

**STATE OF NEW MEXICO
CITY OF BAYARD**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2014

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CITY OF BAYARD
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STATE OF NEW MEXICO
CITY OF BAYARD
Directory of Officials
June 30, 2014

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

Rosemary Alvarado	Chairperson
Jovita Gonzales	Vice-Chairperson
Brenda Davis	Commissioner
Orpha Gonzalez.....	Commissioner
A.C. Rodriguez.....	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 fund of the City of Bayard (City), as of and for the year ended June 30, 2014, 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, 2014, 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, 2014, 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 fund 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, 2014, and the respective changes in financial position and where applicable, cash flows 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 schedule of expenditures of federal awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and 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 schedule of expenditures of federal awards and 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 schedule of expenditures of federal awards and 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 24, 2014 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.

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

November 24, 2014

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash	\$ 1,175,291	\$ 2,655,097	\$ 3,830,388	\$ 397,357
Receivables, net	154,516	671,842	826,358	313
Prepaid expenses	-	-	-	13,376
Inventory	-	-	-	5,152
Total current assets	<u>1,329,807</u>	<u>3,326,939</u>	<u>4,656,746</u>	<u>416,198</u>
Noncurrent assets:				
Restricted cash	50,846	718,545	769,391	16,179
Restricted investments	6	-	6	-
Capital assets:				
Land and construction in progress	420,929	1,267,049	1,687,978	18,883
Other capital assets, net of depreciation	<u>8,838,890</u>	<u>15,662,328</u>	<u>24,501,218</u>	<u>1,217,121</u>
Total noncurrent assets	<u>9,310,671</u>	<u>17,647,922</u>	<u>26,958,593</u>	<u>1,252,183</u>
Total assets	<u>\$ 10,640,478</u>	<u>\$ 20,974,861</u>	<u>\$ 31,615,339</u>	<u>\$ 1,668,381</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 13,175	\$ 406,359	\$ 419,534	\$ 6,733
Accrued salaries	15,010	26,497	41,507	2,655
Accrued payroll liabilities	-	-	-	2,858
Accrued interest payable	3,805	24,990	28,795	-
Due to others	14,000	-	14,000	-
Customer deposits	-	80,039	80,039	-
Tenant deposits	-	-	-	16,179
Current maturities of:				
Bonds payable	17,000	2,378	19,378	-
Notes payable	18,764	131,570	150,334	-
Compensated absences	<u>13,128</u>	<u>12,708</u>	<u>25,836</u>	<u>4,338</u>
Total current liabilities	<u>94,882</u>	<u>684,541</u>	<u>779,423</u>	<u>32,763</u>
Noncurrent liabilities:				
Bonds payable	227,250	192,041	419,291	-
Notes payable	39,000	1,334,579	1,373,579	-
Compensated absences	<u>6,769</u>	<u>6,919</u>	<u>13,688</u>	<u>1,745</u>
Total noncurrent liabilities	<u>273,019</u>	<u>1,533,539</u>	<u>1,806,558</u>	<u>1,745</u>
Total liabilities	<u>367,901</u>	<u>2,218,080</u>	<u>2,585,981</u>	<u>34,508</u>
Net Position:				
Net investment in capital assets	9,008,657	15,268,809	24,277,466	1,236,004
Restricted:				
Debt service	6	244,373	244,379	-
State mandated per statutes	294,172	-	294,172	-
Unrestricted	<u>969,742</u>	<u>3,243,599</u>	<u>4,213,341</u>	<u>397,869</u>
Total net position	<u>10,272,577</u>	<u>18,756,781</u>	<u>29,029,358</u>	<u>1,633,873</u>
Total liabilities and net position	<u>\$ 10,640,478</u>	<u>\$ 20,974,861</u>	<u>\$ 31,615,339</u>	<u>\$ 1,668,381</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, 2014**

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	\$ 191,751	\$ 80,917	\$ 372,937	\$ -	\$ 262,103	-	\$ 262,103	
Public safety	610,155	36,249	97,498	-	(476,408)	-	(476,408)	
Public works	194,333	1,381	-	-	(192,952)	-	(192,952)	
Culture and recreation	162,593	1,700	12,803	565,959	417,869	-	417,869	
Health and welfare	4,953	-	-	21,210	16,257	-	16,257	
Interest on long-term debt	11,779	-	-	-	(11,779)	-	(11,779)	
Total governmental activities	1,175,564	120,247	483,238	587,169	15,090	-	15,090	
Business-type activities:								
Water	821,777	633,471	-	-	-	\$ (188,306)	(188,306)	
Wastewater	484,482	411,828	-	-	-	(72,654)	(72,654)	
Solid waste	684,312	620,882	-	859,150	-	795,720	795,720	
Interest on long-term debt	32,387	-	-	-	-	(32,387)	(32,387)	
Total business-type activities	2,022,958	1,666,181	-	859,150	-	502,373	502,373	
Total primary government	\$ 3,198,522	\$ 1,786,428	\$ 483,238	\$ 1,446,319	15,090	502,373	517,463	
Component Unit:								
Public Housing	\$ 412,995	\$ 169,601	\$ 194,487	\$ 34,872				\$ (14,035)
General Revenues:								
Gross receipts taxes					543,839	185,220	729,059	-
Property taxes, levied for general purposes					31,296	-	31,296	-
Franchise taxes					59,700	-	59,700	-
Public service taxes					40,981	-	40,981	-
Interest income					791	6,057	6,848	484
Donations					25,318	-	25,318	-
Special item - Gain on sale of assets					2,907	1,400	4,307	-
Transfers					72,920	(72,920)	-	-
Total general revenues, special item and transfers					777,752	119,757	897,509	484
Changes in net position					792,842	622,130	1,414,972	(13,551)
Net position, beginning of year					9,506,095	18,081,086	27,587,181	1,647,424
Restatements					(26,360)	53,565	27,205	-
Net position, beginning of year, restated					9,479,735	18,134,651	27,614,386	1,647,424
Net position, end of year					\$ 10,272,577	\$ 18,756,781	\$ 29,029,358	\$ 1,633,873

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, 2014**

	General Fund	Library Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 862,139	\$ 32,001	\$ -	\$ 281,151	\$ 1,175,291
Receivables, net	65,401	69,830	-	19,285	154,516
Restricted:					
Cash	-	50,846	-	-	50,846
Investments	-	-	-	6	6
Total assets	<u>\$ 927,540</u>	<u>\$ 152,677</u>	<u>\$ -</u>	<u>\$ 300,442</u>	<u>\$ 1,380,659</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 8,290	\$ 760	\$ -	\$ 4,125	\$ 13,175
Accrued salaries	14,327	-	-	683	15,010
Due to others	14,000	-	-	-	14,000
Total liabilities	36,617	760	-	4,808	42,185
Deferred Inflows of Resources:					
Unearned revenues	16,332	-	-	-	16,332
Fund Balances:					
Reserved for:					
Debt service	-	-	-	6	6
State mandated per statutes	-	-	-	294,172	294,172
Committed for:					
One twelfth budget reserve	94,816	-	-	-	94,816
Subsequent year's expenditures	66,230	-	-	1,456	67,686
Assigned	-	151,917	-	-	151,917
Unassigned	713,545	-	-	-	713,545
Total fund balances	<u>874,591</u>	<u>151,917</u>	<u>-</u>	<u>295,634</u>	<u>1,322,142</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 927,540</u>	<u>\$ 152,677</u>	<u>\$ -</u>	<u>\$ 300,442</u>	<u>\$ 1,380,659</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, 2014

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

Total fund balance governmental funds (page six)	\$	1,322,142
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,259,819
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.		16,332
Certain accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(321,911)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(3,805)
Net position of governmental activities (page four)	\$	<u><u>10,272,577</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, 2014

	General Fund	Library Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Sales taxes	\$ 121,605	\$ 337,951	\$ -	\$ 84,283	\$ 543,839
Property taxes	29,413	-	-	-	29,413
Franchise taxes	59,700	-	-	-	59,700
Public service taxes	20,815	-	-	20,166	40,981
Intergovernmental:					
Federal	117,235	-	445,069	-	562,304
State	396,754	16,458	-	94,458	507,670
Charges for services	66,464	1,700	-	120	68,284
Licenses and permits	5,108	-	-	-	5,108
Fines and forfeitures	32,365	-	-	-	32,365
Interest	294	1	-	496	791
Miscellaneous	30,627	6,513	-	3,101	40,241
Total revenues	880,380	362,623	445,069	202,624	1,890,696
Expenditures:					
Current:					
General government	178,916	-	-	-	178,916
Public safety	480,122	-	-	65,629	545,751
Public works	-	-	-	93,327	93,327
Culture and recreation	51,128	36,635	61	-	87,824
Health and welfare	2,845	-	-	155	3,000
Capital outlay	230,843	-	479,497	-	710,340
Debt service:					
Principal	-	2,000	-	31,309	33,309
Interest and other charges	-	8,690	-	3,659	12,349
Total expenditures	943,854	47,325	479,558	194,079	1,664,816
Excess (deficiency) revenues over expenditures	(63,474)	315,298	(34,489)	8,545	225,880
Other Financing Sources (Uses):					
Transfers in	376,665	10,000	8,276	4,174	399,115
Transfers (out)	(19,754)	(298,165)	-	(8,276)	(326,195)
Total other financing sources (uses)	356,911	(288,165)	8,276	(4,102)	72,920
Special Item:					
Proceeds from sale of assets	2,107	-	-	800	2,907
Net change in fund balances	295,544	27,133	(26,213)	5,243	301,707
Fund balance, beginning of year	579,047	124,784	26,213	290,391	1,020,435
Fund balance, end of year	\$ 874,591	\$ 151,917	\$ -	\$ 295,634	\$ 1,322,142

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, 2014

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

Net change in fund balances total governmental fund (page eight)	\$ 301,707
Governmental funds report capital outlay as expenditures in the amount of \$710,340; 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 \$254,163. The net adjustments between the amounts is \$456,177.	456,177
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, 2013, deferred property taxes amounted to \$14,449. The deferred property taxes for the current fiscal year amounted to \$16,332, therefore, the net adjustment is \$1,883.	1,883
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.	570
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.	33,309
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>(804)</u>
Net change in net position - statement of activities (page five)	<u>\$ 792,842</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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 64,000	\$ 111,700	\$ 111,598	\$ 10,007	\$ 121,605	\$ (102)
Property taxes	29,508	43,008	29,475	(62)	29,413	(13,533)
Franchise taxes	60,000	60,300	60,213	(513)	59,700	(87)
Public service taxes	9,500	21,100	21,032	(217)	20,815	(68)
Intergovernmental:						
Federal	117,235	117,235	117,235	-	117,235	-
State	507,581	745,581	393,019	3,735	396,754	(352,562)
Charges for services	34,300	71,220	65,174	1,290	66,464	(6,046)
Licenses and permits	3,950	5,820	3,995	1,113	5,108	(1,825)
Fines and forfeitures	35,300	35,600	31,783	582	32,365	(3,817)
Interest	300	320	294	-	294	(26)
Miscellaneous	8,000	32,820	30,627	-	30,627	(2,193)
Total revenues	869,674	1,244,704	864,445	15,935	880,380	(380,259)
Expenditures:						
Current:						
General government	174,543	183,283	173,796	5,120	178,916	9,487
Public safety	473,203	503,908	476,756	3,366	480,122	27,152
Culture and recreation	220,935	44,400	37,973	13,155	51,128	6,427
Health and welfare	381,581	9,000	2,796	49	2,845	6,204
Capital outlay	48,500	617,416	252,349	(21,506)	230,843	365,067
Total expenditures	1,298,762	1,358,007	943,670	184	943,854	414,337
(Deficiency) of revenues over expenditures	(429,088)	(113,303)	(79,225)	15,751	(63,474)	34,078
Other Financing Sources (Uses):						
Transfers in	324,500	416,775	376,665	-	376,665	(40,110)
Transfers (out)	(107,083)	(60,693)	(19,754)	-	(19,754)	40,939
Total other financing sources (uses)	217,417	356,082	356,911	-	356,911	829
Special Item:						
Proceeds from sale of assets	1,000	3,200	2,107	-	2,107	(1,093)
Net change in cash balances	(210,671)	245,979	279,793	\$ 15,751	\$ 295,544	33,814
Cash balance, beginning of year	582,346	582,346	582,346			-
Cash balance, end of year	\$ 371,675	\$ 828,325	\$ 862,139			\$ 33,814
Explanation of Differences:						
Change in receivables				\$ 17,818		
Change in accounts payable				459		
Change in accrued salaries				(643)		
Change in deferred revenues				(1,883)		
				\$ 15,751		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 188,000	\$ 310,683	\$ 310,683	\$ 27,268	\$ 337,951	\$ -
Intergovernmental:						
State	18,855	20,509	17,274	(816)	16,458	(3,235)
Charges for services	1,500	1,800	1,729	(29)	1,700	(71)
Interest	-	10	1	-	1	(9)
Miscellaneous	11,000	14,540	6,513	-	6,513	(8,027)
Total revenues	219,355	347,542	336,200	26,423	362,623	(11,342)
Expenditures:						
Current:						
Culture and recreation	48,230	48,230	36,446	189	36,635	11,784
Debt service:						
Principal	2,000	12,477	2,000	-	2,000	10,477
Interest and other charges	8,690	8,690	8,690	-	8,690	-
Total expenditures	58,920	69,397	47,136	189	47,325	22,261
Excess of revenues over expenditures	160,435	278,145	289,064	26,234	315,298	10,919
Other Financing Sources (Uses):						
Transfers in	10,000	22,518	10,000	-	10,000	(12,518)
Transfers (out)	(188,000)	(310,683)	(298,165)	-	(298,165)	12,518
Total other financing sources (uses)	(178,000)	(288,165)	(288,165)	-	(288,165)	-
Net change	(17,565)	(10,020)	899	\$ 26,234	\$ 27,133	10,919
Cash balance, beginning of year	32,930	32,930	32,930			-
Cash balance, end of year	\$ 15,365	\$ 22,910	\$ 33,829			\$ 10,919

Explanation of Differences:

Change in receivables	\$ 26,423
Change in accounts payable	(189)
	<u>\$ 26,234</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, 2014

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
Assets:				
Current assets:				
Cash	\$ 514,952	\$ 395,649	\$ 1,744,496	\$ 2,655,097
Receivables, net	134,196	66,107	471,539	671,842
Total current assets	649,148	461,756	2,216,035	3,326,939
Noncurrent assets:				
Restricted cash	578,664	-	139,881	718,545
Capital assets:				
Land and construction in progress	89,156	-	1,177,893	1,267,049
Other capital assets, net of accumulated depreciation	6,678,017	16,935	8,967,376	15,662,328
Total noncurrent assets	7,345,837	16,935	10,285,150	17,647,922
Total assets	<u>\$ 7,994,985</u>	<u>\$ 478,691</u>	<u>\$ 12,501,185</u>	<u>\$ 20,974,861</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 25,923	\$ 20,612	\$ 359,824	\$ 406,359
Accrued salaries	14,850	5,836	5,811	26,497
Accrued interest payable	19,543	-	5,447	24,990
Customer deposits	80,039	-	-	80,039
Current maturities of:				
Bonds payable	2,378	-	-	2,378
Notes payable	68,232	-	63,338	131,570
Compensated absences	6,983	1,743	3,982	12,708
Total current liabilities	217,948	28,191	438,402	684,541
Noncurrent Liabilities:				
Bonds payable	192,041	-	-	192,041
Notes payable	378,372	-	956,207	1,334,579
Compensated absences	5,259	-	1,660	6,919
Total noncurrent liabilities	575,672	-	957,867	1,533,539
Total liabilities	793,620	28,191	1,396,269	2,218,080
Net Position:				
Net investment in capital assets	6,126,150	16,935	9,125,724	15,268,809
Restricted debt service	104,492	-	139,881	244,373
Unrestricted	970,723	433,565	1,839,311	3,243,599
Total net position	7,201,365	450,500	11,104,916	18,756,781
Total liabilities and net position	<u>\$ 7,994,985</u>	<u>\$ 478,691</u>	<u>\$ 12,501,185</u>	<u>\$ 20,974,861</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, 2014

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
Operating Revenues:				
Charges for services	\$ 596,409	\$ 411,828	\$ 611,213	\$ 1,619,450
Operating Expenses:				
Personnel services	437,237	189,848	205,115	832,200
Utilities	39,662	-	133,843	173,505
Contractual services	29,917	257,258	46,876	334,051
Repairs and maintenance	26,280	96	10,097	36,473
Insurance claims and expenses	19,102	13,662	13,749	46,513
Other operating expenses	123,269	20,795	41,952	186,016
Depreciation and amortization	146,310	2,823	232,680	381,813
Total operating expenses	821,777	484,482	684,312	1,990,571
Operating (loss)	(225,368)	(72,654)	(73,099)	(371,121)
Non-Operating Revenues (Expenses):				
Sales taxes	168,563	16,657	-	185,220
Interest income	678	473	4,906	6,057
Miscellaneous	37,062	-	9,669	46,731
Interest expense	(21,899)	-	(10,488)	(32,387)
Total non-operating revenues (expenses)	184,404	17,130	4,087	205,621
(Loss) before capital contributions and transfers	(40,964)	(55,524)	(69,012)	(165,500)
Capital Contributions and Transfers:				
Capital contributions	-	-	859,150	859,150
Transfers in	-	5,580	22,315	27,895
Transfers (out)	(51,815)	(19,500)	(29,500)	(100,815)
Total capital contributions and transfers	(51,815)	(13,920)	851,965	786,230
Special Item:				
Gain on sale of assets	1,400	-	-	1,400
Change in net position	(91,379)	(69,444)	782,953	622,130
Net position, beginning of year	7,263,226	519,944	10,297,916	18,081,086
Restatements	29,518	-	24,047	53,565
Net position, beginning of year, restated	7,292,744	519,944	10,321,963	18,134,651
Net position, end of year	\$ 7,201,365	\$ 450,500	\$ 11,104,916	\$ 18,756,781

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, 2014

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
Cash Flows From Operating Activities:				
Cash received from customers	\$ 607,993	\$ 406,368	\$ 590,015	\$ 1,604,376
Cash payments to employees for services	(438,316)	(188,900)	(205,801)	(833,017)
Cash payments to suppliers for goods and services	(229,725)	(303,585)	(247,130)	(780,440)
Net cash provided (used) by operating activities	(60,048)	(86,117)	137,084	(9,081)
Cash Flows From Non-Capital Financing Activities:				
Cash received from state shared taxes	154,922	15,311	-	170,233
Cash received from capital contributions	-	-	486,149	486,149
Cash received from miscellaneous sources	36,147	(165)	9,669	45,651
Net change in customer deposits	915	-	-	915
Net transfers in (out)	(51,815)	(13,920)	(7,185)	(72,920)
Net cash provided by non-capital and related financing activities	140,169	1,226	488,633	630,028
Cash Flows from Capital and Financing Activities:				
Acquisition of capital assets	(25,428)	-	(534,160)	(559,588)
Proceeds from the sale of assets	1,400	-	-	1,400
Principal payments on capital debt	(68,525)	-	(62,711)	(131,236)
Interest on debt	(23,745)	-	(10,823)	(34,568)
Net cash (used) by capital and related financing activities	(116,298)	-	(607,694)	(723,992)
Cash Flows From Investing Activities:				
Interest income	712	481	5,065	6,258
Purchase of certificates of deposit	(425)	(433)	(4,826)	(5,684)
Net cash provided by investing activities	287	48	239	574
Net increase (decrease) in cash	(35,890)	(84,843)	18,262	(102,471)
Cash and cash equivalents, beginning of year	982,194	387,578	698,796	2,068,568
Cash and cash equivalents, end of year	<u>\$ 946,304</u>	<u>\$ 302,735</u>	<u>\$ 717,058</u>	<u>\$ 1,966,097</u>
Displayed as:				
Cash	\$ 514,952	\$ 395,649	\$ 1,744,496	\$ 2,655,097
Restricted cash	578,664	-	139,881	718,545
Time deposits not considered cash equivalents	(147,312)	(92,914)	(1,167,319)	(1,407,545)
	<u>\$ 946,304</u>	<u>\$ 302,735</u>	<u>\$ 717,058</u>	<u>\$ 1,966,097</u>

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, 2014

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating (loss)	\$ (225,368)	\$ (72,654)	\$ (73,099)	\$ (371,121)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and amortization	146,310	2,823	232,680	381,813
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(121)	(5,460)	(372,168)	(377,749)
Increase (decrease) in accounts payable	19,071	(12,279)	349,823	356,615
Increase (decrease) in accrued salaries	2,714	835	548	4,097
Increase (decrease) in compensated absences	(2,654)	618	(700)	(2,736)
Total adjustments	<u>165,320</u>	<u>(13,463)</u>	<u>210,183</u>	<u>362,040</u>
Net cash provided (used) by operating activities	<u>\$ (60,048)</u>	<u>\$ (86,117)</u>	<u>\$ 137,084</u>	<u>\$ (9,081)</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, 2014

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, 2014.

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, 2014

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, 2014

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, 2014

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, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The *library special revenue 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 *CDBG capital projects 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 maintains five other individual governmental funds that are considered non-major funds; all of which are classified as special revenue funds. A description of each non-major governmental fund is as follows:

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 *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 *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 *emergency medical services fund* accounts for the state emergency medical services grant, to be used for specific medical services provided through fire department activities. This state grant comes through the New Mexico Department of Health per EMS Regulation DOH 94-11.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

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 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, 2014

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, 2014

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, 2014

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 Inflows of Resources – Unearned Revenues

Within the government-wide financial statements, unearned revenues represent unearned revenues advanced to the City. Such advances are reported as unearned revenue until the earnings process is complete. Unearned 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, 2014

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, 2014

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, 2014

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, 2014, 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	\$ 4,689,068	\$ (89,289)	\$ 4,599,779

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

Statement of Net Position:	
Cash	\$ 3,830,388
Restricted cash	769,391
Total cash reported on financial statements	\$ 4,599,779

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, 2014

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	\$ 4,689,068
Less FDIC coverage	(250,000)
Uninsured public funds	4,439,068
Pledged collateral held by pledging bank's agent, but not in the City's name	(3,670,434)
Uninsured and uncollateralized public funds	\$ 768,634
Total pledged collateral	\$ 3,670,434
50% pledged collateral requirement per State Statute	(2,219,534)
Pledged collateral over (under) the requirement	\$ 1,450,900

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

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$4,439,068 of the City's bank balance of \$4,689,068 was exposed to custodial credit risk as follows:

	AmBank
Uninsured and collateral held by agent, not in the City's name	\$ 4,439,068

3. RESTRICTED INVESTMENTS

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

Statement of Net Position:	
Restricted investments	\$ 6

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, 2014**

3. RESTRICTED INVESTMENTS (continued)

All amounts borrowed are for the purchase of construction of capital assets. As of June 30, 2014, the restricted investments are composed of the following:

Program receipts	<u><u>\$ 6</u></u>
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Investments Held by Fiscal Agent

As required by note agreements with the New Mexico Finance Authority (NMFA), the City has cash held and invested with the NMFA. For the fiscal year ended June 30, 2014, 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 City has \$6 invested within the NMFA debt service pool. At June 30, 2014, the pool was composed of 7.73% money market funds and 92.27% fixed income funds.

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 investments 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 37-day WAM.

The City 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, 2014, consisted of the following:

	Governmental Activities	Business-Type Activities	
Accounts receivable:			
Charges for services	\$ 1,491	\$ 293,995	
Allowance for doubtful accounts	-	(33,961)	
Total	1,491	260,034	

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

4. RECEIVABLES, NET (continued)

	Governmental Activities	Business-Type Activities
Taxes receivable:		
Sales taxes	97,761	38,459
Franchise taxes	13,811	-
Property taxes	17,044	-
Public service taxes	17,501	-
Allowance for doubtful accounts	-	-
Total	146,117	38,459
Intergovernmental receivables:		
Building improvement grants	5,124	-
Infrastructure improvement grants	1,756	373,001
Total	6,880	373,001
Interest receivable	28	348
Receivables, net	\$ 154,516	\$ 671,842

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 2013, was \$2.225 per \$1,000 for non-residential and \$1.294 for residential property. In the year 2013, 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, 2014

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, 2013, within the governmental and business-type activities capital assets. The effect of the changes is as follows:

	Balance 06/30/13	Corrections	Restated Balance 06/30/13
Governmental Capital Assets:			
Land	\$ 304,590	\$ -	\$ 304,590
Construction in progress	298,200	-	298,200
Buildings	3,281,553	-	3,281,553
Infrastructure	6,920,875	-	6,920,875
Equipment	1,147,292	(20,919)	1,126,373
Accumulated depreciation:			
Buildings	(691,318)	110	(691,208)
Infrastructure	(1,573,242)	(1,305)	(1,574,547)
Equipment	(863,137)	943	(862,194)
Net governmental capital assets	<u>\$ 8,824,813</u>	<u>\$ (21,171)</u>	<u>\$ 8,803,642</u>
Business-Type Capital Assets:			
Land	\$ 119,170	\$ -	\$ 119,170
Construction in progress	271,222	-	271,222
Water rights	1,200,000	-	1,200,000
Buildings	2,708,865	-	2,708,865
Utility system	11,475,887	-	11,475,887
Equipment	3,924,415	-	3,924,415
Accumulated depreciation:			
Water rights	(137,500)	-	(137,500)
Buildings	(392,414)	21,168	(371,246)
Utility system	(2,003,480)	33,543	(1,969,937)
Equipment	(839,803)	7,854	(831,949)
Net business-type capital assets	<u>\$ 16,326,362</u>	<u>\$ 62,565</u>	<u>\$ 16,388,927</u>

Governmental activities capital assets for the fiscal year ended June 30, 2014:

	Restated Balance 06/30/13	Increases	Decreases	Balance 06/30/14
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 304,590	\$ -	\$ -	\$ 304,590
Construction in progress	298,200	25,435	(207,296)	116,339
Total capital assets, not being depreciated	602,790	25,435	(207,296)	420,929

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

6. CAPITAL ASSETS (continued)

	Restated Balance 06/30/13	Increases	Decreases	Balance 06/30/14
Governmental Activities (continued):				
Other capital assets, being depreciated:				
Buildings	3,281,553	189,381	-	3,470,934
Infrastructure	6,920,875	669,117	-	7,589,992
Equipment	1,126,373	33,703	(14,404)	1,145,672
Total other capital assets, being depreciated	11,328,801	892,201	(14,404)	12,206,598
Accumulated depreciation:				
Buildings	(691,208)	(65,323)	-	(756,531)
Infrastructure	(1,574,547)	(117,864)	-	(1,692,411)
Equipment	(862,194)	(70,976)	14,404	(918,766)
Total accumulated depreciation	(3,127,949)	(254,163)	14,404	(3,367,708)
Other capital assets, net	8,200,852	638,038	-	8,838,890
Total capital assets, net	<u>\$ 8,803,642</u>	<u>\$ 663,473</u>	<u>\$ (207,296)</u>	<u>\$ 9,259,819</u>

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

Governmental Activities:	
General government	\$ 12,053
Public safety	65,415
Public works	99,973
Culture and recreation	74,769
Health and welfare	1,953
	<u>\$ 254,163</u>

Business-type activities capital assets for the fiscal year ended June 30, 2014:

	Restated Balance 06/30/13	Increases	Decreases	Balance 06/30/14
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 119,170	\$ -	\$ -	\$ 119,170
Construction in progress	271,222	876,657	-	1,147,879
Total capital assets, not being depreciated	390,392	876,657	-	1,267,049

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

6. CAPITAL ASSETS (continued)

	Restated Balance 06/30/13	Increases	Decreases	Balance 06/30/14
Business-Type Activities (continued):				
Other capital assets, being amortized and depreciated:				
Water rights	1,200,000	-	-	1,200,000
Buildings	2,708,865	-	-	2,708,865
Utility system	11,475,887	-	-	11,475,887
Equipment	3,924,415	45,606	-	3,970,021
	<u>19,309,167</u>	<u>45,606</u>	<u>-</u>	<u>19,354,773</u>
Total other capital assets, being depreciated				
Less accumulated amortization and depreciation for:				
Water rights	(137,500)	(10,000)	-	(147,500)
Buildings	(371,246)	(54,137)	-	(425,383)
Utility system	(1,969,937)	(155,017)	-	(2,124,954)
Equipment	(831,949)	(162,659)	-	(994,608)
	<u>(3,310,632)</u>	<u>(381,813)</u>	<u>-</u>	<u>(3,692,445)</u>
Total accumulated amortization and depreciation				
Other capital assets, net	<u>15,998,535</u>	<u>(336,207)</u>	<u>-</u>	<u>15,662,328</u>
Total capital assets, net	<u>\$ 16,388,927</u>	<u>\$ 540,450</u>	<u>\$ -</u>	<u>\$ 16,929,377</u>

7. CAPITAL ASSETS – COMPONENT UNIT

The City of Bayard Public Housing Authority's capital assets for the fiscal year ended June 30, 2014, as follows:

	Balance 06/30/13	Increases	Decreases	Balance 06/30/14
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 15,695	\$ -	\$ -	\$ 15,695
Construction in progress	171,101	3,188	(171,101)	3,188
	<u>186,796</u>	<u>3,188</u>	<u>(171,101)</u>	<u>18,883</u>
Total capital assets, not being depreciated				

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

7. CAPITAL ASSETS – COMPONENT UNIT (continued)

	Balance 06/30/13	Increases	Decreases	Balance 06/30/14
Other capital assets, being depreciated:				
Buildings	2,221,636	-	-	2,221,636
Building and other improvements	532,109	216,776	-	748,885
Furniture and equipment - dwellings	131,659	-	-	131,659
Furniture and equipment - administration	100,274	-	-	100,274
Total other capital assets, being depreciated	2,985,678	216,776	-	3,202,454
Less accumulated depreciation for:				
Buildings	(1,457,796)	(50,254)	-	(1,508,050)
Building and other improvements	(247,912)	(30,770)	-	(278,682)
Furniture and equipment - dwellings	(125,657)	(121)	-	(125,778)
Furniture and equipment - administration	(69,886)	(2,937)	-	(72,823)
Total accumulated depreciation	(1,901,251)	(84,082)	-	(1,985,333)
Other capital assets, net	1,084,427	132,694	-	1,217,121
Total capital assets, net	<u>\$ 1,271,223</u>	<u>\$ 135,882</u>	<u>\$ (171,101)</u>	<u>\$ 1,236,004</u>

8. LONG-TERM OBLIGATIONS

Governmental Activities Debt

Changes in governmental activities loan activity during the year ended June 30, 2014, were as follows:

	Balance 06/30/13	Additions	Deletions	Balance 06/30/14	Amounts Due Within One Year
Bonds payable	\$ 259,250	\$ -	\$ (15,000)	\$ 244,250	\$ 17,000
Notes payable	76,073	-	(18,309)	57,764	18,764
Compensated absences	19,093	29,868	(29,064)	19,897	13,128
Total	<u>\$ 354,416</u>	<u>\$ 29,868</u>	<u>\$ (62,373)</u>	<u>\$ 321,911</u>	<u>\$ 48,892</u>

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, 2014**

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>
2015	\$ 14,000	\$ 1,160	\$ 15,160
2016	15,000	600	15,600
	<u>\$ 29,000</u>	<u>\$ 1,760</u>	<u>\$ 30,760</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>
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	3,000	8,130	11,130
2020-2024	17,000	38,810	55,810
2025-2029	20,000	35,050	55,050
2030-2034	25,000	30,650	55,650
2035-2039	31,000	25,250	56,250
2040-2044	37,000	18,610	55,610
2045-2049	45,000	10,610	55,610
2050-2051	25,250	1,620	26,870
	<u>\$ 215,250</u>	<u>\$ 202,450</u>	<u>\$ 417,700</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, 2014

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>
2015	\$ 18,764	\$ 1,380	\$ 20,144
2016	19,245	946	20,191
2017	<u>19,755</u>	<u>486</u>	<u>20,241</u>
	<u>\$ 57,764</u>	<u>\$ 2,812</u>	<u>\$ 60,576</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, 2014, were as follows:

	<u>Balance 06/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/14</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 196,700	\$ -	\$ (2,281)	\$ 194,419	\$ 2,378
Notes payable	1,595,103	-	(128,954)	1,466,149	131,570
Compensated absences	<u>22,363</u>	<u>31,366</u>	<u>(34,102)</u>	<u>19,627</u>	<u>12,708</u>
Total	<u>\$ 1,814,166</u>	<u>\$ 31,366</u>	<u>\$ (165,337)</u>	<u>\$ 1,680,195</u>	<u>\$ 146,656</u>

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

8. 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,809	7,832	10,641
2020-2024	15,941	37,264	53,205
2025-2029	19,629	33,576	53,205
2030-2034	24,170	29,035	53,205
2035-2039	29,761	23,444	53,205
2040-2044	36,646	16,559	53,205
2045-2049	45,124	8,081	53,205
2050-2051	10,203	433	10,636
	<u>\$ 194,419</u>	<u>\$ 188,652</u>	<u>\$ 383,071</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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 13,532	\$ 824	\$ 14,356
2016	13,937	418	14,355
	<u>\$ 27,469</u>	<u>\$ 1,242</u>	<u>\$ 28,711</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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>
2015	\$ 54,700	\$ 12,574	\$ 67,274
2016	56,341	10,933	67,274
2017	58,031	9,243	67,274
2018	59,772	7,502	67,274
2019	61,565	5,709	67,274
2020-2021	128,726	5,821	134,547
	<u>\$ 419,135</u>	<u>\$ 51,782</u>	<u>\$ 470,917</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>
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	65,910	7,623	73,533
2020-2024	339,568	28,100	367,668
2025-2029	356,890	10,778	367,668
	<u>\$ 1,019,545</u>	<u>\$ 83,456</u>	<u>\$ 1,103,001</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

9. INTERFUND TRANSFERS

	Transfers In						Total
	General Fund	Library Fund	CDBG Fund	Solid Waste Fund	Joint Wastewater Fund	Other Governmental Funds	
Transfers (Out):							
General Fund	\$ -	\$ 10,000	\$ -	\$ 5,580	\$ -	\$ 4,174	\$ 19,754
Library Fund	298,165	-	-	-	-	-	298,165
Water and Sewer Fund	29,500	-	-	-	22,315	-	51,815
Solid Waste Fund	19,500	-	-	-	-	-	19,500
Joint Wastewater Fund	29,500	-	-	-	-	-	29,500
Other Governmental Funds	-	-	8,276	-	-	-	8,276
	<u>\$ 376,665</u>	<u>\$ 10,000</u>	<u>\$ 8,276</u>	<u>\$ 5,580</u>	<u>\$ 22,315</u>	<u>\$ 4,174</u>	<u>\$ 427,010</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, 2014, 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.	\$ (21,171)		
The City has removed the unamortized bond issuance costs as previously reported.		(5,189)	
<u>Major Funds</u>			
Water and Sewer Fund			
The City corrected errors in the capital assets as previously reported.		\$ 38,518	\$ 38,518
The City has removed the unamortized bond issuance costs as previously reported.		(9,000)	(9,000)
Total Water and Sewer Fund			<u>\$ 29,518</u>
Joint Wastewater Fund			
The City corrected errors in the capital assets as previously reported.		24,047	\$ 24,047
Total Government-Wide Financial Statements	<u>\$ (26,360)</u>	<u>\$ 53,565</u>	

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

11. 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 15% (ranges from 6.28% to 18.15% 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, 2014, 2013, and 2012 were \$114,865, \$103,359, and \$101,840, respectively, which equal the amount of the required contributions for each fiscal year.

12. CHANGE IN GROSS REVENUES

Charges for services within the Solid Waste Fund and the Joint Wastewater Fund were decreased by \$173 and \$1,864, respectively, due to the increase of the allowance for doubtful accounts.

Charges for services within the Water and Sewer Fund were increased by \$22, due to the decrease of the allowance for doubtful accounts.

13. CONSTRUCTION COMMITMENTS

Governmental Activities – As of June 30, 2014, the City has construction contracts in progress and with total costs of \$370,639. The projects are funded through federal and state grants and local resources. The remaining construction commitments are \$347,178.

Business-Type Activities – As of June 30, 2014, the City has construction contracts in progress with total costs of \$3,807,731. The projects are funded through federal and state grants and local resources. The remaining construction commitments are \$2,945,248.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014**

	Special Revenue Funds					Total Other Governmental Funds
	Fire Protection Fund	Law Enforcement Fund	Corrections Fund	Municipal Streets Fund	Emergency Medical Services Fund	
<u>ASSETS</u>						
Cash	\$ 10,283	\$ 2,693	\$ 41,128	\$ 226,740	\$ 307	\$ 281,151
Receivables, net	-	-	4	19,281	-	19,285
Restricted:						
Investments	6	-	-	-	-	6
Total assets	<u>\$ 10,289</u>	<u>\$ 2,693</u>	<u>\$ 41,132</u>	<u>\$ 246,021</u>	<u>\$ 307</u>	<u>\$ 300,442</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 699	\$ -	\$ -	\$ 3,426	\$ -	\$ 4,125
Accrued salaries	-	-	-	683	-	683
Total liabilities	699	-	-	4,109	-	4,808
Fund Balances:						
Reserved for:						
Debt service	6	-	-	-	-	6
State mandated per statutes	8,128	2,693	41,132	241,912	307	294,172
Committed for:						
Subsequent year's expenditures	1,456	-	-	-	-	1,456
Total fund balances	9,590	2,693	41,132	241,912	307	295,634
Total liabilities and fund balances	<u>\$ 10,289</u>	<u>\$ 2,693</u>	<u>\$ 41,132</u>	<u>\$ 246,021</u>	<u>\$ 307</u>	<u>\$ 300,442</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, 2014

	Special Revenue Funds					Total Other Governmental Funds
	Fire Protection Fund	Law Enforcement Fund	Corrections Fund	Municipal Streets Fund	Emergency Medical Services Fund	
Revenues:						
Sales taxes	\$ -	\$ -	\$ -	\$ 84,283	\$ -	\$ 84,283
Public service taxes	-	-	-	20,166	-	20,166
Intergovernmental:						
State	70,858	23,600	-	-	-	94,458
Charges for services	-	-	-	120	-	120
Interest	3	-	49	444	-	496
Miscellaneous	1,333	507	-	1,261	-	3,101
Total revenues	<u>72,194</u>	<u>24,107</u>	<u>49</u>	<u>106,274</u>	<u>-</u>	<u>202,624</u>
Expenditures:						
Current:						
Public safety	44,264	9,829	11,536	-	-	65,629
Public works	-	-	-	93,327	-	93,327
Health and welfare	-	-	-	-	155	155
Debt service:						
Principal	18,309	13,000	-	-	-	31,309
Interest and other charges	1,979	1,680	-	-	-	3,659
Total expenditures	<u>64,552</u>	<u>24,509</u>	<u>11,536</u>	<u>93,327</u>	<u>155</u>	<u>194,079</u>
Excess (deficiency) of revenues over expenditures	7,642	(402)	(11,487)	12,947	(155)	8,545
Other Financing Sources (Uses):						
Transfers in	-	-	4,174	-	-	4,174
Transfers (out)	-	-	-	(8,276)	-	(8,276)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,174</u>	<u>(8,276)</u>	<u>-</u>	<u>(4,102)</u>
Special Item:						
Proceeds from sale of assets	-	800	-	-	-	800
Net change in fund balances	7,642	398	(7,313)	4,671	(155)	5,243
Fund balances, beginning of year	1,948	2,295	48,445	237,241	462	290,391
Fund balances, end of year	<u>\$ 9,590</u>	<u>\$ 2,693</u>	<u>\$ 41,132</u>	<u>\$ 241,912</u>	<u>\$ 307</u>	<u>\$ 295,634</u>

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
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014**

	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	\$ 70,858	\$ 70,858	\$ 50,570	\$ 20,288	\$ 70,858	\$ (20,288)
Interest	-	-	-	3	3	-
Miscellaneous	-	1,350	1,333	-	1,333	(17)
Total revenues	70,858	72,208	51,903	20,291	72,194	(20,305)
Expenditures:						
Current:						
Public safety	52,788	52,788	44,669	(405)	44,264	8,119
Debt service:						
Principal	18,309	18,309	-	18,309	18,309	18,309
Interest	1,979	1,979	-	1,979	1,979	1,979
Total expenditures	73,076	73,076	44,669	19,883	64,552	28,407
Net change	(2,218)	(868)	7,234	\$ 408	\$ 7,642	8,102
Cash balance, beginning of year	3,049	3,049	3,049			-
Cash balance, end of year	\$ 831	\$ 2,181	\$ 10,283			\$ 8,102
Explanation of Differences:						
Fire allotment intercepted				\$ 20,288		
Interest income earned by agent				3		
Changes in accounts payable				405		
Payment to debt service				(20,288)		
				\$ 408		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 23,600	\$ 23,625	\$ 23,622	\$ (22)	\$ 23,600	\$ (3)
Interest	-	22	-	-	-	(22)
Miscellaneous	-	510	507	-	507	(3)
Total revenues	23,600	24,157	24,129	(22)	24,107	(28)
Expenditures:						
Current:						
Public safety	8,920	10,620	10,367	(538)	9,829	253
Debt service:						
Principal	13,000	13,000	13,000	-	13,000	-
Interest	1,680	1,680	1,680	-	1,680	-
Total expenditures	23,600	25,300	25,047	(538)	24,509	253
(Deficiency) of revenues over expenditures	-	(1,143)	(918)	516	(402)	225
Special Item:						
Proceeds from sale of assets	-	(800)	800	-	800	1,600
Net change	-	(1,943)	(118)	\$ 516	\$ 398	1,825
Cash balance, beginning of year	2,811	2,811	2,811			-
Cash balance, end of year	<u>\$ 2,811</u>	<u>\$ 868</u>	<u>\$ 2,693</u>			<u>\$ 1,825</u>
Explanation of Differences:						
Change in accounts payable				\$ 538		
Change in restricted investment				(22)		
				<u>\$ 516</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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 53	\$ (4)	\$ 49	\$ (247)
Expenditures:						
Current:						
Public safety	<u>5,000</u>	<u>11,600</u>	<u>11,536</u>	<u>-</u>	<u>11,536</u>	<u>64</u>
(Deficiency) of revenues over expenditures	(4,700)	(11,300)	(11,483)	(4)	(11,487)	(183)
Other Financing Sources (Uses):						
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>4,174</u>	<u>-</u>	<u>4,174</u>	<u>(826)</u>
Net change	300	(6,300)	(7,309)	<u>\$ (4)</u>	<u>\$ (7,313)</u>	(1,009)
Cash balance, beginning of year	<u>48,437</u>	<u>48,437</u>	<u>48,437</u>			<u>-</u>
Cash balance, end of year	<u>\$ 48,737</u>	<u>\$ 42,137</u>	<u>\$ 41,128</u>			<u>\$ (1,009)</u>
Explanation of Differences:						
Change in receivables				<u>\$ (4)</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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 77,500	\$ 77,461	\$ 6,822	\$ 84,283	\$ (39)
Public service taxes	28,000	28,250	20,209	(43)	20,166	(8,041)
Intergovernmental:						
State	39,739	98,739	59,000	(59,000)	-	(39,739)
Charges for services	-	120	120	-	120	-
Interest	1,700	1,700	495	(51)	444	(1,205)
Miscellaneous	-	1,500	1,261	-	1,261	(239)
Total revenues	121,439	207,809	158,546	(52,272)	106,274	(49,263)
Expenditures:						
Current:						
Public works	165,943	166,608	91,728	1,599	93,327	74,880
Excess (deficiency) of revenues over expenditures	(44,504)	41,201	66,818	(53,871)	12,947	25,617
Other Financing Sources (Uses):						
Transfers in	52,900	-	-	-	-	-
Transfers (out)	-	(8,276)	(8,276)	-	(8,276)	-
Total other financing sources (uses)	52,900	(8,276)	(8,276)	-	(8,276)	-
Net change in cash balance	8,396	32,925	58,542	\$ (53,871)	\$ 4,671	25,617
Cash balance, beginning of year	168,198	168,198	168,198			-
Cash balance, end of year	<u>\$ 176,594</u>	<u>\$ 201,123</u>	<u>\$ 226,740</u>			<u>\$ 25,617</u>
Explanation of Differences:						
Change in receivables				\$ (52,272)		
Change in accounts payable				(1,526)		
Change in accrued salaries				(73)		
				<u>\$ (53,871)</u>		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 1,500	\$ 1,500	\$ -	\$ -	\$ -	\$ (1,500)
Expenditures:						
Current:						
Health and welfare	1,500	1,500	155	(155)	-	1,345
Net change	-	-	(155)	<u>(155)</u>	<u>-</u>	(155)
Cash balance, beginning of year	462	462	462			-
Cash balance, end of year	<u>\$ 462</u>	<u>\$ 462</u>	<u>\$ 307</u>			<u>\$ (155)</u>

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	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	552,900	504,312	449,380	(4,311)	445,069	(54,932)
Expenditures:						
Current:						
Public works	23,951	60	-	-	-	60
Culture and recreation	-	-	61	-	61	(61)
Capital outlay	500,000	523,951	481,547	(2,050)	479,497	42,404
Total expenditures	523,951	524,011	481,608	(2,050)	479,558	42,403
Excess (deficiency) of revenues over expenditures	28,949	(19,699)	(32,228)	(2,261)	(34,489)	(12,529)
Other Financing Sources (Uses):						
Transfers in	-	8,276	8,276	-	8,276	-
Transfers (out)	(52,900)	-	-	-	-	-
Total other financing sources (uses)	(52,900)	8,276	8,276	-	8,276	-
Net change in cash balance	(23,951)	(11,423)	(23,952)	<u>\$ (2,261)</u>	<u>\$ (26,213)</u>	(12,529)
Cash balance, beginning of year	23,952	23,952	23,952			-
Cash balance, end of year	<u>\$ 1</u>	<u>\$ 12,529</u>	<u>\$ -</u>			<u>\$ (12,529)</u>
Explanation of Differences:						
Change in receivables				\$ (4,311)		
Change in accounts payable				<u>2,050</u>		
				<u>\$ (2,261)</u>		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 608,700	\$ 607,993	\$ (11,584)	\$ 596,409	\$ (707)
Miscellaneous	34,000	37,800	37,062	-	37,062	(738)
Total operating revenues	636,600	646,500	645,055	(11,584)	633,471	(1,445)
Operating Expenses:						
Personnel services	441,294	446,444	438,316	(1,079)	437,237	8,128
Utilities	28,740	40,340	40,156	(494)	39,662	184
Contractual services	1,036,369	81,903	41,493	(11,576)	29,917	40,410
Repairs and maintenance	46,300	38,700	26,310	(30)	26,280	12,390
Insurance claims and expenses	18,197	19,297	19,102	-	19,102	195
Other operating expenses	76,700	111,000	102,664	20,605	123,269	8,336
Depreciation and amortization	-	-	-	146,310	146,310	-
Total expenditures	1,647,600	737,684	668,041	153,736	821,777	69,643
Operating (loss)	(1,011,000)	(91,184)	(22,986)	(165,320)	(188,306)	68,198
Non-Operating Revenues (Expenses):						
Sales taxes	96,000	154,962	154,922	13,641	168,563	(40)
Intergovernmental	966,516	966,516	-	-	-	966,516
Interest income	900	1,150	712	(34)	678	438
Capital outlay	(65,000)	(1,112,516)	(25,428)	25,428	-	(1,087,088)
Debt service - principal	(72,980)	(72,981)	(68,525)	68,525	-	(4,456)
Interest expense and other charges	(43,745)	(43,746)	(23,745)	1,846	(21,899)	(20,001)
Total non-operating revenues (expenses)	881,691	(106,615)	37,936	109,406	147,342	(144,631)
Income (loss) before transfers	(129,309)	(197,799)	14,950	(55,914)	(40,964)	(212,749)
Transfers:						
Transfers in	67,553	88,313	-	-	-	(88,313)
Transfers (out)	(103,053)	(140,133)	(51,815)	-	(51,815)	88,318
Total transfers	(35,500)	(51,820)	(51,815)	-	(51,815)	5
Special item:						
Proceeds from sale of capital assets	-	1,500	1,400	-	1,400	(100)
Net change	(164,809)	(248,119)	(35,465)	\$ (55,914)	\$ (91,379)	212,654
Cash balance, beginning of year	1,129,081	1,129,081	1,129,081			-
Cash balance, end of year	\$ 964,272	\$ 880,962	\$ 1,093,616			\$ 212,654

Explanation of Differences:

Change in receivables	\$ 2,938
Addition in capital assets	37,133
Change in accounts payable	(19,071)
Change in accrued salaries	(2,714)
Change in accrued interest payable	1,847
Change in deposits payable	(915)
Change in compensated absences	2,654
Change in long-term debt	68,524
Depreciation expense	(146,310)
	<u>\$ (55,914)</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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 406,500	\$ 406,368	\$ 5,625	\$ 411,828	\$ (132)
Miscellaneous	-	200	(165)	-	-	(365)
Total revenues	393,500	406,700	406,203	5,625	411,828	(497)
Operating Expenses:						
Personnel services	188,537	191,952	188,900	948	189,848	3,052
Contractual services	254,641	269,791	269,107	(11,849)	257,258	684
Repairs and maintenance	4,000	2,500	96	-	96	2,404
Insurance claims and expenses	13,856	13,856	13,662	-	13,662	194
Other operating expenses	20,400	22,400	20,720	75	20,795	1,680
Depreciation	-	-	-	2,823	2,823	-
Total expenditures	481,434	500,499	492,485	(8,003)	484,482	8,014
Operating (loss)	(87,934)	(93,799)	(86,282)	13,628	(72,654)	7,517
Non-Operating Revenues (Expenses):						
State shared taxes	10,700	15,400	15,311	1,346	16,657	(89)
Interest income	600	600	481	(8)	473	(119)
Miscellaneous	-	-	-	-	-	-
Capital outlay	(10,000)	(10,000)	-	-	-	10,000
Total non-operating revenues (expenses)	1,300	6,000	15,792	1,338	17,130	9,792
(Loss) before transfers	(86,634)	(87,799)	(70,490)	14,966	(55,524)	17,309
Transfers:						
Transfer in	5,583	5,583	5,580	-	5,580	(3)
Transfers (out)	(10,000)	(19,500)	(19,500)	-	(19,500)	-
Total transfers	(4,417)	(13,917)	(13,920)	-	(13,920)	(3)
Net change	(91,051)	(101,716)	(84,410)	\$ 14,966	\$ (69,444)	17,306
Cash balance, beginning of year	480,059	480,059	480,059			-
Cash balance, end of year	\$ 389,008	\$ 378,343	\$ 395,649			\$ 17,306
Explanation of Differences:						
Change in receivables				\$ 6,963		
Change in accounts payable				12,279		
Change in accrued salaries				(835)		
Change in compensated absences				(618)		
Depreciation expense				(2,823)		
				\$ 14,966		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 577,800	\$ 590,015	\$ 21,198	\$ 611,213	\$ 12,215
Miscellaneous	9,700	9,800	9,669	-	9,669	(131)
Total revenues	584,500	587,600	599,684	21,198	620,882	12,084
Operating Expenses:						
Personnel services	205,845	208,145	205,801	(686)	205,115	2,344
Utilities	149,600	145,100	138,599	(4,756)	133,843	6,501
Contractual services	66,994	67,014	44,555	2,321	46,876	22,459
Repairs and maintenance	33,700	34,000	10,178	(81)	10,097	23,822
Insurance claims and expenses	13,943	13,943	13,749	-	13,749	194
Other operating expenses	37,700	43,900	40,049	1,903	41,952	3,851
Depreciation expense	-	-	-	232,680	232,680	-
Total expenditures	507,782	512,102	452,931	231,381	684,312	59,171
Operating income (loss)	76,718	75,498	146,753	(210,183)	(63,430)	71,255
Non-Operating Revenues (Expenses):						
Interest income	6,500	6,500	5,065	(159)	4,906	(1,435)
Capital outlay	(4,145,000)	(4,185,000)	(534,160)	534,160	-	3,650,840
Debt service - principal	(63,000)	(63,000)	(62,711)	62,711	-	289
Interest expenses and other charges	(10,000)	(10,825)	(10,823)	335	(10,488)	2
Total non-operating revenues (expenses)	(4,211,500)	(4,252,325)	(602,629)	597,047	(5,582)	3,649,696
Income (loss) before capital contributions and transfers	(4,134,782)	(4,176,827)	(455,876)	386,864	(69,012)	3,720,951
Capital Contributions and Transfers:						
Capital contributions	4,000,000	4,000,000	486,149	373,001	859,150	(3,513,851)
Transfers in	15,500	70,975	22,315	-	22,315	(48,660)
Transfers (out)	(20,000)	(78,155)	(29,500)	-	(29,500)	48,655
Total capital contributions and transfers	3,995,500	3,992,820	478,964	373,001	851,965	(3,513,856)
Net change	(139,282)	(184,007)	23,088	\$ 759,865	\$ 782,953	207,095
Cash balance, beginning of year	1,861,289	1,861,289	1,861,289			-
Cash balance, end of year	\$ 1,722,007	\$ 1,677,282	\$ 1,884,377			\$ 207,095
Explanation of Differences:						
Change in receivables				\$ 394,040		
Addition in capital assets				915,683		
Change in accounts payable				(349,823)		
Change in accrued salaries				(548)		
Change in compensated absences				700		
Change in accrued interest payable				5,782		
Change in long-term debt				62,711		
Depreciation expense				(232,680)		
				<u>\$ 795,865</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, 2014

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	\$ 3,111,110	\$ (89,239)	\$ 3,021,871
EMS	Checking	382	(75)	307
Historical tourism	Checking	26,182	-	26,182
Community fund	Checking	1,716	25	1,741
Library trust	Checking	3,537	-	3,537
USDA water meter construction	Checking	1,000	-	1,000
Certificate of deposit	CD	18,587	-	18,587
Certificate of deposit	CD	119,009	-	119,009
Certificate of deposit	CD	24,782	-	24,782
Certificate of deposit	CD	60,574	-	60,574
Certificate of deposit	CD	61,956	-	61,956
Certificate of deposit	CD	493,787	-	493,787
Certificate of deposit	CD	92,914	-	92,914
Certificate of deposit	CD	123,615	-	123,615
Certificate of deposit	CD	185,531	-	185,531
Certificate of deposit	CD	364,386	-	364,386
		<u>\$ 4,689,068</u>	<u>\$ (89,289)</u>	<u>\$ 4,599,779</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2014**

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	\$ -
Clovis NM Mun Sch Dist 1	189414GP4	08/01/21	200,000	-
Clovis NM Mun Sch Dist 1	189414JL0	08/01/21	400,000	-
Clovis NM Mun Sch Dist 1	189414JK2	08/01/20	300,000	-
FHLB 9M-9014	313371PC4	12/12/14	-	501,796
Lea Cnty NM Sch Dist	521513AS0	06/15/16	200,000	-
Luna County NM School District	550340DN0	08/01/18	200,000	-
MBS FHLMC Gold 15 yr	3128MDKM4	11/01/27	-	868,638
Roswell NM ISD	778550FQ1	08/01/16	200,000	-
Southrn Sandoval County	843789DU9	08/01/15	100,000	-
Torrance Etc Cnty NM Sch	891400NG4	05/15/20	200,000	-
Torrance Etc Cnty NM Sch	891400NF6	05/15/19	400,000	-
		Total	<u>\$ 2,300,000</u>	<u>\$ 1,370,434</u>

The holder of the security pledged by AmBank is the Federal Home Loan Bank of Dallas, P. O. Box 619026, Dallas, TX 75261-9026.

STATE OF NEW MEXICO
CITY OF BAYARD
JOINT POWERS AGREEMENT
JUNE 30, 2014

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, 2014, the governments have expended \$10,794,543 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 \$188,648; Town of Hurley contributed \$176,102; 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 \$22,315 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.

SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Agriculture/Rural Utilities Services				
Community Facilities Loans & Grants	10.766		\$ 117,235	\$ 117,235
U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.228	12-C-RS-I-01-G-12	499,858	<u>445,069</u>
Total Expenditures of Federal Awards				<u><u>\$ 562,304</u></u>

**STATE OF NEW MEXICO
CITY OF BAYARD**
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City of Bayard (City). The City is defined in Note 1 of the City's financial statements. All federal awards received, including those received by the City's Public Housing Authority and through other agencies, are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using both modified accrual basis of accounting, which is described in Note 1, to the City's financial statements, and the full accrual basis of accounting. All governmental expenditures of the City of Bayard, (primary government) are presented in accordance with the modified accrual basis of accounting. All proprietary fund expenses of the City and the Housing Authority (component unit) expenses are presented in accordance with accrual basis of accounting.

3. FEDERAL EXPENDITURES

The accompanying schedule of expenditures of federal awards includes all federal expenditures including the value of federal awards expended in the form of noncash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year-end.

4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS

Federal expenditures on the schedule of expenditures of federal awards amount to \$562,304. The amount of expenditures within the funds is reflected within the financial statements as follows:

General Fund		
Capital outlay	\$	117,235
<u>Capital Projects Fund</u>		
CDBG Fund		
Capital outlay		445,069
Total schedule of federal awards	\$	562,304

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 fund, of the City of Bayard (City), as of and for the year ended June 30, 2014, 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 24, 2014.

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.

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

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

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 an instance of noncompliance or other matters that is described in the accompanying schedule of findings and questioned costs as item 2010-003.

In regard to the City of Bayard's Public Housing Authority, the results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 questioned costs. 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 24, 2014

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Report on Compliance for Each Major Federal Program; Report
on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditors' Report

Hector H. Balderas, State Auditor
and
Mayor and City Council
City of Bayard
Bayard, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the City of Bayard's (City) compliance, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended, June 30, 2014.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

November 24, 2014

**STATE OF NEW MEXICO
CITY OF BAYARD**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENTS FINDINGS

Primary Government

Item 2010-003 – 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 seven instances where an actual meal receipt was not submitted by the employee. The total amount of meal receipts was \$141.48.
- There were two instances where two employees received 100% advance for mileage prior to departure. The total amount was \$406.70.
- There was one instance where the travel request form was not complete. The travel request totaled \$558.72.
- There were two instances where meal receipt exceeded limit allowed by Per Diem and Mileage Act. The employees were overpaid by \$1.78.
- There were ten instances where the travel expenditures were incorrectly posted to the vehicle maintenance line item for total amount of \$1,591.06.

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 2.42.2.10(A) of the Per Diem and Mileage regulations states, *“Employee’s (travel) request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals.”*

Furthermore, Section 2.42.2.9(3) of the Per Diem and Mileage 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.”*

Finally, Section 2.42.2.9B(2) of the Per Diem and Mileage regulations states, *“Actual expenses for meals are limited to a maximum of \$30.00 for in-state travel and \$45.00 for out-of-state travel for a 24-hour period.”*

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

Cause – City staff does not have a complete understanding of the Per Diem and Mileage Act.

**STATE OF NEW MEXICO
CITY OF BAYARD**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2010-003 – Other – Per Diem and Mileage Act (continued)

Recommendation – We recommend the administrative staff review the Per Diem and Mileage 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 – Staff will ensure that all mileage and per diem regulations are followed. Changes have and will continue to be made mid-year to correct the discrepancies.

Component Unit

None.

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS
COMMUNITY DEVELOPMENT BLOCK GRANT CFDA NO. 14.228**

None.

SECTION IV – 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 able to provide additional governmental accounting training to the individuals responsible for the preparation of the City's financial statements. Further, City staff provided additional information to prepare and understand their audit report. The prior year's audit finding has been resolved.

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 2010-003.

Item 2013-01 – Cash Receipts – In the prior year's audit report, we noted the City failed to follow their policies and procedures concerning the receipting and timely depositing of monies received. During the current year, the City made the necessary changes to their policies and procedures concerning cash receipts. The prior year's audit finding has been resolved.

**STATE OF NEW MEXICO
CITY OF BAYARD**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION IV – PRIOR YEARS’ AUDIT FINDINGS (continued)

Primary Government (continued)

Item 2013-02 – Deficit Ending Cash Balances for Budget – In the prior year’s audit report, we noted the City budgeted a deficit ending cash balance within two funds. During the current year, the City diligently reviewed their budget and did not budget any deficit ending cash balances within any of the funds. The prior year’s audit finding has been resolved.

Item 2013-03 – Submission of Audit Report – In the prior year’s audit report, we noted the City failed to submit their annual audit report by the required due date. During the current year, the City provided all the necessary documentation to their auditors on a timely basis, thus ensuring the audit report would be submitted timely. The prior year’s audit finding has been resolved.

Item 2013-04 – Legal Compliance with Adopted Budget – In the prior year’s audit report, we noted the City exceeded the approved authorized budget within the fire protection fund. During the current year, the City continuously reviewed their budget versus actual reports to ensure that no fund exceeded its approved authorized budget. The prior year’s audit finding has been resolved.

Component Unit

Item 2013-01 – Tenant Eligibility – In the prior year’s audit, it was noted that the Authority failed to review the tenants’ eligibility files to ensure compliance with U.S. Housing and Urban Development guidelines. During the current year, the Authority reviewed and ensured all tenants’ eligibility files were in compliance with the necessary guidelines. The finding has been resolved.

Item 2013-02 – Travel and Per Diem – In the prior year’s audit, it was noted that the Authority was not in compliance with the travel and per diem act. During the current year, the Authority reviewed their policies and procedures concerning travel and ensured compliance with the travel and per diem act. The finding has been resolved.

**STATE OF NEW MEXICO
CITY OF BAYARD
EXIT CONFERENCE AND
FINANCIAL STATEMENT PREPARATION
JUNE 30, 2014**

**CITY OF BAYARD
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2014, was discussed during the exit conference held on December 1, 2014. Present for the City was Chon Fierro, mayor pro-tem; and Kristina V. Ortiz, city clerk-treasurer. Present for the auditing firm was Dominic Fierro, audit manager.

**PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2014, was discussed during the exit conference held on December 1, 2014. Present for the Public Housing Authority was Rosemary Alvarado, chairperson; Jolene Padilla, executive director and Kathy Carrillo, housing manager. Present for the City of Bayard was Chon Fierro, mayor pro-tem; and Kristina V. Ortiz, city clerk-treasurer. Present from the auditing firm was Dominic Fierro, audit manager.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the City of Bayard as of June 30, 2014. 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.