$ 1,949,052
312	Accounts payable <= 90 days	\$ 10,092
321	Accrued wage/payroll taxes payable	6,667
322	Accrued compensated absences - current portion	3,659
341	Tenant security deposits	16,473
342	Unearned revenues	2,304
310	Total current liabilities	39,195
354	Accrued compensated absences - non-current	6,024
357	Accrued pension and OPEB liabilities	215,684
	Total noncurrent liabilities	221,708
300	Total liabilities	260,903
400	Deferred inflows of resources	6,720
508.1	Net investment in capital assets	1,306,988
512.1	Unrestricted net assets	374,441
513	Total equity	1,681,429
600	Total liabilities and equity	\$ 1,949,052

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2017**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	\$ 179,949	\$ -	\$ 179,949
70400	Tenant revenue - other	6,027		6,027
70500	Total tenant revenue	185,976	-	185,976
70600	HUD PHA operating grants	163,878	14,985	178,863
70610	Capital grants	-	153,517	153,517
71100	Investment income - unrestricted	889	-	889
71500	Other revenue	322	-	322
70000	Total revenues	351,065	168,502	519,567
91100	Administrative salaries	93,827	-	93,827
91200	Auditing fees	9,261	-	9,261
91310	Bookkeeping fees	4,158	-	4,158
91500	Employee benefit contributions - administrative	15,751	-	15,751
91600	Office expenses	6,903	-	6,903
91700	Legal expense	238	-	238
91800	Travel	2,481	-	2,481
91900	Other	12,036	-	12,036
91000	Total operating - administrative	144,655	-	144,655
93100	Water	29,168	-	29,168
93200	Electricity	2,984	-	2,984
93300	Gas	7,418	-	7,418
93600	Sewer	14,022	-	14,022
93000	Total utilities	53,592	-	53,592
94100	Ordinary maintenance and operations - labor	47,261	-	47,261
94200	Ordinary maintenance and operations - materials and other	9,380	-	9,380
94300-010	Ordinary maintenance and operations contracts - garbage and trash removal contracts	16,302	-	16,302
94300-020	Ordinary maintenance and operations contracts - heating and cooling contracts	2,256	-	2,256
94300-070	Ordinary maintenance and operations contracts - electrical contracts	293	-	293
94300-090	Ordinary maintenance and operations contracts - extermination contracts	2,109	-	2,109
94300-120	Ordinary maintenance and operations contracts - miscellaneous contracts	1,420	-	1,420
94300	Ordinary maintenance and operations contracts	22,380	-	22,380
94500	Employee benefit contribution - ordinary maintenance	49,623	-	49,623
94000	Total maintenance	128,644	-	128,644

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2017**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
96110	Property insurance	12,147	-	12,147
96120	Liability insurance	4,817	-	4,817
96130	Workmen's compensation	7,560	-	7,560
96140	All other insurance	2,825	-	2,825
96100	Total insurance premiums	<u>27,349</u>	<u>-</u>	<u>27,349</u>
96400	Bad debt - tenant rents	197	-	197
96900	Total operating expenses	<u>354,437</u>	<u>-</u>	<u>354,437</u>
97000	Excess revenues over operating expenses	(3,372)	168,502	165,130
97400	Depreciation expense	63,910	1,717	65,627
90000	Total expenses	<u>418,347</u>	<u>1,717</u>	<u>420,064</u>
10010	Operating transfers in	12,036	-	12,036
10020	Operating transfers out	-	(12,036)	(12,036)
10100	Total other financing sources (uses)	<u>12,036</u>	<u>(12,036)</u>	<u>-</u>
	Excess (deficiency) of revenues over (under) expenses	<u>\$ (55,246)</u>	<u>\$ 154,749</u>	<u>\$ 99,503</u>
11030	Beginning equity	\$ 1,438,150	\$ 143,776	\$ 1,581,926
11190	Unit months available	840	-	840
11210	Unit months leased	823	-	823

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*

Independent Auditors' Report

Wayne A. Johnson, 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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the budgetary comparison of low rent major enterprise fund of the Authority, presented as supplemental information, and have issued our report thereon dated December 7, 2017.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

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

December 7, 2017

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENT FINDINGS

None.

STATUS OF PRIOR YEAR FINDINGS

Item 2015-001 – Tenant Eligibility – In the prior year’s audit, it was noted that the Authority failed to review the tenants’ eligibility files to ensure compliance with U.S. Housing and Urban Development guidelines. During the current year, the Authority reviewed and ensured all tenants’ eligibility files were in compliance with the necessary guidelines. The finding considered resolved.

STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE AND FINANCIAL STATEMENT PREPARATION
JUNE 30, 2017

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2017, was discussed during the exit conference held on December 15, 2017. 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: Charles L. Kelly, mayor and Kristina V. Ortiz, city clerk-treasurer. Present from the auditing firm was Rose Fierro, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the audit report that contains the financial statements and notes to the financial statements of the City of Bayard Public Housing Authority as of and for the year ended June 30, 2017. 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.