

**STATE OF NEW MEXICO
CITY OF BAYARD**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2013

STATE OF NEW MEXICO
CITY OF BAYARD
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CITY OF BAYARD
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**STATE OF NEW MEXICO
CITY OF BAYARD**
Directory of Officials
June 30, 2013

ELECTED OFFICIALS

Charles L. Kelly	Mayor
Chon Fierro	Mayor Pro-Tem
Armando Arzola	Councilor
Zeke Santa Maria.....	Councilor
Raul Valenzuela.....	Councilor
José Sandoval	Municipal Judge

DEPARTMENT HEADS

Kristina V. Ortiz	Clerk-Treasurer
Anna M. Binder	Deputy Clerk-Treasurer
Wessam “Sam” Charbagi.....	Police Chief
Jason Lozano	Fire Chief
David Chavez	Wastewater Plant Superintendent
Eddie S. Sedillos.....	Public Works Director

HOUSING AUTHORITY

James Cook	Chairperson
Rosemary Alvarado	Vice-Chairperson
Brenda Davis	Commissioner
Jovita Gonzales	Commissioner
Vacant	Commissioner
Jolene Padilla	Executive Director

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www.fierrocpa.comIndependent Auditors' ReportHector H. Balderas, State Auditor
and
Mayor and City Council
City of Bayard
Bayard, New Mexico**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the City of Bayard (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds, and the budgetary comparison for the major capital projects and enterprise funds and the nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, 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.

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental funds of the City as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects and major enterprise funds, and all nonmajor funds 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 required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the City's financial statements, the combining and individual fund 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 relate 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 November 27, 2013 on our consideration of the City'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 City's internal control over financial reporting and compliance.



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

November 27, 2013

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash	\$ 862,185	\$ 2,828,545	\$ 3,690,730	\$ 383,220
Receivables, net	166,862	267,901	434,763	48,512
Prepaid expenses	-	-	-	9,762
Inventory	-	-	-	3,173
Total current assets	<u>1,029,047</u>	<u>3,096,446</u>	<u>4,125,493</u>	<u>444,667</u>
Noncurrent assets:				
Restricted cash	49,018	641,884	690,902	16,226
Restricted investments	25	-	25	-
Capital assets:				
Land and construction in progress	602,790	390,392	993,182	186,796
Other capital assets, net of depreciation	<u>8,222,023</u>	<u>15,935,970</u>	<u>24,157,993</u>	<u>1,084,427</u>
Total noncurrent assets	<u>8,873,856</u>	<u>16,968,246</u>	<u>25,842,102</u>	<u>1,287,449</u>
Deferred Outflows of Resources:				
Unamortized bond issuance costs, net of accumulated amortization	<u>5,189</u>	<u>9,000</u>	<u>14,189</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 9,908,092</u>	<u>\$ 20,073,692</u>	<u>\$ 29,981,784</u>	<u>\$ 1,732,116</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 14,912	\$ 49,744	\$ 64,656	\$ 57,026
Accrued salaries	14,294	22,400	36,694	2,805
Accrued payroll liabilities	-	-	-	2,542
Accrued interest payable	4,375	27,172	31,547	-
Due to others	14,000	-	14,000	-
Customer deposits	-	79,124	79,124	-
Tenant deposits	-	-	-	16,226
Current maturities of:				
Bonds payable	15,000	2,281	17,281	-
Notes payable	18,309	128,954	147,263	-
Compensated absences	<u>13,029</u>	<u>12,918</u>	<u>25,947</u>	<u>4,450</u>
Total current liabilities	<u>93,919</u>	<u>322,593</u>	<u>416,512</u>	<u>83,049</u>
Noncurrent liabilities:				
Bonds payable	244,250	194,419	438,669	-
Notes payable	57,764	1,466,149	1,523,913	-
Compensated absences	<u>6,064</u>	<u>9,445</u>	<u>15,509</u>	<u>794</u>
Total noncurrent liabilities	<u>308,078</u>	<u>1,670,013</u>	<u>1,978,091</u>	<u>794</u>
Total liabilities	<u>401,997</u>	<u>1,992,606</u>	<u>2,394,603</u>	<u>83,843</u>
Deferred Inflows of Resources:				
Deferred revenues	-	-	-	849
Net Position:				
Net investment in capital assets	8,451,304	14,544,559	22,995,863	1,271,223
Restricted:				
Debt service	25	214,084	214,109	-
State mandated per statutes	349,458	-	349,458	-
Unrestricted	<u>705,308</u>	<u>3,322,443</u>	<u>4,027,751</u>	<u>376,201</u>
Total net position	<u>9,506,095</u>	<u>18,081,086</u>	<u>27,587,181</u>	<u>1,647,424</u>
Total liabilities and net position	<u>\$ 9,908,092</u>	<u>\$ 20,073,692</u>	<u>\$ 29,981,784</u>	<u>\$ 1,732,116</u>

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

**STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 186,115	\$ 79,657	\$ 171,074	\$ -	\$ 64,616	-	\$ 64,616	
Public safety	741,424	44,918	188,485	-	(508,021)	-	(508,021)	
Public works	232,522	3,793	-	131,112	(97,617)	-	(97,617)	
Culture and recreation	121,129	1,555	14,338	20,395	(84,841)	-	(84,841)	
Health and welfare	125,240	-	-	27,419	(97,821)	-	(97,821)	
Interest on long-term debt	12,812	-	-	-	(12,812)	-	(12,812)	
Total governmental activities	1,419,242	129,923	373,897	178,926	(736,496)	-	(736,496)	
Business-type activities:								
Water	733,066	670,086	-	-	-	\$ (62,980)	(62,980)	
Wastewater	469,028	403,287	-	-	-	(65,741)	(65,741)	
Solid waste	676,200	554,530	-	-	-	(121,670)	(121,670)	
Interest on long-term debt	35,090	-	-	-	-	(35,090)	(35,090)	
Total business-type activities	1,913,384	1,627,903	-	-	-	(285,481)	(285,481)	
Total primary government	\$ 3,332,626	\$ 1,757,826	\$ 373,897	\$ 178,926	(736,496)	(285,481)	(1,021,977)	
Component Unit:								
Public Housing	\$ 422,311	\$ 170,086	\$ 141,709	\$ 183,447				\$ 72,931
General Revenues:								
Gross receipts taxes					348,613	119,151	467,764	-
Property taxes, levied for general purposes					38,583	-	38,583	-
Franchise taxes					68,157	-	68,157	-
Public service taxes					32,425	-	32,425	-
Interest income					1,832	8,840	10,672	521
Donations					25,928	-	25,928	-
Transfers					40,000	(40,000)	-	-
Total general revenues and transfers					555,538	87,991	643,529	521
Changes in net position					(180,958)	(197,490)	(378,448)	73,452
Net position, beginning of year					9,075,487	18,518,013	26,917,684	1,573,972
Restatements					611,566	(239,437)	372,129	-
Net position, beginning of year, restated					9,687,053	18,278,576	27,965,629	1,573,972
Net position, end of year					\$ 9,506,095	\$ 18,081,086	\$ 27,587,181	\$ 1,647,424

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF BAYARD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	Fire Protection Fund	Municipal Streets Fund	Library Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 582,346	\$ 3,049	\$ 168,198	\$ 32,930	\$ 75,662	\$ 862,185
Receivables, net	47,583	-	71,553	43,407	4,319	166,862
Restricted:						
Cash	-	-	-	49,018	-	49,018
Investments	-	3	-	-	22	25
Total assets	<u>\$ 629,929</u>	<u>\$ 3,052</u>	<u>\$ 239,751</u>	<u>\$ 125,355</u>	<u>\$ 80,003</u>	<u>\$ 1,078,090</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 8,749	\$ 1,104	\$ 1,900	\$ 571	\$ 2,588	\$ 14,912
Accrued salaries	13,684	-	610	-	-	14,294
Due to others	14,000	-	-	-	-	14,000
Deferred revenues	14,449	-	-	-	-	14,449
Total liabilities	50,882	1,104	2,510	571	2,588	57,655
Fund Balances:						
Reserved for:						
Debt service	-	3	-	-	22	25
State mandated per statutes	-	-	237,241	-	51,180	288,421
Committed for:						
One twelfth budget reserve	61,037	-	-	-	-	61,037
Subsequent year's expenditures	210,671	1,945	-	6,874	23,951	243,441
Assigned	-	-	-	117,910	2,262	120,172
Unassigned	307,339	-	-	-	-	307,339
Total fund balances	<u>579,047</u>	<u>1,948</u>	<u>237,241</u>	<u>124,784</u>	<u>77,415</u>	<u>1,020,435</u>
Total liabilities and fund balances	<u>\$ 629,929</u>	<u>\$ 3,052</u>	<u>\$ 239,751</u>	<u>\$ 125,355</u>	<u>\$ 80,003</u>	<u>\$ 1,078,090</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance governmental funds (page six)	\$	1,020,435
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		8,824,813
Amortization of the bond issuance costs are not financial uses and, therefore, are not reported in the funds.		5,189
Recognition of property tax revenue is reflected on full accrual basis within the statement of net assets. Governmental funds recognize property tax on the modified accrual basis.		14,449
Certain accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(4,375)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(354,416)</u>
Net position of governmental activities (page four)	\$	<u><u>9,506,095</u></u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Fire Protection Fund	Municipal Streets Fund	Library Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Sales taxes	\$ 63,571	\$ -	\$ 54,211	\$ 230,831	\$ -	\$ 348,613
Property taxes	30,186	-	-	-	-	30,186
Franchise taxes	68,157	-	-	-	-	68,157
Public service taxes	10,599	-	21,826	-	-	32,425
Intergovernmental:						
Federal	-	-	-	10,792	-	10,792
State	194,598	167,751	131,112	17,941	23,822	535,224
Charges for services	68,915	-	45	1,540	-	70,500
Licenses and permits	4,236	-	-	-	-	4,236
Fines and forfeitures	41,084	-	-	-	-	41,084
Interest	292	3	1,408	-	6,129	7,832
Miscellaneous	25,555	326	3,748	11,209	-	40,838
Total revenues	507,193	168,080	212,350	272,313	29,951	1,189,887
Expenditures:						
Current:						
General government	160,000	-	-	-	-	160,000
Public safety	482,199	160,295	-	-	22,109	664,603
Public works	-	-	234,294	-	-	234,294
Culture and recreation	41,291	-	-	38,764	120	80,175
Health and welfare	4,069	-	-	-	3,585	7,654
Capital outlay	31,475	-	-	-	67,703	99,178
Debt service:						
Principal	-	17,879	-	2,000	13,000	32,879
Interest and other charges	-	2,408	-	8,770	2,200	13,378
Total expenditures	719,034	180,582	234,294	49,534	108,717	1,292,161
Excess (deficiency) revenues over expenditures	(211,841)	(12,502)	(21,944)	222,779	(78,766)	(102,274)
Other Financing Sources (Uses):						
Transfers in	228,733	-	-	10,000	92,924	331,657
Transfers (out)	(14,907)	-	(88,017)	(175,751)	(12,982)	(291,657)
Total other financing sources (uses)	213,826	-	(88,017)	(165,751)	79,942	40,000
Net change in fund balances	1,985	(12,502)	(109,961)	57,028	1,176	(62,274)
Fund balance, beginning of year	577,062	14,450	347,202	67,756	76,239	1,082,709
Fund balance, end of year	<u>\$ 579,047</u>	<u>\$ 1,948</u>	<u>\$ 237,241</u>	<u>\$ 124,784</u>	<u>\$ 77,415</u>	<u>\$ 1,020,435</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Amounts reported governmental funds are different from the statement of activities because:

Net change in fund balances total governmental fund (page eight)	\$ (62,274)
Governmental funds report capital outlay as expenditures in the amount of \$99,178; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of \$256,019. The net adjustments between the amounts is \$156,841.	(156,841)
Some of the City's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the funds. At June 30, 2012, deferred property taxes amounted to \$6,052. The deferred property taxes for the current fiscal year amounted to \$14,449, therefore, the net adjustment is \$8,397.	8,397
Accrued interest expense not due within the thirty days after year-end is not considered in the current period and is not reported in the governmental funds.	566
The amortization expense of the bond issuance costs associated with the issuance the law enforcement protection bonds is not recorded within the governmental funds; however, it is recorded as a net against the unamortized bond issuance costs.	(1,730)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	32,879
Increase in compensated absences liability is reflected as an expense within the statement of activities and the expenses do not require the use of current financial resources and are not recorded in the governmental fund statements.	<u>(1,955)</u>
Net change in net position - statement of activities (page five)	<u><u>\$ (180,958)</u></u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Sales taxes	\$ 65,000	\$ 68,645	\$ 68,340	\$ (4,769)	\$ 63,571	\$ (305)
Property taxes	28,653	29,683	29,679	507	30,186	(4)
Franchise taxes	63,000	63,000	59,727	8,430	68,157	(3,273)
Public service taxes	16,000	16,530	10,864	(265)	10,599	(5,666)
Intergovernmental:						
Federal	85,000	85,000	-	-	-	(85,000)
State	342,000	378,075	198,493	(3,895)	194,598	(179,582)
Charges for services	37,217	69,747	68,915	-	68,915	(832)
Licenses and permits	4,450	4,520	4,236	-	4,236	(284)
Fines and forfeitures	35,300	40,320	40,277	807	41,084	(43)
Interest	700	703	292	-	292	(411)
Miscellaneous	8,000	28,041	25,555	-	25,555	(2,486)
Total revenues	685,320	784,264	506,378	815	507,193	(277,886)
Expenditures:						
Current:						
General government	275,374	275,374	169,231	(9,231)	160,000	106,143
Public safety	466,644	497,185	473,505	8,694	482,199	23,680
Culture and recreation	55,387	64,720	42,864	(1,573)	41,291	21,856
Health and welfare	-	4,500	4,023	46	4,069	477
Capital outlay	398,500	389,351	33,282	(1,807)	31,475	356,069
Total expenditures	1,195,905	1,231,130	722,905	(3,871)	719,034	508,225
(Deficiency) of revenues over expenditures	(510,585)	(446,866)	(216,527)	4,686	(211,841)	230,339
Other Financing Sources (Uses):						
Transfers in	320,000	322,735	228,733	-	228,733	(94,002)
Transfers (out)	(110,500)	(110,500)	(14,907)	-	(14,907)	95,593
Total other financing sources (uses)	209,500	212,235	213,826	-	213,826	1,591
Special Item:						
Proceeds from sale of assets	1,000	1,000	-	-	-	(1,000)
Net change in cash balances	(300,085)	(233,631)	(2,701)	\$ 4,686	\$ 1,985	230,930
Cash balance, beginning of year	585,047	585,047	585,047			-
Cash balance, end of year	\$ 284,962	\$ 351,416	\$ 582,346			\$ 230,930
Explanation of Differences:						
Change in receivables				\$ 9,212		
Change in accounts payable				2,390		
Change in accrued salaries				1,481		
Change in deferred revenues				(8,397)		
				\$ 4,686		

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

STATE OF NEW MEXICO
CITY OF BAYARD
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 58,584	\$ 147,467	\$ 147,467	\$ 20,284	\$ 167,751	\$ -
Interest	-	-	-	3	3	-
Miscellaneous	-	-	326	-	326	326
Total revenues	58,584	147,467	147,793	20,287	168,080	326
Expenditures:						
Current:						
Public safety	66,800	158,330	160,137	158	160,295	(1,807)
Debt service:						
Principal	-	-	-	17,879	17,879	-
Interest	-	-	-	2,408	2,408	-
Total expenditures	66,800	158,330	160,137	20,445	180,582	(1,807)
Net change	(8,216)	(10,863)	(12,344)	<u>\$ (158)</u>	<u>\$ (12,502)</u>	(1,481)
Cash balance, beginning of year	15,393	15,393	15,393			-
Cash balance, end of year	<u>\$ 7,177</u>	<u>\$ 4,530</u>	<u>\$ 3,049</u>			<u>\$ (1,481)</u>
Explanation of Differences:						
Fire allotment intercepted				\$ 20,284		
Interest income earned by agent				3		
Change in accounts payable				(158)		
Payment of debt service				<u>(20,287)</u>		
				<u>\$ (158)</u>		

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

STATE OF NEW MEXICO
CITY OF BAYARD
MUNICIPAL STREETS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Sales taxes	\$ 52,000	\$ 52,000	\$ 47,248	\$ 6,963	\$ 54,211	\$ (4,752)
Public service taxes	28,000	28,235	23,332	(1,506)	21,826	(4,903)
Intergovernmental:						
State	72,112	73,237	73,237	57,875	131,112	-
Charges for services	3,888	3,888	45	-	45	(3,843)
Interest	1,700	1,700	1,433	(25)	1,408	(267)
Miscellaneous	-	-	-	3,748	3,748	-
Total revenues	157,700	159,060	145,295	67,055	212,350	(13,765)
Expenditures:						
Current:						
Public works	230,729	258,793	234,756	(462)	234,294	24,037
Excess (deficiency) of revenues over expenditures	(73,029)	(99,733)	(89,461)	67,517	(21,944)	10,272
Other Financing Sources (Uses):						
Transfers (out)	(62,470)	(88,020)	(88,017)	-	(88,017)	3
Net change in cash balance	(135,499)	(187,753)	(177,478)	\$ 67,517	\$ (109,961)	10,275
Cash balance, beginning of year	341,928	341,928	341,928			-
Cash balance, end of year	\$ 206,429	\$ 154,175	\$ 164,450			\$ 10,275
Explanation of Differences:						
Change in receivables				\$ 67,055		
Change in accounts payable				1,072		
Change in accrued salaries				(610)		
				\$ 67,517		

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

STATE OF NEW MEXICO
CITY OF BAYARD
LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Sales taxes	\$ 214,000	\$ 214,000	\$ 188,269	\$ 42,562	\$ 230,831	\$ (25,731)
Intergovernmental:						
Federal	44,916	44,916	14,915	(4,123)	10,792	(30,001)
State	19,110	23,478	17,125	816	17,941	(6,353)
Charges for services	300	1,515	1,511	29	1,540	(4)
Miscellaneous	11,000	11,210	11,209	-	11,209	(1)
Total revenues	289,326	295,119	233,029	39,284	272,313	(62,090)
Expenditures:						
Current:						
Culture and recreation	85,429	85,429	44,349	(5,585)	38,764	41,080
Debt service:						
Principal	2,000	2,000	2,000	-	2,000	-
Interest and other charges	9,000	9,000	8,770	-	8,770	230
Total expenditures	96,429	96,429	55,119	(5,585)	49,534	41,310
Excess of revenues over expenditures	192,897	198,690	177,910	44,869	222,779	(20,780)
Other Financing Sources (Uses):						
Transfers in	10,000	22,560	10,000	-	10,000	(12,560)
Transfers (out)	(214,000)	(214,020)	(175,751)	-	(175,751)	38,269
Total other financing sources (uses)	(204,000)	(191,460)	(165,751)	-	(165,751)	25,709
Net change	(11,103)	7,230	12,159	\$ 44,869	\$ 57,028	4,929
Cash balance, beginning of year	33,519	33,519	33,519			-
Cash converted to restricted cash	-	-	(12,748)			(12,748)
Cash balance, end of year	\$ 22,416	\$ 40,749	\$ 32,930			\$ (7,819)

Explanation of Differences:

Change in receivables	\$ 39,284
Change in accounts payable	3,719
Change in accrued salaries	1,866
	<u>\$ 44,869</u>

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
Assets:				
Current assets:				
Cash	\$ 580,451	\$ 480,059	\$ 1,768,035	\$ 2,828,545
Receivables, net	131,258	59,144	77,499	267,901
Total current assets	711,709	539,203	1,845,534	3,096,446
Noncurrent assets:				
Restricted cash	548,630	-	93,254	641,884
Capital assets:				
Land and construction in progress	74,982	-	315,410	390,392
Other capital assets, net of accumulated depreciation	6,762,850	19,758	9,153,362	15,935,970
Total noncurrent assets	7,386,462	19,758	9,562,026	16,968,246
Deferred Outflows of Resources:				
Unamortized bond issuance costs, net of accumulated amortization of \$1,000	9,000	-	-	9,000
Total assets and deferred outflows of resources	<u>\$ 8,107,171</u>	<u>\$ 558,961</u>	<u>\$ 11,407,560</u>	<u>\$ 20,073,692</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 6,852	\$ 32,891	\$ 10,001	\$ 49,744
Accrued salaries	12,136	5,001	5,263	22,400
Accrued interest payable	21,390	-	5,782	27,172
Customer deposits	79,124	-	-	79,124
Current maturities of:				
Bonds payable	2,281	-	-	2,281
Notes payable	66,243	-	62,711	128,954
Compensated absences	7,796	1,125	3,997	12,918
Total current liabilities	195,822	39,017	87,754	322,593
Noncurrent Liabilities:				
Bonds payable	194,419	-	-	194,419
Notes payable	446,604	-	1,019,545	1,466,149
Compensated absences	7,100	-	2,345	9,445
Total noncurrent liabilities	648,123	-	1,021,890	1,670,013
Total liabilities	843,945	39,017	1,109,644	1,992,606
Net Position:				
Net investment in capital assets	6,128,285	19,758	8,396,516	14,544,559
Restricted debt service	120,830	-	93,254	214,084
Unrestricted	1,014,111	500,186	1,808,146	3,322,443
Total net position	7,263,226	519,944	10,297,916	18,081,086
Total liabilities and net position	<u>\$ 8,107,171</u>	<u>\$ 558,961</u>	<u>\$ 11,407,560</u>	<u>\$ 20,073,692</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
Operating Revenues:				
Charges for services	\$ 631,910	\$ 403,062	\$ 544,718	\$ 1,579,690
Operating Expenses:				
Personnel services	396,591	162,070	203,710	762,371
Utilities	47,164	-	126,905	174,069
Contractual services	35,092	274,285	9,119	318,496
Repairs and maintenance	15,229	807	41,467	57,503
Insurance claims and expenses	17,414	11,545	13,776	42,735
Other operating expenses	80,807	17,498	59,716	158,021
Depreciation and amortization	140,769	2,823	221,507	365,099
Total operating expenses	733,066	469,028	676,200	1,878,294
Operating income (loss)	(101,156)	(65,966)	(131,482)	(298,604)
Non-Operating Revenues (Expenses):				
State shared taxes	108,426	10,725	-	119,151
Interest income	1,315	531	6,994	8,840
Miscellaneous	38,176	225	9,812	48,213
Interest expense	(23,979)	-	(11,111)	(35,090)
Total non-operating revenues (expenses)	123,938	11,481	5,695	141,114
Income before transfers	22,782	(54,485)	(125,787)	(157,490)
Transfers:				
Transfers in	38,825	-	20,473	59,298
Transfers (out)	(40,473)	(48,825)	(10,000)	(99,298)
Total transfers	(1,648)	(48,825)	10,473	(40,000)
Change in net position	21,134	(103,310)	(115,314)	(197,490)
Net position, beginning of year	7,986,046	623,254	9,908,713	18,518,013
Restatements	(743,954)	-	504,517	(239,437)
Net position, beginning of year, restated	7,242,092	623,254	10,413,230	18,278,576
Net position, end of year	\$ 7,263,226	\$ 519,944	\$ 10,297,916	\$ 18,081,086

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

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
Cash Flows From Operating Activities:				
Cash received from customers	\$ 627,888	\$ 405,493	\$ 562,101	\$ 1,595,482
Cash payments to employees for services	(393,349)	(159,484)	(201,124)	(753,957)
Cash payments to suppliers for goods and services	(198,791)	(279,812)	(215,742)	(694,345)
Net cash provided (used) by operating activities	35,748	(33,803)	145,235	147,180
Cash Flows From Non-Capital Financing Activities:				
Cash received from state shared taxes	94,498	9,349	-	103,847
Cash received from capital contributions	4,208	-	24,849	29,057
Cash received from miscellaneous sources	35,706	-	9,812	45,518
Net change in customer deposits	2,470	-	-	2,470
Net transfers in (out)	(40,473)	(10,000)	10,473	(40,000)
Net cash provided (used) by non-capital and related financing activities	96,409	(651)	45,134	140,892
Cash Flows for Capital and Financing Activities:				
Acquisition of capital assets	(57,632)	(38,825)	(345,340)	(441,797)
Principal payments on capital debt	(66,502)	-	(62,090)	(128,592)
Interest on debt	(25,768)	-	(11,443)	(37,211)
Net cash (used) by capital and related financing activities	(149,902)	(38,825)	(418,873)	(607,600)
Cash Flows From Investing Activities:				
Interest income	1,312	531	6,990	8,833
Purchase of certificates of deposit	(1,023)	(506)	(6,726)	(8,255)
Net cash provided by investing activities	289	25	264	578
Net decrease in cash	(17,456)	(73,254)	(228,240)	(318,950)
Cash and cash equivalents, beginning of year	999,650	460,832	927,036	2,387,518
Cash and cash equivalents, end of year	\$ 982,194	\$ 387,578	\$ 698,796	\$ 2,068,568
Displayed as:				
Cash	\$ 580,451	\$ 480,059	\$ 1,768,035	\$ 2,828,545
Restricted cash	548,630	-	93,254	641,884
Time deposits not considered cash equivalents	(146,887)	(92,481)	(1,162,493)	(1,401,861)
	\$ 982,194	\$ 387,578	\$ 698,796	\$ 2,068,568

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

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Joint Waste Water Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (101,156)	\$ (65,966)	\$ (131,482)	\$ (298,604)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and amortization	140,769	2,823	221,507	365,099
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(4,022)	2,431	53,145	51,554
Increase (decrease) in accounts payable	(1,946)	24,828	13	22,895
Increase (decrease) in accrued salaries	1,752	2,378	1,071	5,201
Increase (decrease) in compensated absences	351	(297)	981	1,035
Total adjustments	<u>136,904</u>	<u>32,163</u>	<u>276,717</u>	<u>445,784</u>
Net cash provided (used) by operating activities	<u>\$ 35,748</u>	<u>\$ (33,803)</u>	<u>\$ 145,235</u>	<u>\$ 147,180</u>

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bayard (City) have been prepared in conformity with generally accepted accounting principles (GAAP) 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

The City of Bayard, a political subdivision of the state of New Mexico, operates under the council-treasurer form of government. The City provides the following authorized services: public safety, public works, water, sanitation, health and welfare, culture and recreation, public improvements, planning and zoning, and general administrative services. The City's basic financial statements include all activities and accounts of the City's *financial reporting entity*. The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, the City has a publicly funded Housing Authority that is considered a component unit of the City. The financial statements of the City of Bayard Housing Authority have been included in the City's financial statements as a *discretely presented* component unit. The Housing Authority is reported as a proprietary fund type. The City is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2013.

Complete financial statements for the City of Bayard Housing Authority can be obtained directly from the housing authority's administrative office. Please address requests to the Executive Director, Bayard Housing Authority, 100 Runnels Drive, P.O. Box 768, Bayard, New Mexico 88023.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise, public service taxes, interest income, etc.). The City does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term is considered an indirect expense and is reported separately on the Statement of Activities.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements. At the present time, the City does not have any fiduciary funds.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

In addition to assets, the statement of position will, at time, report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future reporting period(s); therefore, is not recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of position will, at times, 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 reporting period(s); therefore, will not be recognized as an inflow of resources (revenue) until that time.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Property, franchise, sales, and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded.

In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish 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 a proprietary fund's principal ongoing operations.

The principal operating revenues of the City's water and wastewater, and sanitary landfill funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property, sales and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenues. Expenditures include all costs associated with the daily operation of the City, except for items included in other funds.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

The *fire protection fund* accounts for proceeds of the state fire allotment, and the expenditures for public safety there from. New Mexico state law requires these funds be used to help maintain the fire department. The fund was established by local ordinance and in accordance with Section 59A-53-1, of the New Mexico State Insurance Code. Section 59A-53-8 of the code restricts the use of the funds for only the maintenance of the City's fire department.

The *municipal street fund* accounts for gross receipts levied upon taxpayers to be used for maintenance of municipal streets. The fund is considered a special revenue fund. The authority for the fund is given by section 7-1-6.27, NMSA 1978.

The *library fund* accounts for the state Grants-in-Aid to Public Libraries, to be utilized for the acquisition of library materials. (NMSL Rule 92-1) The fund was established by local ordinance in accordance with Section 3-18-14, NMSA 1978, and is considered a special revenue fund.

The city maintains five other individual governmental funds that are considered non-major funds; four are classified as special revenue funds, one is classified as a capital project fund. A description of each non-major governmental fund is as follows:

The *juvenile recreation fund* accounts for receipts, such as the cigarette tax revenue, which is restricted use in recreational areas only. Funding source is one-third of the cigarette tax. The fund was established by local ordinance. The cigarette tax is imposed and collected as authorized by Section 7-12-1 through 7-12-17, NMSA 1978.

The *law enforcement protection fund* accounts for the state grant to be used for the repair and/or replacement of law enforcement equipment, according to state law Section 29-13.1 through 29-13.9, NMSA, 1978. The fund was established by local ordinance to comply with state statutes. Section 29-13-17A, NMSA 1978 limits distributions from the fund for law enforcement related expenditures, including, but not limited to, the purchase of equipment, expenses associated with advanced law enforcement planning and training.

The *corrections fund* accounts for the fees collected by the municipal judge, which are legally restricted to expenditure for jail related costs. The fund was established by local ordinance in order to comply with Section 35-14-11, NMSA 1978.

The *emergency medical services fund* accounts for the state emergency medical services grant, to be used for specific medical services provided through fire department activities.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

The *emergency medical services fund (continued)* - This state grant comes through the New Mexico Department of Health per EMS Regulation DOH 94-11. The fund was created by local ordinance. Section 24-10A-1 to 24-10A-10, NMSA 1978 provides funds to municipalities for use in the establishment and enhancement of local emergency medical services. Section 24-10A-7, NMSA 1978 restricts expenditures from the fund from only emergency medical services.

The *CDBG fund* accounts for federal, state, and local sources, revenues and expenditures for the capital projects. The fund is considered a capital projects fund.

The City reports the following major business-type funds:

The *water and sewer fund* is used to account for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The *solid waste fund* is used to account for the provisions of solid waste disposal for the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The *joint wastewater fund* is used to account for revenues and expenses for the maintenance of a jointly held wastewater system. The City has entered into a joint powers agreement with the Village of Santa Clara, Town of Hurley, and Ft. Bayard Special District to provide wastewater disposal for the three governments.

D. Budgets

Budgets for all funds are prepared by management and approved by the City Council and the New Mexico Department of Finance and Administration. The Clerk-Treasurer is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the City Council for approval by resolution.

The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is presented as a committed portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local Council approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from the Department of Finance and Administration. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Investments in the City's cash and certificates of deposit are stated at cost, which approximates fair value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

2. Receivables and Payables

Activity between funds, that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as interfund balance. Long-term advances between funds, reported in the fund financial statements as noncurrent, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

4. Restricted Assets

Certain long-term assets are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as *deposits held in trust for others*.

5. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

6. Capital Assets

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated cost. Contributed capital assets are recorded at estimated fair market value at the time received. The City does not capitalize library books as the cost of the library books are generally under the capitalization threshold. Purchased computer software is recorded at historical cost.

Infrastructure capital assets consisting of roads, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. The City defines capital assets as assets with an estimated useful life in excess of one year and costing greater than \$5,000. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed when material.

Net revenue bond interest cost incurred during construction is capitalized as part of the construction project.

Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20-75
Buildings and other improvements	50
Machinery and equipment, including computer software	5-30

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

7. Compensated Absences

City employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned is reported in the government-wide financial statements.

City employees do not accumulate sick leave that is paid upon termination or retirement.

8. Deferred Revenues

Within the government-wide financial statements, deferred revenues represent unearned revenues advanced to the City. Such advances are reported as deferred revenue until the earnings process is complete. Deferred revenues may include grant awards reflected as a receivable, but not recognized as revenues, since all criteria have not been met.

Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred revenues and reflected as a liability on the balance sheet.

9. Short-Term Obligations

No short-term debt occurred during the current fiscal year.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities within a statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

11. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets – This category reflects the portion of net position that is associated with capital assets less outstanding capital asset related debt.

Restricted net position – This category reflects the portion of net position that has third party limitations on their use.

Unrestricted net position – This category reflects net position of the City, not restricted for any project or other purpose.

12. Fund Equity Reservation and Designations

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the board of trustees – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the city council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

12. Fund Equity Reservation and Designations (continued)

Assigned fund balance (continued) – The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

F. Other Matters

1. Presentation

Certain reclassifications of prior year information have been made to conform to current year presentation.

2. Cash Flows

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

3. 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the City. 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 which 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 City maintains cash in one financial institution within Bayard, New Mexico. The City's deposits are carried at cost. The Federal Depository Insurance Corporation (FDIC) insures the cash accounts at the financial institution.

As of June 30, 2013, the amount of cash reported on the financial statements differs from the amount on deposit with the institution because of transactions in transit and outstanding checks. The location and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
AmBank	\$ 4,478,111	\$ (96,479)	\$ 4,381,632

The amounts reported as cash for the primary government within the financial statement is displayed as:

Statement of Net Assets:	
Cash	\$ 3,690,730
Restricted cash	690,902
Total cash reported on financial statements	\$ 4,381,632

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).

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

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.

	AmBank
Total deposits in bank	\$ 4,478,111
Less FDIC coverage	(250,000)
Uninsured public funds	4,228,111
Pledged collateral held by pledging bank's agent, but not in the City's name	(2,286,762)
Uninsured and uncollateralized public funds	\$ 1,941,349
Total pledged collateral	\$ 2,286,762
50% pledged collateral requirement per State Statute	(2,114,056)
Pledged collateral over (under) the requirement	\$ 172,706

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, 2013, \$4,228,111 of the City's bank balance of \$4,478,111 was exposed to custodial credit risk as follows:

	AmBank
Uninsured and collateral held by agent, not in the City's name	\$ 4,228,111

3. RESTRICTED INVESTMENTS

The amounts reported as investments for the government within the financial statements are displayed as:

Statement of Net Position:	
Restricted investments	\$ 25

The amounts considered restricted investments are debt proceeds amounts set aside to meet debt reserve requirements, and program receipts. The program receipts are funds available for utilization by the City, and are restricted for purposes described within each loan agreement.

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

3. RESTRICTED INVESTMENTS (continued)

All amounts borrowed are for the purchase of construction of capital assets. As of June 30, 2013, the restricted investments are composed of the following:

Program receipts	\$ 25
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Investments Held by Fiscal Agent

As required by note agreements with the New Mexico Finance Authority (NMFA), the County has cash held and invested with the NMFA. For the fiscal year ended June 30, 2013, the NMFA has invested the funds held in the debt service, debt reserve, and program funds pools. None of the cash invested can be specifically identified, as the City's investment as cash from local governments within the state of New Mexico are invested within the pooled accounts.

NMFA - Debt Service Pool

The County has \$25 invested within the NMFA debt service pool. At June 30, 2013, the pool was composed of money market funds. At June 30, 2013, the pool was composed of 5.42% money market funds; 59.33% of fixed income agencies funds; and 35.25% fixed income U.S. Treasuries.

Interest Rate Risk – Interest rate is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates, and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investment's to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The NMFA debt service pool fund weighted average maturity is 42.41-day WAM. The NMFA debt reserve pool fund weighted average maturity is 1.335 WAM. The NMFA program funds pool fund weighted average maturity is .089 WAM.

The County does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

4. RECEIVABLES, NET

Receivables, net of allowance for doubtful accounts, at June 30, 2013, consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$ 421	\$ 275,826
Allowance for doubtful accounts	-	(31,946)
Total	421	243,880

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

4. RECEIVABLES, NET (continued)

	Governmental Activities	Business-Type Activities
Taxes receivable:		
Sales taxes	59,399	23,472
Franchise taxes	14,324	-
Property taxes	15,223	-
Public service taxes	12,478	-
Allowance for doubtful accounts	-	-
	101,424	23,472
Intergovernmental receivables:		
Building improvement grants	5,934	-
Infrastructure improvement grants	59,000	-
Total	64,934	-
Interest receivable	83	549
Receivables, net	\$ 166,862	\$ 267,901

The City's policy is to provide for uncollectible amounts based upon expected defaults.

5. PROPERTY TAX

Property taxes attached as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Grant County Assessor to develop the property tax schedule by October 1st. Tax notices are sent by the Grant County Treasurer to property owners by November 1st of each year.

Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year. Thirty days later the bill becomes delinquent and the county treasurer assesses penalties and interest. Taxes are collected on behalf of the City by the County Treasurer, and are remitted to the City in the month following collection. The County Treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the County Treasurer's office.

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City. The City's total tax rate to finance general government services for the year 2012, was \$2.225 per \$1,000 for non-residential and \$1.293 for residential property. In the year 2012, there was no tax rate established for payment of bonds principal and interest.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. CAPITAL ASSETS

During the fiscal year, the City completed their intensive review of their capital assets and discovered errors in the amounts reported at June 30, 2012, within the governmental and business-type activities capital assets. The effect of the changes is as follows:

	Balance 06/30/12	Corrections	Restated Balance 06/30/12
Governmental Capital Assets:			
Land	\$ 158,089	\$ 146,501	\$ 304,590
Construction in progress	227,644	(28,622)	199,022
Buildings	3,379,933	(98,380)	3,281,553
Infrastructure	6,765,747	155,128	6,920,875
Equipment	1,235,396	(88,104)	1,147,292
Accumulated depreciation:			
Buildings	(627,738)	1,910	(625,828)
Infrastructure	(1,828,977)	368,969	(1,460,008)
Equipment	(940,006)	154,164	(785,842)
Net governmental capital assets	<u>\$ 8,370,088</u>	<u>\$ 611,566</u>	<u>\$ 8,981,654</u>
Business-Type Capital Assets:			
Land	\$ 76,663	\$ 42,507	\$ 119,170
Construction in progress	304,410	-	304,410
Water rights	1,200,000	-	1,200,000
Buildings	2,246,326	204,581	2,450,907
Utility system	12,046,103	(570,216)	11,475,887
Equipment	3,397,487	349,871	3,747,358
Accumulated depreciation:			
Water rights	(127,500)	-	(127,500)
Buildings	(335,188)	(6,529)	(341,717)
Utility system	(1,596,039)	(254,947)	(1,850,986)
Equipment	(683,441)	(4,704)	(688,145)
Net business-type capital assets	<u>\$ 16,528,821</u>	<u>\$ (281,944)</u>	<u>\$ 16,289,384</u>

Governmental activities capital assets for the fiscal year ended June 30, 2013:

	Restated Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 304,590	\$ -	\$ -	\$ 304,590
Construction in progress	199,022	99,178	-	298,200
Total capital assets, not being depreciated	503,612	99,178	-	602,790

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

6. CAPITAL ASSETS (continued)

	Restated Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Governmental Activities (continued):				
Other capital assets, being depreciated:				
Buildings	3,281,553	-	-	3,281,553
Infrastructure	6,920,875	-	-	6,920,875
Equipment	1,147,292	-	-	1,147,292
Total other capital assets, being depreciated	11,349,720	-	-	11,349,720
Accumulated depreciation:				
Buildings	(625,828)	(65,490)	-	(691,318)
Infrastructure	(1,460,008)	(113,234)	-	(1,573,242)
Equipment	(785,842)	(77,295)	-	(863,137)
Total accumulated depreciation	(2,871,678)	(256,019)	-	(3,127,697)
Other capital assets, net	8,478,042	(256,019)	-	8,222,023
Total capital assets, net	<u>\$ 8,981,654</u>	<u>\$ (156,841)</u>	<u>\$ -</u>	<u>\$ 8,824,813</u>

Depreciation expense was charged to functions (programs) as follows:

Governmental Activities:	
General government	\$ 26,169
Public safety	72,012
Public works	60,333
Culture and recreation	97,320
Health and welfare	185
	<u>\$ 256,019</u>

Business-type activities capital assets for the fiscal year ended June 30, 2013:

	Restated Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 119,170	\$ -	\$ -	\$ 119,170
Construction in progress	304,410	-	(33,188)	271,222
Total capital assets, not being depreciated	423,580	-	(33,188)	390,392

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. CAPITAL ASSETS (continued)

	Restated Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Business-Type Activities (continued):				
Other capital assets, being amortized and depreciated:				
Water rights	1,200,000	-	-	1,200,000
Buildings	2,450,907	257,958	-	2,708,865
Utility system	11,475,887	-	-	11,475,887
Equipment	3,747,358	177,057	-	3,924,415
	<u>18,874,152</u>	<u>435,015</u>	<u>-</u>	<u>19,309,167</u>
Total other capital assets, being depreciated				
Less accumulated amortization and depreciation for:				
Water rights	(127,500)	(10,000)	-	(137,500)
Buildings	(341,717)	(50,697)	-	(392,414)
Utility system	(1,850,986)	(152,494)	-	(2,003,480)
Equipment	(688,145)	(151,658)	-	(839,803)
	<u>(3,008,348)</u>	<u>(364,849)</u>	<u>-</u>	<u>(3,373,197)</u>
Total accumulated amortization and depreciation				
Other capital assets, net	<u>15,865,804</u>	<u>4,104,857</u>	<u>(1,420,551)</u>	<u>15,935,970</u>
Total capital assets, net	<u>\$ 16,289,384</u>	<u>\$ 70,166</u>	<u>\$ (1,453,739)</u>	<u>\$ 16,326,362</u>

7. CAPITAL ASSETS – COMPONENT UNIT

The City of Bayard Public Housing Authority's capital assets for the fiscal year ended June 30, 2012, as follows:

	Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 15,695	\$ -	\$ -	\$ 15,695
Construction in progress	188,605	171,100	(188,604)	171,101
	<u>204,300</u>	<u>171,100</u>	<u>(188,604)</u>	<u>186,796</u>
Total capital assets, not being depreciated				

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

7. CAPITAL ASSETS – COMPONENT UNIT (continued)

	Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Other capital assets, being depreciated:				
Buildings	2,221,636	-	-	2,221,636
Building and other improvements	370,260	161,849	-	532,109
Furniture and equipment - dwellings	125,459	6,200	-	131,659
Furniture and equipment - administration	67,372	32,902	-	100,274
Total other capital assets, being depreciated	2,784,727	200,951	-	2,985,678
Less accumulated depreciation for:				
Buildings	(1,400,614)	(57,182)	-	(1,457,796)
Building and other improvements	(219,767)	(28,145)	-	(247,912)
Furniture and equipment - dwellings	(124,283)	(1,374)	-	(125,657)
Furniture and equipment - administration	(63,263)	(6,623)	-	(69,886)
Total accumulated depreciation	(1,807,927)	(93,324)	-	(1,901,251)
Other capital assets, net	976,800	107,627	-	1,084,427
Total capital assets, net	\$ 1,181,100	\$ 278,727	\$ (188,604)	\$ 1,271,223

8. LONG-TERM OBLIGATIONS

Governmental Activities Debt

Changes in governmental activities loan activity during the year ended June 30, 2013, were as follows:

	Balance 06/30/12	Additions	Deletions	Balance 06/30/13	Amounts Due Within One Year
Bonds payable	\$ 274,250	\$ -	\$ (15,000)	\$ 259,250	\$ 15,000
Notes payable	93,952	-	(17,879)	76,073	18,309
Compensated absences	17,138	28,313	(26,358)	19,093	13,029
Total	\$ 385,340	\$ 28,313	\$ (59,237)	\$ 354,416	\$ 46,338

Bonds Payable – 2011 Law Enforcement Protection Revenue Bonds

On March 22, 2011, the City received \$67,000 of law enforcement protection revenue bonds for the purpose of purchasing police vehicles. The bonds bear interest at 4.00% per annum. The bonds principal matures in amounts commencing on August 3, 2011, and annually thereafter, in accordance with the payment schedule. The final principal maturity shall be five years from the date of the bonds issuance. Principal and interest payments are made from the law enforcement protection fund. Annual debt service requirements to maturity are as follows:

**STATE OF NEW MEXICO
CITY OF BAYARD**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

8. LONG-TERM OBLIGATIONS (continued)

Bonds Payable – 2011 Law Enforcement Protection Revenue Bonds (continued)

Due in the year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 13,000	\$ 1,680	\$ 14,680
2015	14,000	1,160	15,160
2016	15,000	600	15,600
	<u>\$ 42,000</u>	<u>\$ 3,440</u>	<u>\$ 45,440</u>

Bonds Payable – 2011 Gross Receipts Tax Improvement Revenue Bonds

On March 15, 2011, the City received \$221,250 of gross receipts tax improvement revenues bonds for the purpose of providing a portion of the cost of improving, constructing, and equipping the City's municipal library building. The bonds bear interest at 4.00% per annum. The bonds principal matures in amounts commencing on March 15, 2012, and annually thereafter, in accordance with the payment schedule. The final principal maturity shall be forty years from the date of the bonds issuance. Principal and interest payments are made from the library renovation fund. Annual debt service requirement for the note is as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,000	\$ 7,690	\$ 9,690
2015	3,000	8,610	11,610
2016	3,000	8,490	11,490
2017	3,000	8,370	11,370
2018	3,000	8,250	11,250
2019-2023	16,000	39,450	55,450
2024-2028	20,000	35,850	55,850
2029-2033	24,000	31,610	55,610
2034-2038	29,000	26,410	55,410
2039-2043	36,000	20,050	56,050
2044-2048	43,000	12,330	55,330
2049-2051	35,250	3,030	38,280
	<u>\$ 217,250</u>	<u>\$ 210,140</u>	<u>\$ 427,390</u>

Note Payable – New Mexico Finance Authority #1

The City entered into an agreement with the New Mexico Finance Authority to borrow \$175,000 in order to acquire a fire pumper truck for the fire department. The loan is to be repaid from pledged fire allotment revenues. The interest rate varies from 3.280% to 3.870%. The annual principal payment varies from \$16,830 to \$19,755. The Finance Authority is charging a .25% administrative fee. Annual debt service requirement for the note is as follows:

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

8. LONG-TERM OBLIGATIONS (continued)

Note Payable – New Mexico Finance Authority #1 (continued)

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 18,309	\$ 1,788	\$ 20,097
2015	18,764	1,380	20,144
2016	19,245	946	20,191
2017	19,755	486	20,241
	<u>\$ 76,073</u>	<u>\$ 4,600</u>	<u>\$ 80,673</u>

Compensated Absences

A liability for unused vacation for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered.
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the general fund.

Business-Type Activities Debt

Changes in business-type activities loan activity during the year ended June 30, 2013, were as follows:

	<u>Balance 06/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/13</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 198,888	\$ -	\$ (2,188)	\$ 196,700	\$ 2,281
Notes payable	1,721,507	-	(126,404)	1,595,103	128,954
Compensated absences	21,328	30,346	(29,311)	22,363	12,918
Total	<u>\$ 1,941,723</u>	<u>\$ 30,346</u>	<u>\$ (157,903)</u>	<u>\$ 1,814,166</u>	<u>\$ 144,153</u>

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9. LONG-TERM OBLIGATIONS (continued)

2003 Municipal Gross Receipts Tax Revenue Bond

On August 3, 2009, the City issued \$203,000 of gross receipts tax revenue bonds for the purpose of providing a portion of the cost of improving its water and wastewater system. The bonds bear interest at 4.25% per annum. The bonds' principal matures in amounts commencing on August 3, 2010, and annually thereafter, in accordance with the payment schedule. The final principal maturity shall be forty years from the date of the bonds' issuance. Principal and interest payments are made from the water and sewer fund. Annual debt service requirements to maturity are as follows:

Due in the year ending June 30:

	Principal	Interest	Total
2014	\$ 2,281	\$ 8,360	\$ 10,641
2015	2,378	8,263	10,641
2016	2,479	8,162	10,641
2017	2,584	8,057	10,641
2018	2,695	7,946	10,641
2019-2023	15,291	37,914	53,205
2024-2028	18,829	34,376	53,205
2029-2033	23,184	30,021	53,205
2034-2038	28,548	24,657	53,205
2039-2043	35,153	18,052	53,205
2044-2048	43,286	9,920	53,206
2049-2051	19,992	1,283	21,275
	<u>\$ 196,700</u>	<u>\$ 197,011</u>	<u>\$ 393,711</u>

Note Payable – NM Environment Department

The City has borrowed \$290,000 for improvements to the water and sewer system. The note bears interest at a rate of \$3.00% per annum. The note matures on September 15, 2015. Principal and interest payments are made from the water and sewer fund. Annual debt service requirements to maturity are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2014	\$ 13,137	\$ 1,218	\$ 14,355
2015	13,532	824	14,356
2016	13,937	418	14,355
	<u>\$ 40,606</u>	<u>\$ 2,460</u>	<u>\$ 43,066</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

8. LONG-TERM OBLIGATIONS (continued)

Notes Payable – NM Environment Department (continued)

The City has two separate loan agreements due to the New Mexico Environment Department. The proceeds of the obligations, each with a face amount of \$500,000 were used to purchase water rights. These notes bear interest at 3% and mature on August 3, 2020. Principal and interest payments are made from the water and sewer fund. Annual debt service requirements, to maturity for both notes payable are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 53,106	\$ 14,167	\$ 67,273
2015	54,700	12,274	66,974
2016	56,341	10,933	67,274
2017	58,031	9,243	67,274
2018	59,772	7,502	67,274
2019-2021	190,291	11,530	201,821
	<u>\$ 472,241</u>	<u>\$ 65,649</u>	<u>\$ 537,890</u>

The City has borrowed \$1,326,952 to aid in the completion of a new wastewater facility. The note bears interest of 1.00% per annum. The note matures on December 17, 2028. Principal and interest payments are made from the joint wastewater fund. Annual debt service requirements to maturity are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 62,711	\$ 10,823	\$ 73,534
2015	63,338	10,195	73,533
2016	63,971	9,562	73,533
2017	64,611	8,922	73,533
2018	65,257	8,276	73,533
2019-2023	336,206	31,462	367,668
2024-2028	353,356	14,312	367,668
2029	72,806	728	73,534
	<u>\$ 1,082,256</u>	<u>\$ 94,280</u>	<u>\$ 1,176,536</u>

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9. INTERFUND TRANSFERS

	Transfers In						Total
	General Fund	Library Fund	CDBG Fund	Corrections Fund	Water and Sewer Fund	Joint Wastewater Funds	
Transfers (Out):							
General Fund	\$ -	\$ 10,000	\$ -	\$ 4,907	\$ -	\$ -	\$ 14,907
Water and Sewer	20,000	-	-	-	-	20,473	40,473
Solid Waste	10,000	-	-	-	38,825	-	48,825
Wastewater	10,000	-	-	-	-	-	10,000
Recreation	12,982	-	-	-	-	-	12,982
Library	175,751	-	-	-	-	-	175,751
Municipal Street	-	-	88,017	-	-	-	88,017
	<u>\$ 228,733</u>	<u>\$ 10,000</u>	<u>\$ 88,017</u>	<u>\$ 4,907</u>	<u>\$ 38,825</u>	<u>\$ 20,473</u>	<u>\$ 390,955</u>

Transfers are used to move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

10. RESTATEMENT OF NET POSITION

During the fiscal year ended June 30, 2013, the City determined that changes to the beginning of year net position and fund balances were necessary. A description and the effect of the changes are as follows:

	Government-Wide		
	Governmental Activities	Business-Type Activities	Individual Funds
Government-Wide Financial Statements			
The City corrected errors in the capital assets as previously reported.	\$ 611,566		
<i>Major Funds</i>			
Water and Sewer Fund			
The City corrected errors in the capital assets as previously reported.		\$ (743,954)	<u>\$ (743,954)</u>
Joint Wastewater Fund			
The City corrected errors in the capital assets as previously reported.	-	504,517	<u>\$ 504,517</u>
Total Government-Wide Financial Statements	<u>\$ 611,566</u>	<u>\$ (239,437)</u>	

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

11. EXCESS EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2013, the City incurred expenditures over appropriations of the following amounts and funds:

<u>Fund</u>	<u>Amount</u>
Fire Protection Fund	\$ 1,807

The City will establish a procedure to ensure appropriate controls over the purchasing process, including timely budget adjustments where required.

12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

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

Funding Policy

Plan members are required to contribute from 7.0% to 12.8% (ranges from 3.78% to 16.65% depending upon the plan - i.e.; state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute from 9.15% to 21.25% (ranges from 7.0% to 25.72%, depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2013, 2012, and 2011 were \$103,359, \$101,840, and \$84,926, respectively, which equal the amount of the required contributions for each fiscal year.

13. CHANGE IN GROSS REVENUES

Charges for services within the Water and Sewer Fund, the Solid Waste Fund, and the Joint Wastewater Fund were decreased by \$792, \$142, and \$205, respectively, due to the increase of the allowance for doubtful accounts.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

14. POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978) provides comprehensive group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co-payments or out-of-pocket payments to eligible retirees. The City has elected not to participate in the post-employment health insurance plan.

15. RISK MANAGEMENT

The City 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 City has joined together with other local governments in the state, and obtained insurance through the New Mexico Self Insured Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The City pays an annual premium to New Mexico Self Insured Fund for its general insurance coverage, and all risk of loss is transferred.

16. CONTINGENT LIABILITES

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 City expects such amounts, if any, to be immaterial.

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL OTHER
GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO
CITY OF BAYARD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Funds					Capital Project Fund	Total Other Governmental Funds
	Juvenile Recreation Fund	Law Enforcement Fund	Corrections Fund	Emergency Medical Services Fund	Total Special Revenue Funds	CDBG Fund	
<u>ASSETS</u>							
Cash	\$ -	\$ 2,811	\$ 48,437	\$ 462	\$ 51,710	\$ 23,952	\$ 75,662
Receivables, net	-	-	8	-	8	4,311	4,319
Restricted:							
Investments	-	22	-	-	22	-	22
Total assets	<u>\$ -</u>	<u>\$ 2,833</u>	<u>\$ 48,445</u>	<u>\$ 462</u>	<u>\$ 51,740</u>	<u>\$ 28,263</u>	<u>\$ 80,003</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ 538	\$ -	\$ -	\$ 538	\$ 2,050	\$ 2,588
Fund Balances:							
Reserved for:							
Debt service	-	22	-	-	22	-	22
State mandated per statutes	-	2,273	48,445	462	51,180	-	51,180
Committed for:							
Subsequent year's expenditures	-	-	-	-	-	23,951	23,951
Assigned	-	-	-	-	-	2,262	2,262
Total fund balances	<u>-</u>	<u>2,295</u>	<u>48,445</u>	<u>462</u>	<u>51,202</u>	<u>26,213</u>	<u>77,415</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 2,833</u>	<u>\$ 48,445</u>	<u>\$ 462</u>	<u>\$ 51,740</u>	<u>\$ 28,263</u>	<u>\$ 80,003</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds				Capital Project Fund	Total Other Governmental Funds	
	Juvenile Recreation Fund	Law Enforcement Fund	Corrections Fund	Emergency Medical Services Fund	Total Special Revenue Funds		CDBG Fund
Revenues:							
Intergovernmental:							
State	\$ -	\$ 23,600	\$ -	\$ 222	\$ 23,822	\$ -	\$ 23,822
Interest	-	-	129	-	129	6,000	6,129
Miscellaneous	-	-	-	-	-	-	-
Total revenues	-	23,600	129	222	23,951	6,000	29,951
Expenditures:							
Current:							
Public safety	-	13,729	8,380	-	22,109	-	22,109
Culture and recreation	-	-	-	-	-	120	120
Health and welfare	-	-	-	3,585	3,585	-	3,585
Capital outlay	-	-	-	-	-	67,703	67,703
Debt service:							
Principal	-	13,000	-	-	13,000	-	13,000
Interest and other charges	-	2,200	-	-	2,200	-	2,200
Total expenditures	-	28,929	8,380	3,585	40,894	67,823	108,717
Excess (deficiency) of revenues over expenditures	-	(5,329)	(8,251)	(3,363)	(16,943)	(61,823)	(78,766)
Other Financing Sources (Uses):							
Transfers in	-	-	4,907	-	4,907	88,017	92,924
Transfers (out)	(12,982)	-	-	-	(12,982)	-	(12,982)
Total other financing sources (uses)	(12,982)	-	4,907	-	(8,075)	88,017	79,942
Net change in fund balances	(12,982)	(5,329)	(3,344)	(3,363)	(25,018)	26,194	1,176
Fund balances, beginning of year	12,982	7,624	51,789	3,825	76,220	19	76,239
Fund balances, end of year	\$ -	\$ 2,295	\$ 48,445	\$ 462	\$ 51,202	\$ 26,213	\$ 77,415

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

**OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
CITY OF BAYARD
JUVENILE RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Public service taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:						
Current:						
Culture and recreation	-	-	-	-	-	-
Other Financing Sources (Uses):						
Transfers (out)	<u>(12,000)</u>	<u>(12,983)</u>	<u>(12,982)</u>	<u>-</u>	<u>(12,982)</u>	<u>1</u>
Net change	<u>(12,000)</u>	<u>(12,983)</u>	<u>(12,982)</u>	<u>\$ -</u>	<u>\$ (12,982)</u>	<u>1</u>
Cash balance, beginning of year	<u>12,982</u>	<u>12,982</u>	<u>12,982</u>			<u>-</u>
Cash balance, end of year	<u>\$ 982</u>	<u>\$ (1)</u>	<u>\$ -</u>			<u>\$ 1</u>

Explanation of Differences:
None.

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

STATE OF NEW MEXICO
CITY OF BAYARD
LAW ENFORCEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Basis	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 23,300	\$ 23,600	\$ 23,600	\$ -	\$ 23,600	\$ -
Expenditures:						
Current:						
Public safety	14,000	13,406	13,191	538	13,729	215
Debt service:						
Principal	12,000	13,000	13,000	-	13,000	-
Interest	3,500	3,094	2,200	-	2,200	894
Total expenditures	<u>29,500</u>	<u>29,500</u>	<u>28,391</u>	<u>538</u>	<u>28,929</u>	<u>1,109</u>
(Deficiency) of revenues over expenditures	<u>(6,200)</u>	<u>(5,900)</u>	<u>(4,791)</u>	<u>(538)</u>	<u>(5,329)</u>	<u>1,109</u>
Net change	(6,200)	(5,900)	(4,791)	<u>\$ (538)</u>	<u>\$ (5,329)</u>	1,109
Cash balance, beginning of year	<u>7,602</u>	<u>7,602</u>	<u>7,602</u>			<u>-</u>
Cash balance, end of year	<u>\$ 1,402</u>	<u>\$ 1,702</u>	<u>\$ 2,811</u>			<u>\$ 1,109</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ (538)</u>		

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

STATE OF NEW MEXICO
CITY OF BAYARD
CORRECTIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Interest	\$ 300	\$ 300	\$ 129	\$ -	\$ 129	\$ (171)
Expenditures:						
Current:						
Public safety	10,000	10,000	8,380	-	8,380	1,620
(Deficiency) of revenues over expenditures	(9,700)	(9,700)	(8,251)	-	(8,251)	1,449
Other Financing Sources (Uses):						
Transfers in	10,000	10,000	4,907	-	4,907	(5,093)
Net change	300	300	(3,344)	\$ -	\$ (3,344)	(3,644)
Cash balance, beginning of year	51,781	51,781	51,781			-
Cash balance, end of year	\$ 52,081	\$ 52,081	\$ 48,437			\$ (3,644)

Explanation of Differences:
None.

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

STATE OF NEW MEXICO
CITY OF BAYARD
EMERGENCY MEDICAL SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ -	\$ 223	\$ 222	\$ -	\$ 222	\$ (1)
Expenditures:						
Current:						
Health and welfare	2,500	3,586	3,585	-	3,585	1
Net change	(2,500)	(3,363)	(3,363)	\$ -	\$ (3,363)	-
Cash balance, beginning of year	3,825	3,825	3,825			-
Cash balance, end of year	\$ 1,325	\$ 462	\$ 462			\$ -
Explanation of Differences:						
None.						

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

**CAPITAL PROJECT FUND
BUDGETARY COMPARISON STATEMENT**

STATE OF NEW MEXICO
CITY OF BAYARD
CDBG FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ (500,000)
State	-	1,689	1,689	4,311	6,000	-
Total revenues	500,000	501,689	1,689	4,311	6,000	(500,000)
Expenditures:						
Current:						
Public works	-	65,000	-	-	-	65,000
Culture and recreation	-	120	120	-	120	-
Capital outlay	535,000	535,000	65,653	2,050	67,703	469,347
Total expenditures	535,000	600,120	65,773	2,050	67,823	534,347
Excess (deficiency) of revenues over expenditures	(35,000)	(98,431)	(64,084)	2,261	(61,823)	34,347
Other Financing Sources (Uses):						
Transfers in	35,000	88,020	88,017	-	88,017	(3)
Net change	-	(10,411)	23,933	\$ 2,261	\$ 26,194	34,344
Cash balance, beginning of year	19	19	19			-
Cash balance, end of year	\$ 19	\$ (10,392)	\$ 23,952			\$ 34,344
Explanation of Differences:						
Change in receivables				\$ 4,311		
Change in accounts payable				(2,050)		
				\$ 2,261		

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

**MAJOR ENTERPRISE FUNDS
BUDGETARY COMPARISON STATEMENT**

STATE OF NEW MEXICO
CITY OF BAYARD
WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 602,600	\$ 627,955	\$ 627,888	\$ 4,022	\$ 631,910	\$ (67)
Miscellaneous	34,000	38,015	38,176	-	38,176	30
Total operating revenues	636,600	665,970	666,064	4,022	670,086	(37)
Operating Expenses:						
Personnel services	444,790	448,970	393,349	3,242	396,591	55,621
Utilities	28,740	46,975	46,973	191	47,164	2
Contractual services	29,838	42,198	36,094	(1,002)	35,092	3,014
Repairs and maintenance	53,300	53,300	15,395	(166)	15,229	37,905
Insurance claims and expenses	18,000	18,000	17,414	-	17,414	586
Other operating expenses	96,555	111,431	82,915	(2,108)	80,807	28,516
Depreciation and amortization	-	-	-	140,769	140,769	-
Total operating expenses	671,223	720,874	592,140	140,926	733,066	125,644
Operating income (loss)	(34,623)	(54,904)	73,924	(136,904)	(62,980)	125,607
Non-Operating Revenues (Expenses):						
State shared taxes	85,000	132,250	94,498	13,928	108,426	(37,752)
Interest income	1,200	1,545	1,312	3	1,315	233
Capital outlay	(549,000)	(500,468)	(57,632)	57,632	-	(445,925)
Debt service - principal	(79,455)	(81,644)	(66,502)	66,502	-	(15,142)
Interest expense and other charges	(44,000)	(52,453)	(25,768)	1,789	(23,979)	(26,685)
Total non-operating revenues (expenses)	(586,255)	(500,770)	(54,092)	139,854	85,762	(525,271)
Capital contributions	393,000	397,210	4,208	(4,208)	-	(393,001)
Transfers:						
Transfers in	74,320	121,578	-	38,825	38,825	(121,578)
Transfers (out)	(62,350)	(134,600)	(40,473)	-	(40,473)	94,127
Total transfers	11,970	(13,022)	(40,473)	38,825	(1,648)	(27,451)
Net change	(215,908)	(171,486)	(16,433)	\$ 37,567	\$ 21,134	397,799
Cash balance, beginning of year	1,145,514	1,145,514	1,145,514			-
Cash balance, end of year	\$ 929,606	\$ 974,028	\$ 1,129,081			\$ 397,799

Explanation of Differences:

Change in receivables	\$ 11,272
Interest earned by fiscal agent	3
Addition in capital assets	92,249
Change in accounts payable	6,154
Change in accrued salaries	(1,752)
Change in accrued interest payable	1,789
Change in deposits payable	2,470
Change in compensated absences	(351)
Debt service	66,502
Amortization expense	(250)
Depreciation expense	(140,519)
Capital assets transferred	-
	<u>\$ 37,567</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 393,500	\$ 405,355	\$ 405,268	\$ (2,206)	\$ 403,062	\$ (87)
Operating Expenses:						
Personnel services	182,473	182,483	159,484	2,586	162,070	22,999
Contractual services	254,641	251,704	249,940	24,345	274,285	1,764
Repairs and maintenance	-	807	807	-	807	-
Insurance claims and expenses	13,000	13,000	11,545	-	11,545	1,455
Other operating expenses	20,711	22,831	17,520	(22)	17,498	5,311
Depreciation	-	-	-	2,823	2,823	-
Total expenditures	<u>470,825</u>	<u>470,825</u>	<u>439,296</u>	<u>29,732</u>	<u>469,028</u>	<u>31,529</u>
Operating (loss)	(77,325)	(65,470)	(34,028)	(31,938)	(65,966)	31,442
Non-Operating Revenues (Expenses):						
State shared taxes	10,700	10,700	9,349	1,376	10,725	1
Interest income	600	600	531	-	531	418
Miscellaneous	-	-	225	-	225	418
Capital outlay	<u>(40,000)</u>	<u>(40,000)</u>	<u>(38,825)</u>	<u>38,825</u>	<u>-</u>	<u>(2,419)</u>
Total non-operating revenues (expenses)	<u>(28,700)</u>	<u>(28,700)</u>	<u>(28,720)</u>	<u>40,201</u>	<u>11,481</u>	<u>(1,582)</u>
Transfers:						
Transfers (out)	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(38,825)</u>	<u>(48,825)</u>	<u>-</u>
Net change	(106,025)	(104,170)	(72,748)	<u>\$ (30,562)</u>	<u>\$ (103,310)</u>	219,352
Cash balance, beginning of year	<u>552,807</u>	<u>552,807</u>	<u>552,807</u>			<u>-</u>
Cash balance, end of year	<u>\$ 446,782</u>	<u>\$ 448,637</u>	<u>\$ 480,059</u>			<u>\$ 219,352</u>
Explanation of Differences:						
Change in receivables				\$ (830)		
Change in accounts payable				(24,828)		
Change in accrued salaries				(2,378)		
Change in compensated absences				297		
Depreciation expense				<u>(2,823)</u>		
				<u>\$ (30,562)</u>		

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

STATE OF NEW MEXICO
CITY OF BAYARD
JOINT WASTEWATER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 574,800	\$ 576,980	\$ 562,101	\$ (17,383)	\$ 544,718	\$ (14,879)
Miscellaneous	9,700	9,915	9,812	-	9,812	(103)
Total operating revenues	584,500	586,895	571,913	(17,383)	554,530	(14,982)
Operating Expenses:						
Personnel services	192,333	202,651	201,124	2,586	203,710	1,527
Utilities	149,600	126,620	126,618	287	126,905	2
Contractual services	9,119	9,119	9,119	-	9,119	-
Repairs and maintenance	4,600	6,687	6,685	34,782	41,467	2
Insurance claims and expenses	17,000	15,000	13,776	-	13,776	1,224
Other operating expenses	42,500	57,731	59,544	172	59,716	(1,813)
Depreciation expense	-	-	-	221,507	221,507	-
Total expenditures	415,152	417,808	416,866	259,334	676,200	942
Operating income (loss)	169,348	169,087	155,047	(276,717)	(121,670)	(14,040)
Non-Operating Revenues (Expenses):						
Interest income	6,500	6,595	6,990	4	6,994	(395)
Capital outlay	(59,251)	(356,314)	(345,340)	345,340	-	(10,974)
Debt service - principal	(63,000)	(63,000)	(62,090)	62,090	-	(910)
Interest expenses and other charges	(10,000)	(11,444)	(11,443)	332	(11,111)	(1)
Total non-operating revenues (expenses)	(125,751)	(424,163)	(411,883)	407,766	(4,117)	(12,280)
Capital contributions	-	24,850	24,849	(24,849)	-	(1)
Transfers:						
Transfers in	15,500	20,800	20,473	-	20,473	(327)
Transfers (out)	-	(10,320)	(10,000)	-	(10,000)	(3,780)
Total transfers	15,500	10,480	10,473	-	10,473	(7)
Net change	59,097	(219,746)	(221,514)	\$ (106,200)	\$ (115,314)	631,034
Cash balance, beginning of year	2,082,803	2,082,803	2,082,803			-
Cash balance, end of year	\$ 2,141,900	\$ 1,863,057	\$ 1,861,289			\$ 631,034

Explanation of Differences:

Change in receivables	\$ (42,232)
Change in investments	6,726
Interest earned by agent	4
Addition in capital assets	90,452
Change in accounts payable	(13)
Change in accrued salaries	(1,071)
Change in compensated absences	(981)
Change in accrued interest payable	332
Change in long-term debt	62,090
Depreciation expense	(221,507)
	<u>\$ (106,200)</u>

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

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2013

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
AmBank				
P.O. Box 2677				
Silver City, NM 88062-2677				
Checking accounts:				
General	Checking	\$ 2,892,502	\$ (97,481)	\$ 2,795,021
EMS	Checking	537	(75)	462
Historical tourism	Checking	18,974	-	18,974
Community fund	Checking	4,289	25	4,314
CDBG project	Checking	22,900	1,052	23,952
Certificate of deposit	CD	18,534	-	18,534
Certificate of deposit	CD	118,514	-	118,514
Certificate of deposit	CD	24,711	-	24,711
Certificate of deposit	CD	60,397	-	60,397
Certificate of deposit	CD	61,779	-	61,779
Certificate of deposit	CD	491,486	-	491,486
Certificate of deposit	CD	92,481	-	92,481
Certificate of deposit	CD	123,039	-	123,039
Certificate of deposit	CD	184,662	-	184,662
Certificate of deposit	CD	363,306	-	363,306
		<u>\$ 4,478,111</u>	<u>\$ (96,479)</u>	<u>\$ 4,381,632</u>

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2013

AmBank
P.O. Box 2677
Silver City, NM 88062-2677

Security	CUSIP	Maturity	Par Value	Market Value
Belen N Mex Cons Sch Dist No 2	077581MK9	08/01/15	\$ 100,000	\$ -
Chama By ISD #19	157670DM9	08/01/14	80,000	-
Clovis NM Mun Sch Dist 1	189414GP4	08/21/11	200,000	-
Dulce N Mex Indpt Sch Dist	264430GQ6	06/01/14	200,000	-
FHLB 9M-9014	313371PC4	12/12/14	-	504,017
FHLMC	3134G3HY9	01/17/19	-	1,012,745
Hatch Valley Mun Sch	418839BY1	08/01/14	100,000	-
Lea Cnty NM Sch Dist	521513AS0	06/15/16	200,000	-
Luna County NM School District	550340DN0	08/01/18	200,000	-
Roswell NM ISD	778544CJ3	08/01/13	200,000	-
Torrance Etc Cnty NM Sch	891400LN1	07/15/13	90,000	-
		Total	<u>\$ 1,370,000</u>	<u>\$ 1,516,762</u>

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

**STATE OF NEW MEXICO
CITY OF BAYARD
JOINT POWERS AGREEMENT
JUNE 30, 2013**

JOINT WASTEWATER AGREEMENT

- A. **Participants** – City of Bayard, Village of Santa Clara, Town of Hurley, and Fort Bayard Special District.
- B. **Party responsible for operations** – City of Bayard.
- C. **Description** – Operation and maintenance of joint use sewer system.
- D. **Beginning and ending of agreement** – Agreement began on September 11, 1963. The agreement remains in effect until canceled by the participating governments.
- E. **Total estimated amount of project and portion applicable to City** – The joint powers agreement is an ongoing joint venture to allow the Village of Santa Clara, Town of Hurley, and Fort Bayard Special District to dispose of waste water into the City of Bayard sewer system. As of June 30, 2013, the governments have expended \$9,798,626 for the construction and upgrades of the new wastewater facility. The governments' desire to make improvements to the discharge for purposes of recycling. The anticipated cost of the improvements is \$4,000,000.
- F. **Amount contributed in the current fiscal year** – The Village of Santa Clara contributed \$188,450; Town of Hurley contributed \$177,090; and Fort Bayard Special District contributed \$525 toward operating revenue, with the residents of Bayard contributing the remainder of operating revenues. Additionally, the City of Bayard transferred a net amount of \$231,702 from other funds.
- G. **Audit Responsibility** – The City of Bayard is responsible for the annual audit of all the financial activity.
- H. **Fiscal Agent** – The City of Bayard is the fiscal agent.
- I. **Name of government where revenues and expenditures are recorded** – City of Bayard.

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

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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

Hector H. Balderas, State Auditor
and
Mayor and City Council
City of Bayard
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 governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the City of Bayard (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplemental information, and have issued our report thereon dated November 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2009-01 to be a material weakness. A *significant deficiency* is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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.

In regard to the City of Bayard, the results of our test disclosed instances of noncompliance or other matters that are described in the accompanying schedule of findings and responses as items 2010-03, 2013-01, 2013-02, 2013-03, and 2013-04.

In regard to the City of Bayard's Public Housing Authority, the results of our test disclosed instances of noncompliance or other matters that are described in the accompanying schedule of findings and responses as items CU2013-01, and CU2013-02.

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



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

November 27, 2013

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

FINANCIAL STATEMENTS FINDINGS

Primary Government

Item 2009-01 – Material Weakness – Financial Statements and Disclosures

Statement of Condition – The City relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). At the present time the accounting staff is unable to prepare such statements, as well as, the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. During the fiscal year ended June 30, 2013, the City staff provided the auditing firm some of the information needed in order to convert their cash basis accounting information into financial statements prepared in accordance with GAAP. While the preparation of some of the schedules is a step in the right direction the City must display a level of expertise regarding financial reporting in accordance with GAAP in order to reduce the deficiency noted in internal controls regarding financial reporting.

Criteria – Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 115, paragraph 3 states the following: *“Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity’s objective of reliable financial reporting.”*

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum; management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, as applicable, and notes.

SAS 115 paragraph 5 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph 6 states *“A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected or corrected on a timely basis.”* SAS 115 paragraph 15 provides a list of indicators of a material weakness in internal control. One such example is *“Ineffective oversight of the entity’s financial reporting and internal control by those charged with governance.”*

Effect – Since the City personnel lack the ability to fully comprehend the financial statements prepared in accordance with GAAP, there is an increased risk that a misstatement of the City’s financial statements, that is more than inconsequential, will not be prevented or detected. Requesting the auditor prepare the financial statements could jeopardize the independence of the auditor.

**STATE OF NEW MEXICO
CITY OF BAYARD**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2009-01 – Material Weakness – Financial Statements and Disclosures (continued)

Cause –The employees maintain the City’s accounting records on the cash basis of accounting which is required by the state of New Mexico Department of Finance and Administration Local Governmental Division for quarterly financial reporting. The employees have not received accounting training which would provide knowledge regarding the differences between the cash basis of accounting and the accrual basis of accounting and how to convert accounting records from one basis to another. Furthermore, the staff has not received training or continuing education regarding the Government Accounting Standard Board (GASB) pronouncements. Such training would include the regular attendance of courses that update the accounting profession as to changes in the guidance issued by GASB. City employees lack the proper abilities and training to prepare financial statements in accordance with generally accepted accounting principles.

The City continues the tradition of the past, by requiring the independent auditor prepare the financial statements and the notes to the statements, as they perform the annual audit. In the past this may have been sufficient; however, the accounting profession (American Institute of Certified Public Accountants) by issuance of risk assessment statements on auditing standards, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

During the fiscal year, the City Council approved travel and training for the city clerk and deputy clerk; however, another issue came up and neither the city clerk nor the deputy clerk attended the training.

Recommendation – This has been a repeat finding since the fiscal year ended June 30, 2009. The past recommendations to provide additional training have not been acted upon by management or the City Council. We understand the City lacks the financial resources to hire a full-time qualified individual, who understands governmental financial reporting. Rather than recommending additional training, we recommend the City engage an expert in governmental accounting or a certified public accounting firm to provide assistance in the preparation of the financial statements. The firm selected would have to be a different firm than the firm who serves the City as their independent auditor.

Views of Responsible Officials and Planned Corrective Actions – City staff is working on their ability to create the necessary financial statements. Staff will work with the governing body to establish additional training or engage an expert in governmental accounting to provide assistance in the preparation of the financial statements.

**STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2010-03 – Other – Per Diem and Mileage Act

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

- There were twelve instances which required mileage reimbursement that were calculated incorrectly. The Town applied at rate of \$0.44 rather than the correct rate of \$0.444. In total, the employees were underpaid by \$20.82.
- There were three instances where an actual meal receipt was not submitted by employee. The total amount of meal receipts was \$50.59.
- There was one instance where the travel and per diem reconciliation was completed after the five working days allowed by the City travel and per diem policy. The travel request totaled \$71.
- There were two instances where two employees attended a conference in Las Cruces and submitted meal receipt from an establishment in Sunland Park. The travel requests totaled \$95.41.
- The City uses their credit card to pay for a majority of the items when an employee or city councilor is traveling. There was one instance where city councilor purchased a personal item during a trip. Within the travel request form, there were two receipts where the meal receipt included liquor. The City deducted from city councilor paycheck \$18.00 for personal item expended on the credit card.

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

Section 2.42.2.11(B)(1) of the Travel and Per Diem regulations states, “80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.”

Section 2.42.2.9(3) of the Travel and Per Diem regulations states, “The public officer or employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board.”

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

**STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2010-03 – Other – Per Diem and Mileage Act (continued)

Cause – Errors in the mileage rate calculation, and the incorrect mileage accrued, was due to not fully understanding the administrative code. The staff failed to review and modify the IRS rate at the beginning of the fiscal year. Further, city staff did not have a complete understanding of the Travel and Per Diem Act in respect to the submission of receipts.

Recommendation – We recommend the administrative staff review the Travel and Per Diem Act, and the administrative code to ensure compliance with the Act. We recommend City staff re-evaluate their internal control procedures over the calculation and reimbursement amounts for employee travel and per diem.

Views of Responsible Officials and Planned Corrective Actions – City staff will review travel and per diem regulations with city personnel to ensure compliance with the regulations. City staff has corrected the mileage rate paid to city personnel.

Item 2013-01 – Other – Cash Receipts

Statement of Condition – During the course of the audit, we performed tests of cash receipts. Our sample size was twenty-four transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- There were three instances the City does not timely deposit money received. The deposits totaled \$851.98.
- There was one instance where receipt number was entered incorrectly into the accounting system. The receipt number is generated by the computer software and the staff has the ability to reenter a number, thus the number was entered incorrectly.
- There were sixteen instances where numerical receipts are out of sequence.
- There were sixteen instances where City did not issue a receipt upon the collection of cash or checks for revenue belonging to the City. The monies received totaled \$17,009.59.
- There were six instances unable to trace monies received to general ledger, based off the City's Daily Cash Report. The monies received totaled \$14,850.50.

Criteria – Section 6.20.2.14C of the New Mexico Administrative Code states, “*Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.*”

**STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2013-01 – Other – Cash Receipts (continued)

Criteria (continued) – Internal controls are established to safe guard the assets of the City. The use of pre-numbered receipts aids in ensuring the receipt of funds enters the accounting system and the entire population of receipts generated for a particular accounting period can be determined and verified if necessary. Once the funds are receipted into the accounting system the transaction becomes a part of the accounting system thus aiding in the safe guarding of assets.

Effect – By the City not depositing money within twenty-four hours of receipt, the money could be lost, stolen or misappropriated. The mechanics of the accounting software allow employees to skip the numerical sequence of receipts generated, thus allowing incorrect entry of receipt number. Not issuing a receipt for each collection of public money at the time of the transaction could allow unintentional or intentional errors to occur, and not be detected and fully reconciled in a proper manner on a timely basis.

Cause – The City failed to deposit any monies recorded and deposit any monies received within twenty-four hours period. The computer software has a potential control deficiency built into the software. The accounting procedures established by the City did not consider the particularities of the accounting software.

Recommendation – We recommend the City staff review the accounting procedures concerning all money received and deposited. Furthermore, we recommend the City implement the necessary changes to their accounting procedures to ensure all money received and receipted shall be deposited in their checking accounts within twenty-four hours.

Views of Responsible Officials and Planned Corrective Actions – City staff will create policies that will establish a system to verify bank deposits on a daily basis in order to record the daily cash deposits in a timely manner. City staff will verify that the computer software is working correctly for the assignment of cash receipt numbers.

Item 2013-02 – Compliance – Deficit Ending Cash Balances for Budget

Statement of Condition – The City budgeted a deficit ending cash balance within the following funds:

Fund	Amount
Juvenile Recreation	\$ 1
CDBG	10,392

Criteria – Sections 6-6-6 through 6-6-11, NMSA 1978 prohibits local governments from making expenditures in excess of the approved budget and make public officials liable for such expenditures. City officials and governing authorities have the obligation to follow applicable state statutes.

**STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2013-02 – Compliance – Deficit Ending Cash Balances for Budget (continued)

Effect – Noncompliance with New Mexico State Statutes could subject officials and employees to penalties and fines required by state statutes.

Cause – When the City was working on its budget for the current fiscal year, the City failed to budget additional revenues within the funds.

Recommendation – We recommend that the City officials expedite the establishment of procedures that will provide assurance of compliance with budget constraints established by state law. Such procedures should include an extensive review of beginning cash balances as these balances may have a direct and material effect on the final budget.

Views of Responsible Officials and Planned Corrective Actions – City staff will correctly account for the anticipated revenues and expenditures of project funds. City staff will insure that all accounts receivable revenues are accounted for within the fiscal year that the funds were expended.

Item 2013-03 – Compliance – Submission of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2013, was due to the New Mexico State Auditor's office by Monday, December 2, 2013. The audit report was submitted on Tuesday, December 3, 2013.

Criteria – New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* requires that the City submit its audit report by December 1st following the end of each fiscal year at June 30th.

Effect – Delays in submission of the audit report affect the reporting of financial information to other state agencies and local governments.

Cause – The auditor extended the time to fully review the report prior to submission to the State Auditor's office.

Recommendation – We recommend the auditor and the City develop a working schedule of deliverables to enable the submission of a timely audit report to the New Mexico State Auditor's Office. The schedule should be developed during the engagement process such that each party can plan accordingly.

Views of Responsible Officials and Planned Corrective Actions – The City will work with the auditor to ensure the audit is submitted on a timely basis in the future.

**STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2013-04 – Compliance – Legal Compliance with Adopted Budget

Statement of Condition – The following fund exceeded its respective approved budget as follows:

<u>Fund</u>	<u>Authorized Budget</u>	<u>Actual Amounts Expended</u>	<u>Excess of Approved Budget</u>
Fire Protection	\$ 158,330	\$ 160,137	\$ 1,807

Criteria – Sections 6-6-6 through 6-6-11 NMSA 1978 prohibit local governments from making expenditures in excess of the approved budget and make public officials liable for such expenditures. City officials and governing authorities have the obligation to follow applicable state statutes.

Effect – Noncompliance with New Mexico State Statutes could subject officials and employees to penalties and fines required by state statutes.

Cause – When City personnel amended the budget for the fire protection fund, they failed to increase the budgeted expenditures in excess of actual expenditures.

Recommendation – We recommend that the City review their procedures to review and amend any fund budgets. We recommend the City review the budget throughout the fiscal year to ensure there are no actual expenditures in excess of budgeted amounts.

Views of Responsible Officials and Planned Corrective Actions – City staff will review all expenditures budgeted throughout the fiscal year. City staff will work to verify that the correct budget amounts are approved by the City Council.

Component Unit

Item 2013-01 – Tenant Eligibility

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

- Four instances where the applicant did not fill out Form 214, *Personal Declaration of Status*.
- One instance where the applicant did not sign the Related of Information/Federal Privacy form.

**STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS FINDINGS (continued)

Component Unit (continued)

Item 2013-01 – Tenant Eligibility (continued)

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. The Authority’s staff will review all tenant files to ensure they are complete, correct, and accurate in accordance with U.S. Department of Housing and Urban Development guidelines.

Item 2013-02 – Travel and Per Diem

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

- There were two instances where the Authority failed to use the correct mileage reimbursement rate. The employees were underpaid by \$31.14.

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

**STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS FINDINGS (continued)

Component Unit (continued)

Item 2013-02 – Travel and Per Diem (continued)

Criteria (continued) – Section 2.42.2.11(B) of the Travel and Per Diem regulations states, “80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.” The Internal Revenue Service rate for the fiscal year was \$0.555, which 80% is \$0.444.

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

Cause – Housing Authority staff failed to update their travel reimbursement worksheets to reflect the change to the mileage reimbursement rate.

Recommendation – We recommend the Authority review the Travel and Per Diem Act. We recommend the Authority staff reevaluate their internal control procedures over the calculation and reimbursement amounts for employee travel and per diem. Furthermore, we recommend the Authority amend their travel and per diem policy to reflect the correct allowable mileage reimbursement rates.

Views of Responsible Officials and Planned Corrective Actions – The Authority concurs with the auditors’ recommendation, and has reviewed and updated the current travel and per diem. The Authority will continue to review and update their travel and per diem on an annual basis.

PRIOR YEARS’ AUDIT FINDINGS

Primary Government

Item 2009-01 – Financial Statements and Disclosures – In the prior year’s audit report, we noted that individuals responsible for the accounting and financial reporting functions for the City, lack the skills and knowledge to apply generally accepted accounting principles in preparing the City’s financial statements. During the current fiscal year, the City was unable to provide additional governmental accounting training to the individuals responsible for the preparation of the City’s financial statements. The prior year’s audit finding has been modified and repeated as Item 2009-01.

Item 2009-02 – Capital Asset Subsidiary Records – In the prior year’s audit report, we noted the City did not have sufficient internal controls to safeguard its capital assets, track asset additions and deletions, or maintain an accurate depreciation schedule. During the current fiscal year, the City completed their intensive review of their capital asset records and made the necessary changes to their subsidiary ledgers. The prior year’s audit finding has been resolved.

**STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

PRIOR YEARS' AUDIT FINDINGS (continued)

Primary Government (continued)

Item 2010-03 – Compliance with Travel and Per Diem Requirements – In the prior year's audit report, we noted the City failed to follow the per diem and mileage requirements as set forth by the state of New Mexico. During the current year, the City failed to make the necessary changes to their travel and per diem policy to be in compliance with the Mileage and Per Diem Act. The prior year's audit finding has been modified and repeated as Item 2010-03.

Component Unit

Item 2012-01 – Board of Commissioners' Official Minutes – In the prior year's audit, it was noted that the Authority failed to prepare a draft copy of the board minutes within ten days as per the Open Meetings Act. During the current year, the Authority prepared draft copies of the board minutes within ten days. The finding has been resolved.

Item 2012-02 – Cash Receipts – In the prior year's audit, it was noted that the Authority modified the receipt date on several cash receipts. During the current year, the Authority reviewed their policies and procedures concerning cash receipts and ensured no receipt dates were modified after the date received. The finding has been resolved.

**STATE OF NEW MEXICO
CITY OF BAYARD
EXIT CONFERENCE AND
FINANCIAL STATEMENT PREPARATION
JUNE 30, 2013**

**CITY OF BAYARD
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2013, was discussed during the exit conference held on December 2, 2013. Present for the City was Charles Kelly, mayor; and Kristina V. Ortiz, city clerk-treasurer. Present for the auditing firm was Ed Fierro, CPA.

**PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2013, was discussed during the exit conference held on December 2, 2013. Present for the Public Housing Authority was Rosemary Alvarado, vice-chairperson; Jolene Padilla, executive director and Kathy Carrillo, Housing Manager. Present for the City of Bayard was Charles Kelly, mayor; and Kristina V. Ortiz, city clerk-treasurer. Present from the auditing firm was Ed Fierro, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the City of Bayard as of June 30, 2013. The City's along with the Housing Authority's upper management have reviewed and approved the financial statements and related notes, and they believe that the City's and the Housing Authority's books and records adequately support them.