

**STATE OF NEW MEXICO
CITY OF BAYARD**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2015

STATE OF NEW MEXICO
CITY OF BAYARD
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STATE OF NEW MEXICO
CITY OF BAYARD
Directory of Officials
June 30, 2015

ELECTED OFFICIALS

Charles L. Kelly	Mayor
Chon Fierro	Mayor Pro-Tem
Zeke Santa Maria.....	Councilor
Raul Valenzuela.....	Councilor
Vacant	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 D. Ortiz	Executive Director

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www.fierrocpa.comIndependent Auditors' ReportTimothy Keller, 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, 2015, 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 enterprise funds and all 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, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2015, 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, 2015, and the respective changes in financial position, thereof and the respective budgetary comparisons for the 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.

Emphasis of a Matter

In the year ended June 30, 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which modified the presentation of the financial statements by establishing standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit pension plans. In addition, Statement 68 requires disclosure of information related to pension benefits. As discussed in Note 11 to the basic financial statements, the adoption of GASB statements 68 and 71 resulted in the restatement of beginning net position. Our opinions are not modified with respect to this matter.

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.

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

Other Information

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

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

December 15, 2015

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash	\$ 1,496,743	\$ 2,318,347	\$ 3,815,090	\$ 433,787
Receivables, net	115,714	402,783	518,497	419
Prepaid expenses	-	-	-	13,680
Inventory	-	-	-	2,760
Total current assets	1,612,457	2,721,130	4,333,587	450,646
Noncurrent assets:				
Restricted cash	51,754	694,298	746,052	15,977
Restricted investments	7	-	7	-
Capital assets:				
Land and construction in progress	256,000	4,484,286	4,740,286	25,362
Other capital assets, net of depreciation	8,488,953	15,927,632	24,416,585	1,142,024
Total noncurrent assets	8,796,714	21,106,216	29,902,930	1,183,363
Deferred Outflows of Resources:				
Pension related	56,004	69,914	125,918	11,057
Total assets and deferred outflows of resources	<u>\$ 10,465,175</u>	<u>\$ 23,897,260</u>	<u>\$ 34,362,435</u>	<u>\$ 1,645,066</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 19,877	\$ 109,658	\$ 129,535	\$ 11,285
Accrued salaries	18,208	31,552	49,760	3,942
Accrued payroll liabilities	-	-	-	1,211
Accrued interest payable	3,183	22,425	25,608	-
Customer deposits	-	88,960	88,960	-
Tenant deposits	-	-	-	15,977
Current maturities of:				
Bonds payable	18,000	2,479	20,479	-
Notes payable	19,245	122,402	141,647	-
Compensated absences	12,154	9,451	21,605	3,268
Total current liabilities	90,667	386,927	477,594	35,683
Noncurrent liabilities:				
Bonds payable	209,250	189,562	398,812	-
Notes payable	19,755	1,237,937	1,257,692	-
Compensated absences	4,664	7,291	11,955	1,858
Net pension liability	426,941	546,910	973,851	104,534
Total noncurrent liabilities	660,610	1,981,700	2,642,310	106,392
Total liabilities	751,277	2,368,627	3,119,904	142,075
Deferred Inflows of Resources:				
Unearned revenues	-	-	-	348
Pension related	186,903	214,336	401,239	40,968
Total deferred inflows of resources	186,903	214,336	401,239	41,316
Net Position:				
Net investment in capital assets	8,530,464	18,859,538	27,390,002	1,167,386
Restricted:				
Debt service	7	285,141	285,148	-
State mandated per statutes	159,764	-	159,764	-
Unrestricted	836,760	2,169,618	3,006,378	294,289
Total net position	9,526,995	21,314,297	30,841,292	1,461,675
Total liabilities, deferred inflows of resources and net position	<u>\$ 10,465,175</u>	<u>\$ 23,897,260</u>	<u>\$ 34,362,435</u>	<u>\$ 1,645,066</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, 2015**

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	\$ 184,806	\$ 73,574	\$ 434,357	\$ -	\$ 323,125	-	\$ 323,125	
Public safety	625,022	32,827	133,820	-	(458,375)	-	(458,375)	
Public works	298,667	25	-	7,434	(291,208)	-	(291,208)	
Culture and recreation	147,520	1,724	16,516	-	(129,280)	-	(129,280)	
Health and welfare	5,144	-	-	-	(5,144)	-	(5,144)	
Interest on long-term debt	10,673	-	-	-	(10,673)	-	(10,673)	
Total governmental activities	1,271,832	108,150	584,693	7,434	(571,555)	-	(571,555)	
Business-type activities:								
Water	806,856	438,509	-	177,510	-	\$ (190,837)	(190,837)	
Wastewater	486,780	594,834	-	-	-	108,054	108,054	
Solid waste	750,381	555,898	-	2,867,373	-	2,672,890	2,672,890	
Cemetery	2,304	3,100	-	351,371	-	352,167	352,167	
Interest on long-term debt	29,625	-	-	-	-	(29,625)	(29,625)	
Total business-type activities	2,075,946	1,592,341	-	3,396,254	-	2,912,649	2,912,649	
Total primary government	\$ 3,347,778	\$ 1,700,491	\$ 584,693	\$ 3,403,688	(571,555)	2,912,649	2,341,094	
Component Unit:								
Public Housing	\$ 409,889	\$ 182,745	\$ 183,134	\$ 12,355				\$ (31,655)
General Revenues:								
Gross receipts taxes					463,976	158,305	622,281	-
Property taxes, levied for general purposes					32,386	-	32,386	-
Franchise taxes					60,663	-	60,663	-
Public service taxes					33,565	-	33,565	-
Interest income					879	4,896	5,775	598
Donations					47,875	-	47,875	-
Special item - (Loss) on sale of assets					-	(15,293)	(15,293)	-
Transfers					30,755	(30,755)	-	-
Total general revenues, special item and transfers					670,099	117,153	787,252	598
Changes in net position					98,544	3,029,802	3,128,346	(31,057)
Net position, beginning of year					10,272,577	18,756,781	29,029,358	1,633,873
Restatements					(844,126)	(472,286)	(1,316,412)	(141,141)
Net position, beginning of year, restated					9,428,451	18,284,495	27,712,946	1,492,732
Net position, end of year					\$ 9,526,995	\$ 21,314,297	\$ 30,841,292	\$ 1,461,675

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, 2015**

	General Fund	Municipal Streets Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 1,294,443	\$ 128,249	\$ 74,051	\$ 1,496,743
Receivables, net	52,732	18,299	44,683	115,714
Restricted:				
Cash	-	-	51,754	51,754
Investments	-	-	7	7
Total assets	<u>\$ 1,347,175</u>	<u>\$ 146,548</u>	<u>\$ 118,741</u>	<u>\$ 1,664,218</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 10,128	\$ 2,982	\$ 6,767	\$ 19,877
Accrued salaries	15,578	2,630	-	18,208
Total liabilities	25,706	5,612	6,767	38,085
Deferred Inflows of Resources:				
Unearned revenues	19,116	-	-	19,116
Fund Balances:				
Reserved for:				
Debt service	-	-	7	7
State mandated per statutes	-	-	159,763	159,763
Committed for:				
One twelfth budget reserve	75,219	-	-	75,219
Subsequent year's expenditures	123,659	4,754	3,958	132,371
Unassigned	1,103,475	136,182	-	1,239,657
Total fund balances	<u>1,302,353</u>	<u>140,936</u>	<u>163,728</u>	<u>1,607,017</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,347,175</u>	<u>\$ 146,548</u>	<u>\$ 170,495</u>	<u>\$ 1,664,218</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, 2015

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

Total fund balance governmental funds (page seven)	\$	1,607,017
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		8,744,953
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.		19,116
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(710,009)
Certain accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(3,183)
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pension of \$56,004 is equal to 2015 employer contributions related to pensions.		56,004
Deferred inflows of resources related to pensions.		(186,903)
Net position of governmental activities (page five)	\$	9,526,995

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, 2015

	General Fund	Municipal Streets Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Sales taxes	\$ 104,764	\$ 72,031	\$ 287,181	\$ 463,976
Property taxes	29,602	-	-	29,602
Franchise taxes	60,663	-	-	60,663
Public service taxes	11,007	22,558	-	33,565
Intergovernmental:				
Federal	-	7,434	-	7,434
State	434,357	-	149,464	583,821
Charges for services	71,792	25	1,724	73,541
Licenses and permits	2,016	-	-	2,016
Fines and forfeitures	29,757	-	-	29,757
Interest	433	400	46	879
Miscellaneous	47,733	-	3,850	51,583
	<u>792,124</u>	<u>102,448</u>	<u>442,265</u>	<u>1,336,837</u>
Total revenues				
Expenditures:				
Current:				
General government	178,338	-	-	178,338
Public safety	479,872	-	103,488	583,360
Public works	-	196,341	-	196,341
Culture and recreation	28,812	-	37,389	66,201
Health and welfare	2,522	-	670	3,192
Capital outlay	1,143	7,083	-	8,226
Debt service:				
Principal	-	-	35,764	35,764
Interest and other charges	-	-	11,295	11,295
	<u>690,687</u>	<u>203,424</u>	<u>188,606</u>	<u>1,082,717</u>
Total expenditures				
Excess (deficiency) revenues over expenditures	101,437	(100,976)	253,659	254,120
Other Financing Sources (Uses):				
Transfers in	359,548	-	13,978	373,526
Transfers (out)	(33,223)	-	(309,548)	(342,771)
	<u>326,325</u>	<u>-</u>	<u>(295,570)</u>	<u>30,755</u>
Total other financing sources (uses)				
Net change in fund balances	427,762	(100,976)	(41,911)	284,875
Fund balance, beginning of year	874,591	241,912	205,639	1,322,142
	<u>874,591</u>	<u>241,912</u>	<u>205,639</u>	<u>1,322,142</u>
Fund balance, end of year	<u>\$ 1,302,353</u>	<u>\$ 140,936</u>	<u>\$ 163,728</u>	<u>\$ 1,607,017</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

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

Net change in fund balances total governmental fund (page nine)	\$	284,875
Governmental funds report capital outlay as expenditures in the amount of \$8,226; 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 \$263,468. The net adjustments between the amounts is \$255,242.		(255,242)
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, 2014, deferred property taxes amounted to \$16,332. The deferred property taxes for the current fiscal year amounted to \$19,116, therefore, the net adjustment is \$2,784.		2,784
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.		622
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.		35,764
Decrease 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.		3,079
Governmental funds report pension contributions as expenditures; however, in the statement of activities, the cost of pension benefits earned, net of employees' contribution, is reported as pension expense:		
Pension contributions	\$50,582	
Cost of benefits earned net of employee contributions (pension expense)	(23,920)	
		26,662
Net change in net position - statement of activities (page six)	\$	98,544

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, 2015

	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:						
Gross receipts taxes	\$ 64,000	\$ 117,400	\$ 117,326	\$ (12,562)	\$ 104,764	\$ (74)
Property taxes	29,508	29,553	29,359	243	29,602	(194)
Franchise taxes	60,000	60,895	60,894	(231)	60,663	(1)
Public service taxes	9,500	11,695	11,688	(681)	11,007	(7)
Intergovernmental:						
State	525,499	759,859	786,856	(352,499)	434,357	26,997
Charges for services	54,400	73,770	72,986	(1,194)	71,792	(784)
Licenses and permits	3,950	4,145	2,639	(623)	2,016	(1,506)
Fines and forfeitures	35,300	35,360	29,034	723	29,757	(6,326)
Interest	300	434	433	-	433	(1)
Miscellaneous	9,200	38,705	33,733	14,000	47,733	(4,972)
Total revenues	791,657	1,131,816	1,144,948	(352,824)	792,124	13,132
Expenditures:						
Current:						
General government	197,404	200,459	173,114	5,224	178,338	27,345
Public safety	496,408	511,038	468,165	11,707	479,872	42,873
Culture and recreation	29,700	34,740	28,136	676	28,812	6,604
Health and welfare	9,000	9,000	2,560	(38)	2,522	6,440
Capital outlay	405,274	404,219	380,656	(379,513)	1,143	23,563
Total expenditures	1,137,786	1,159,456	1,052,631	(361,944)	690,687	106,825
(Deficiency) of revenues over expenditures	(346,129)	(27,640)	92,317	9,120	101,437	119,957
Other Financing Sources (Uses):						
Transfers in	309,482	396,548	359,548	-	359,548	(37,000)
Transfers (out)	(57,583)	(57,583)	(19,561)	(13,662)	(33,223)	38,022
Total other financing sources (uses)	251,899	338,965	339,987	(13,662)	326,325	1,022
Special Item:						
Proceeds from sale of assets	1,000	1,000	-	-	-	(1,000)
Net change	(93,230)	312,325	432,304	\$ (4,542)	\$ 427,762	119,979
Cash balance, beginning of year	862,139	862,139	862,139			-
Cash balance, end of year	<u>\$ 768,909</u>	<u>\$ 1,174,464</u>	<u>\$ 1,294,443</u>			<u>\$ 119,979</u>
Explanation of Differences:						
Change in receivables				\$ (12,669)		
Change in accounts payable				(1,838)		
Change in accrued salaries				(1,251)		
Change in unearned revenues				(2,784)		
Change in due to others				14,000		
				<u>\$ (4,542)</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, 2015

	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:						
Gross receipts taxes	\$ 52,000	\$ 80,760	\$ 80,756	\$ (8,725)	\$ 72,031	\$ (4)
Public service taxes	28,000	28,000	22,232	326	22,558	(5,768)
Intergovernmental:						
Federal	-	-	-	7,434	7,434	-
State	87,854	87,854	-	-	-	(87,854)
Charges for services	100	100	25	-	25	(75)
Interest	1,700	1,700	417	(17)	400	(1,283)
Miscellaneous	100	100	-	-	-	(100)
Total revenues	169,754	198,514	103,430	(982)	102,448	(95,084)
Expenditures:						
Current:						
Public works	230,713	230,713	194,838	1,503	196,341	35,875
Capital outlay	-	7,085	7,083	-	7,083	2
Total expenditures	230,713	237,798	201,921	1,503	203,424	35,877
Excess of revenues over expenditures	(60,959)	(39,284)	(98,491)	(2,485)	(100,976)	(59,207)
Other Financing Sources (Uses):						
Transfers in	-	10,000	-	-	-	(10,000)
Transfers (out)	-	(10,000)	-	-	-	10,000
Total other financing sources (uses)	-	-	-	-	-	-
Net change	(60,959)	(39,284)	(98,491)	\$ (2,485)	\$ (100,976)	(59,207)
Cash balance, beginning of year	226,740	226,740	226,740			-
Cash balance, end of year	<u>\$ 165,781</u>	<u>\$ 187,456</u>	<u>\$ 128,249</u>			<u>\$ (59,207)</u>

Explanation of Differences:
Change in receivables
Change in accounts payable
Change in unearned revenues

\$ (982)
444
(1,947)
<u>\$ (2,485)</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, 2015

	Water and Sewer Fund	Solid Waste Fund	Joint Wastewater Fund	Other Enterprise Fund	Total
Assets:					
Current assets:					
Cash	\$ 351,422	\$ 331,683	\$ 1,632,142	\$ 3,100	\$ 2,318,347
Receivables, net	190,303	65,237	147,243	-	402,783
Total current assets	541,725	396,920	1,779,385	3,100	2,721,130
Noncurrent assets:					
Restricted cash	507,789	-	186,509	-	694,298
Capital assets:					
Land and construction in progress	322,051	-	4,041,935	120,300	4,484,286
Other capital assets, net of accumulated depreciation	6,605,072	14,112	8,806,395	502,053	15,927,632
Total noncurrent assets	7,434,912	14,112	13,034,839	622,353	21,106,216
Deferred Outflows of Resources:					
Pension related	36,419	16,246	17,249	-	69,914
Total assets and deferred outflows of resources	<u>\$ 8,013,056</u>	<u>\$ 427,278</u>	<u>\$ 14,831,473</u>	<u>\$ 625,453</u>	<u>\$ 23,897,260</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 13,972	\$ 22,872	\$ 72,814	\$ -	\$ 109,658
Accrued salaries	15,305	6,199	10,048	-	31,552
Accrued interest payable	17,316	-	5,109	-	22,425
Customer deposits	88,960	-	-	-	88,960
Current maturities of:					
Bonds payable	2,479	-	-	-	2,479
Notes payable	58,431	-	63,971	-	122,402
Compensated absences	6,541	450	2,460	-	9,451
Total current liabilities	203,004	29,521	154,402	-	386,927
Noncurrent Liabilities:					
Bonds payable	189,562	-	-	-	189,562
Notes payable	345,701	-	892,236	-	1,237,937
Compensated absences	4,087	-	3,204	-	7,291
Net pension liability	284,894	127,085	134,931	-	546,910
Total noncurrent liabilities	824,244	127,085	1,030,371	-	1,981,700
Total liabilities	1,027,248	156,606	1,184,773	-	2,368,627
Deferred Inflows of Resources:					
Pension related	111,652	49,805	52,879	-	214,336
Net Position:					
Net investment in capital assets	6,330,950	14,112	11,892,123	622,353	18,859,538
Restricted debt service	98,632	-	186,509	-	285,141
Unrestricted	444,574	206,755	1,515,189	3,100	2,169,618
Total net position	<u>6,874,156</u>	<u>220,867</u>	<u>13,593,821</u>	<u>625,453</u>	<u>21,314,297</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,013,056</u>	<u>\$ 427,278</u>	<u>\$ 14,831,473</u>	<u>\$ 625,453</u>	<u>\$ 23,897,260</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, 2015

	Water and Sewer Fund	Solid Waste Fund	Joint Wastewater Fund	Other Enterprise Fund	Total
Operating Revenues:					
Charges for services	\$ 575,379	\$ 417,075	\$ 546,404	\$ 3,100	\$ 1,541,958
Operating Expenses:					
Personnel services	420,604	187,140	208,483	-	816,227
Utilities	36,148	-	162,602	-	198,750
Contractual services	31,040	267,993	38,013	-	337,046
Repairs and maintenance	40,316	-	25,986	-	66,302
Insurance claims and expenses	15,340	9,123	13,173	-	37,636
Other operating expenses	113,301	19,701	65,927	-	198,929
Depreciation and amortization	150,107	2,823	236,197	2,304	391,431
Total operating expenses	<u>806,856</u>	<u>486,780</u>	<u>750,381</u>	<u>2,304</u>	<u>2,046,321</u>
Operating (loss)	(231,477)	(69,705)	(203,977)	796	(504,363)
Non-Operating Revenues (Expenses):					
Gross receipts taxes	144,063	14,242	-	-	158,305
Interest income	803	319	3,774	-	4,896
Miscellaneous	40,888	1	9,494	-	50,383
Interest expense	(19,768)	-	(9,857)	-	(29,625)
Total non-operating revenues (expenses)	<u>165,986</u>	<u>14,562</u>	<u>3,411</u>	<u>-</u>	<u>183,959</u>
Income (loss) before capital contributions and transfers	(65,491)	(55,143)	(200,566)	796	(320,404)
Capital Contributions and Transfers:					
Capital contributions	177,510	-	2,867,373	351,371	3,396,254
Transfers in	-	5,583	22,670	13,662	41,915
Transfers (out)	(42,670)	(10,000)	(20,000)	-	(72,670)
Total capital contributions and transfers	134,840	(4,417)	2,870,043	365,033	3,365,499
Special Item:					
(Loss) on sale of assets	(15,293)	-	-	-	(15,293)
Change in net position	54,056	(59,560)	2,669,477	365,829	3,029,802
Net position, beginning of year	7,201,365	450,500	11,104,916	-	18,756,781
Restatements	(381,265)	(170,073)	(180,572)	259,624	(472,286)
Net position, beginning of year, restated	<u>6,820,100</u>	<u>280,427</u>	<u>10,924,344</u>	<u>259,624</u>	<u>18,284,495</u>
Net position, end of year	<u>\$ 6,874,156</u>	<u>\$ 220,867</u>	<u>\$ 13,593,821</u>	<u>\$ 625,453</u>	<u>\$ 21,314,297</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
FOR THE YEAR ENDED JUNE 30, 2015

	Water and Sewer Fund	Solid Waste Fund	Joint Wastewater Fund	Other Enterprise Fund	Total
Cash Flows From Operating Activities:					
Cash received from customers	\$ 591,331	\$ 416,217	\$ 564,779	\$ 3,100	\$ 1,575,427
Cash payments to employees for services	(442,901)	(197,499)	(290,001)	-	(930,401)
Cash payments to suppliers for goods and services	(249,176)	(294,569)	(214,235)	-	(757,980)
Net cash provided (used) by operating activities	(100,746)	(75,851)	60,543	3,100	(112,954)
Cash Flows From Non-Capital Financing Activities:					
Cash received from state shared taxes	161,512	15,963	-	-	177,475
Cash received from capital contributions	96,908	-	3,173,198	351,371	3,621,477
Cash received from miscellaneous sources	40,888	1	9,494	-	50,383
Net change in customer deposits	-	-	-	-	-
Net transfers in (out)	(42,670)	(4,417)	2,670	13,662	(30,755)
Net cash provided by non-capital and related financing activities	256,638	11,547	3,185,362	365,033	3,818,580
Cash Flows from Capital and Financing Activities:					
Acquisition of capital assets	(324,270)	-	(3,241,968)	(365,033)	(3,931,271)
Cash received from loan proceeds	41,787	-	-	-	41,787
Principal payments on capital debt	(86,637)	-	(63,338)	-	(149,975)
Interest on debt	(21,995)	-	(10,195)	-	(32,190)
Net cash (used) by capital and related financing activities	(391,115)	-	(3,315,501)	(365,033)	(4,071,649)
Cash Flows From Investing Activities:					
Interest income	818	326	3,870	-	5,014
Purchase of certificates of deposit	(369)	(314)	-	-	(683)
Net cash provided by investing activities	449	12	3,870	-	4,331
Net increase (decrease) in cash	(234,774)	(64,292)	(65,726)	3,100	(361,692)
Cash and cash equivalents, beginning of year	946,304	302,735	717,058	-	1,966,097
Cash and cash equivalents, end of year	<u>\$ 711,530</u>	<u>\$ 238,443</u>	<u>\$ 651,332</u>	<u>\$ 3,100</u>	<u>\$ 1,604,405</u>
Displayed as:					
Cash	\$ 351,422	\$ 331,683	\$ 1,632,142	\$ 3,100	\$ 2,318,347
Restricted cash	507,789	-	186,509	-	694,298
Time deposits not considered cash equivalents	(147,681)	(93,240)	(1,167,319)	-	(1,408,240)
	<u>\$ 711,530</u>	<u>\$ 238,443</u>	<u>\$ 651,332</u>	<u>\$ 3,100</u>	<u>\$ 1,604,405</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, 2015

	Water and Sewer Fund	Solid Waste Fund	Joint Wastewater Water Fund	Other Enterprise Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ (231,477)	\$ (69,705)	\$ (203,977)	\$ 796	\$ (504,363)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation and amortization	150,107	2,823	236,197	2,304	391,431
Change in Assets and Liabilities:					
(Increase) decrease in accounts receivable	14,872	(870)	324,200	-	338,202
Increase (decrease) in accounts payable	(11,951)	2,260	(290,125)	-	(299,816)
Increase (decrease) in accrued salaries	455	363	4,237	-	5,055
Increase (decrease) in compensated absences	(1,614)	(1,293)	22	-	(2,885)
Increase (decrease) in net pension liability	(21,138)	(9,429)	(10,011)	-	(40,578)
Total adjustments	<u>130,731</u>	<u>(6,146)</u>	<u>264,520</u>	<u>2,304</u>	<u>391,409</u>
Net cash provided (used) by operating activities	<u>\$ (100,746)</u>	<u>\$ (75,851)</u>	<u>\$ 60,543</u>	<u>\$ 3,100</u>	<u>\$ (112,954)</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, 2015

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, 2015.

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, 2015

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, 2015

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, 2015

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, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Special Revenue Funds

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 *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 *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. 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Projects 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 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.

The City maintains one other individual enterprise fund that is considered a nonmajor fund. A description of the nonmajor enterprise fund is as follows:

The cemetery *fund* accounts for the operation and maintenance of the city cemetery. Financing is provided through lot sales and fees for services. The funding is authorized by Section 3-40-1 through 3-40-9, NMSA 1978.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

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.

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, 2015

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, 2015

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 Outflows/Inflows of Resources

Deferred outflows of resources represent consumption of resources of net assets that is applicable to future reporting periods that are reported in a separate section after assets in the statement of financial position.

Deferred inflows of resources represent acquisition of net assets by the City that is applicable to a future reporting period. The deferred inflows are reported in the separate section after liabilities in the statement of financial position.

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 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, 2015

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, 2015

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, 2015

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, 2015, 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:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
First American Bank	<u>\$ 4,706,720</u>	<u>\$ (145,578)</u>	<u>\$ 4,561,142</u>

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

Statement of Net Position:	
Cash	\$ 3,815,090
Restricted cash	<u>746,052</u>
Total cash reported on financial statements	<u>\$ 4,561,142</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Authority. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Authority carrying value of the deposits (demand and certificates of deposit).

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

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.

	<u>First American Bank</u>
Total deposits in bank	\$ 4,706,720
Less FDIC coverage	<u>(250,000)</u>
Uninsured public funds	4,456,720
Pledged collateral held by pledging bank's agent, but not in the City's name	<u>(2,879,215)</u>
Uninsured and uncollateralized public funds	<u>\$ 1,577,505</u>
Total pledged collateral	\$ 2,879,215
50% pledged collateral requirement per State Statute	<u>(2,228,360)</u>
Pledged collateral over (under) the requirement	<u>\$ 650,855</u>

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

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$4,456,720 of the City's bank balance of \$4,706,720 was exposed to custodial credit risk as follows:

	<u>First American Bank</u>
Uninsured and collateral held by agent, not in the City's name	<u>\$ 4,456,720</u>

3. RESTRICTED INVESTMENTS

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

Statement of Net Position:	
Restricted investments	<u>\$ 7</u>

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, 2015

3. RESTRICTED INVESTMENTS (continued)

All amounts borrowed are for the purchase of construction of capital assets. As of June 30, 2015, the restricted investments are composed of the following:

Program receipts	<u><u>\$ 7</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 \$7 invested within the NMFA debt service pool. At June 30, 2015, the pool was composed of short-term, high-credit-quality money market instruments.

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, 2015, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable:		
Charges for services	\$ 1,155	\$ 268,761
Allowance for doubtful accounts	(665)	(33,275)
Total	<u>490</u>	<u>235,486</u>

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

4. RECEIVABLES, NET (continued)

	Governmental Activities	Business-Type Activities
Taxes receivable:		
Gross receipts taxes	41,269	19,289
Franchise taxes	13,580	-
Property taxes	20,071	-
Public service taxes	18,299	-
Allowance for doubtful accounts	-	-
Total	93,219	19,289
Intergovernmental receivables:		
Infrastructure improvement grants	21,996	147,778
Interest receivable	9	230
Receivables, net	\$ 115,714	\$ 402,783

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 2014, was \$2.225 per \$1,000 for non-residential and \$1.280 for residential property. In the year 2014, 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, 2015

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, 2014, within the governmental and business-type activities capital assets. The effect of the changes is as follows:

	Balance 06/30/14	Corrections	Restated Balance 06/30/14
Governmental Capital Assets:			
Land	\$ 304,590	\$ (120,300)	\$ 184,290
Construction in progress	116,339	(52,855)	63,484
Buildings	3,470,934	-	3,470,934
Infrastructure	7,589,992	(91,989)	7,498,003
Equipment	1,145,672	-	1,145,672
Accumulated depreciation:			
Buildings	(756,531)	-	(756,531)
Infrastructure	(1,692,411)	5,520	(1,686,891)
Equipment	(918,766)	-	(918,766)
Net governmental capital assets	<u>\$ 9,259,819</u>	<u>\$ (259,624)</u>	<u>\$ 9,000,195</u>
Business-Type Capital Assets:			
Land	\$ 119,170	\$ 120,300	\$ 239,470
Construction in progress	1,147,879	52,855	1,200,734
Water rights	1,200,000	-	1,200,000
Buildings	2,708,865	-	2,708,865
Improvements	-	91,989	91,989
Utility system	11,475,887	-	11,475,887
Equipment	3,970,021	-	3,970,021
Accumulated depreciation:			
Water rights	(147,500)	-	(147,500)
Buildings	(425,383)	-	(425,383)
Improvements	-	(5,520)	(5,520)
Utility system	(2,124,954)	-	(2,124,954)
Equipment	(994,608)	-	(994,608)
Net business-type capital assets	<u>\$ 16,929,377</u>	<u>\$ 259,624</u>	<u>\$ 17,189,001</u>

Governmental activities capital assets for the fiscal year ended June 30, 2015:

	Restated Balance 06/30/14	Increases	Decreases	Balance 06/30/15
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 184,290	\$ -	\$ -	\$ 184,290
Construction in progress	63,484	8,226	-	71,710
Total capital assets, not being depreciated	247,774	8,226	-	256,000

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

6. CAPITAL ASSETS (continued)

	Restated Balance 06/30/14	Increases	Decreases	Balance 06/30/15
Governmental Activities (continued):				
Other capital assets, being depreciated:				
Buildings	3,470,934	-	-	3,470,934
Infrastructure	7,498,003	-	-	7,498,003
Equipment	1,145,672	-	-	1,145,672
Total other capital assets, being depreciated	12,114,609	-	-	12,114,609
Accumulated depreciation:				
Buildings	(756,531)	(68,990)	-	(825,521)
Infrastructure	(1,686,891)	(124,678)	-	(1,811,569)
Equipment	(918,766)	(69,800)	-	(988,566)
Total accumulated depreciation	(3,362,188)	(263,468)	-	(3,625,656)
Other capital assets, net	8,752,421	(263,468)	-	8,488,953
Total capital assets, net	<u>\$ 9,000,195</u>	<u>\$ (255,242)</u>	<u>\$ -</u>	<u>\$ 8,744,953</u>

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

Governmental Activities:	
General government	\$ 12,551
Public safety	64,178
Public works	103,468
Culture and recreation	81,319
Health and welfare	1,952
	<u>\$ 263,468</u>

Business-type activities capital assets for the fiscal year ended June 30, 2015:

	Restated Balance 06/30/14	Increases	Decreases	Balance 06/30/15
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 239,470	\$ -	\$ -	\$ 239,470
Construction in progress	1,200,734	3,100,989	(56,907)	4,244,816
Total capital assets, not being depreciated	1,440,204	3,100,989	(56,907)	4,484,286

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

6. CAPITAL ASSETS (continued)

	Restated Balance 06/30/14	Increases	Decreases	Balance 06/30/15
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
Improvements	91,989	417,888	-	509,877
Utility system	11,475,887	17,239	-	11,493,126
Equipment	3,970,121	150,332	(15,307)	4,105,146
	<u>19,446,862</u>	<u>585,459</u>	<u>(15,307)</u>	<u>20,017,014</u>
Total other capital assets, being amortized and depreciated				
Less accumulated amortization and depreciation for:				
Water rights	(147,500)	(10,000)	-	(157,500)
Buildings	(425,383)	(54,136)	-	(479,519)
Improvements	(5,520)	(2,304)	-	(7,824)
Utility system	(2,124,954)	(155,016)	-	(2,279,970)
Equipment	(994,608)	(169,975)	14	(1,164,569)
	<u>(3,697,965)</u>	<u>(391,431)</u>	<u>14</u>	<u>(4,089,382)</u>
Total accumulated amortization and depreciation				
Other capital assets, net	<u>15,748,897</u>	<u>194,028</u>	<u>(15,293)</u>	<u>15,927,632</u>
Total capital assets, net	<u>\$ 17,189,101</u>	<u>\$ 3,295,017</u>	<u>\$ (72,200)</u>	<u>\$ 20,411,918</u>

7. CAPITAL ASSETS – COMPONENT UNIT

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

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

7. CAPITAL ASSETS – COMPONENT UNIT (continued)

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

The City of Bayard Public Housing Authority's capital assets for the fiscal year ended June 30, 2015, as follows:

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

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

8. LONG-TERM OBLIGATIONS

Governmental Activities Debt

Changes in governmental activities loan activity during the year ended June 30, 2015, were as follows:

	Balance 06/30/14	Additions	Deletions	Balance 06/30/15	Amounts Due Within One Year
Bonds payable	\$ 244,250	\$ -	\$ (17,000)	\$ 227,250	\$ 18,000
Notes payable	57,764	-	(18,764)	39,000	19,245
Compensated absences	19,897	26,359	(29,438)	16,818	12,154
Total	<u>\$ 321,911</u>	<u>\$ 26,359</u>	<u>\$ (65,202)</u>	<u>\$ 283,068</u>	<u>\$ 49,399</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:

Due in the year ending June 30:

	Principal	Interest	Total
2016	<u>\$ 15,000</u>	<u>\$ 600</u>	<u>\$ 15,600</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:

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

8. LONG-TERM OBLIGATIONS (continued)

Bonds Payable – 2011 Gross Receipts Tax Improvement Revenue Bonds (continued)

Due in year ending June 30:

	Principal	Interest	Total
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	3,000	8,010	11,010
2021-2025	18,000	38,130	56,130
2026-2030	21,000	34,250	55,250
2031-2035	26,000	29,650	55,650
2036-2040	32,000	24,010	56,010
2041-2045	38,000	17,130	55,130
2046-2050	47,000	8,810	55,810
2051	15,250	610	15,860
	<u>\$ 212,250</u>	<u>\$ 193,840</u>	<u>\$ 406,090</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:

Due in year ending June 30:

	Principal	Interest	Total
2016	\$ 19,245	\$ 946	\$ 20,191
2017	19,755	486	20,241
	<u>\$ 39,000</u>	<u>\$ 1,432</u>	<u>\$ 40,432</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).

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

8. LONG-TERM OBLIGATIONS (continued)

Compensated Absences (continued)

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, 2015, were as follows:

	Balance 06/30/14	Additions	Deletions	Balance 06/30/15	Amounts Due Within One Year
Bonds payable	\$ 194,419	\$ -	\$ (2,378)	\$ 192,041	\$ 2,479
Notes payable	1,466,149	41,787	(147,597)	1,360,339	122,402
Compensated absences	19,627	27,138	(30,023)	16,742	9,451
Total	<u>\$ 1,680,195</u>	<u>\$ 68,925</u>	<u>\$ (179,998)</u>	<u>\$ 1,569,122</u>	<u>\$ 134,332</u>

2003 Municipal Gross Receipts Tax Revenue Bond

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

Due in the year ending June 30:

	Principal	Interest	Total
2016	\$ 2,479	\$ 8,162	\$ 10,641
2017	2,585	8,056	10,641
2018	2,695	7,946	10,641
2019	2,809	7,832	10,641
2020	2,928	7,713	10,641
2021-2025	16,619	36,586	53,205
2026-2030	20,463	32,742	53,205
2031-2035	25,197	28,008	53,205
2036-2040	31,026	22,179	53,205
2041-2045	38,204	15,001	53,205
2046-2050	47,036	6,169	53,205
	<u>\$ 192,041</u>	<u>\$ 180,394</u>	<u>\$ 372,435</u>

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

8. LONG-TERM OBLIGATIONS (continued)

Notes Payable – NM Environment Department

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:

	Principal	Interest	Total
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	63,412	3,862	67,274
2021	65,314	1,959	67,273
	<u>\$ 364,435</u>	<u>\$ 39,208</u>	<u>\$ 403,643</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:

	Principal	Interest	Total
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	66,569	6,964	73,533
2021-2025	342,964	13,943	356,907
2026-2029	286,925	17,971	304,896
	<u>\$ 956,207</u>	<u>\$ 73,261</u>	<u>\$ 1,029,468</u>

Notes Payable – New Mexico Finance Authority

On May 2, 2014, the City entered in a loan and subsidy agreement with the Colonias Infrastructure Board, financed by the New Mexico Finance Authority, with a total amount of \$471,871, of which the loan portion of the agreement is a maximum of \$41,787. The note matures on June 1, 2034, and does not accrue interest. The note accrues an administrative fee of .25% per annum. The proceeds of the loan and subsidy agreement will be used for the design and construction to include well field capacity assessment, well rehabilitation and installation of water transmission lines.

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

8. LONG-TERM OBLIGATIONS (continued)

Notes Payable – New Mexico Finance Authority (continued)

The payments of principal and administrative fees will be paid from net revenues from the city's water and wastewater utility system activities.

The annual requirements to amortize the loan outstanding as of June 30, 2015, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2016	\$ 2,090	\$ -	\$ 2,090
2017	2,090	-	2,090
2018	2,090	-	2,090
2019	2,090	-	2,090
2020	2,090	-	2,090
2021-2025	10,445	-	10,445
2026-2030	10,445	-	10,445
2031-2034	8,357	-	8,357
	\$ 39,697	\$ -	\$ 39,697

9. INTERFUND TRANSFERS

	Transfers In					Total
	General Fund	Solid Waste Fund	Joint Wastewater Fund	Other Governmental Fund	Other Enterprise Funds	
Transfers (Out):						
General Fund	\$ -	\$ 5,583	\$ -	\$ 13,978	\$ 13,662	\$ 33,223
Water and Sewer Fund	20,000	-	22,670	-	-	42,670
Solid Waste Fund	10,000	-	-	-	-	10,000
Joint Wastewater Fund	20,000	-	-	-	-	20,000
Other Governmental Funds	309,548	-	-	-	-	309,548
	\$ 359,548	\$ 5,583	\$ 22,670	\$ 13,978	\$ 13,662	\$ 415,441

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

The City has implemented GASB 68, which has required a restatement of net position. Additionally, the City discovered an error in the beginning of year capital assets and accumulated depreciation balances.

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

10. RESTATEMENT OF NET POSITION (continued)

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.	\$ (259,624)		
Implementation of GASB 68.	(584,502)		
<i>Major Funds</i>			
Water and Sewer Fund			
Implementation of GASB 68.		\$ (381,265)	<u>\$ (381,265)</u>
Solid Waste Fund			
Implementation of GASB 68.		(170,073)	<u>\$ (170,073)</u>
Joint Wastewater Fund			
Implementation of GASB 68.		(180,572)	<u>\$ (180,572)</u>
<i>Other Enterprise Fund</i>			
Cemetery Fund			
The City corrected errors in the capital assets as previously reported.		259,624	<u>\$ 259,624</u>
Total Government-Wide Financial Statements	<u>\$ (844,126)</u>	<u>\$ (472,286)</u>	

11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Summary of Significant Accounting Policies

Plan description - Compliant with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015. The City has part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the PERA. Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the CAFR of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

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

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

General Information about the Pension Plan

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

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at the following internet address:

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

Contributions - The contribution requirements of defined benefit plan members and the City of Bayard are established in state statute Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY 14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report which can be located at the following internet address:http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to City of Bayard are: Municipal General and Municipal Police. Statutorily required contributions to the pension plan from the City of Bayard were \$103,962 and employer paid member benefits that were *picked up* by the employer were \$21,956 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013.

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

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

The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

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

PERA Fund Municipal General Division - At June 30, 2015, the City of Bayard reported a liability of \$653,730 for its proportionate share of the net pension liability. At June 30, 2014, the City of Bayard's proportion was .0838 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the City of Bayard recognized PERA Fund Municipal General Division pension expense of \$35,066. At June 30, 2015, the City of Bayard reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 443
Net difference between projected and actual earnings on pension plan investments	-	255,756
City of Bayard contributions subsequent to the measurement date	83,569	-
	\$ 83,569	\$ 256,199

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

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

\$83,569 reported as deferred outflows of resources related to pensions resulting from City of Bayard's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended		
2016	\$	64,049
2017		64,049
2018		64,049
2019		64,050
2020		2
Thereafter		-

PERA Fund Municipal Police Division - At June 30, 2015, the City of Bayard reported a liability of \$320,121 for its proportionate share of the net pension liability. At June 30, 2014, the City of Bayard's proportion was .0982 percent, which was an increase of zero from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the City of Bayard recognized PERA Fund Municipal Police Division pension expense of \$23,612. At June 30, 2015, the City of Bayard reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 26,005
Net difference between projected and actual earnings on pension plan investments	-	119,035
City of Bayard contributions subsequent to the measurement date	42,349	-
	\$ 42,349	\$ 145,040

\$42,349 reported as deferred outflows of resources related to pensions resulting from City of Bayard's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

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

Year Ended		
2016	\$	36,228
2017		36,228
2018		36,228
2019		36,227
2020		129
Thereafter		-

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

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

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

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

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

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

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

Sensitivity of the City of Bayard's proportionate share of the net pension liability to changes in the discount rate - The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the City of Bayard's net pension liability in each PERA Fund Division that City of Bayard participates in, under the current single rate assumption; as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
PERA Fund			
Municipal General Division			
City of Bayard proportionate share of the net pension liability	\$ 1,232,428	\$ 653,730	\$ 206,049
PERA Fund			
Municipal General Division			
City of Bayard's proportionate share of the net pension liability	\$ 610,472	\$ 320,121	\$ 103,320

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

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

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

12. CHANGE IN GROSS REVENUES

Charges for services within the Water and Sewer Fund and the Solid Waste Fund were decreased by \$900 and \$154, respectively, due to the increase of the allowance for doubtful accounts.

Charges for services within the Joint Wastewater Fund were increased by \$1,740, due to the decrease of the allowance for doubtful accounts.

13. CONSTRUCTION COMMITMENTS

Governmental Activities – As of June 30, 2015, the City has construction contracts in progress and with total costs of \$7,814,282. The projects are funded through federal and state grants and local resources. The remaining construction commitments are \$567,540.

Business-Type Activities – As of June 30, 2015, the City has construction contracts in progress with total costs of \$57,258. The projects are funded through federal and state grants and local resources. The remaining construction commitments are \$10,722.

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.

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

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.

17. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 15, 2015, which is the date the financial statements were available for issuance.

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, 2015**

	Special Revenue Funds					Total Special Revenue Funds	Capital Projects Fund	Total Other Governmental Funds
	Fire Protection Fund	Law Enforcement Fund	Corrections Fund	Library Fund	Emergency Medical Services Fund		CDBG Fund	
<u>ASSETS</u>								
Cash	\$ 12,947	\$ 3,958	\$ 39,588	\$ 16,221	\$ 1,337	\$ 74,051	\$ -	\$ 74,051
Receivables, net	-	-	2	44,681	-	44,683	-	44,683
Restricted:								
Cash	-	-	-	51,754	-	51,754	-	51,754
Investments	7	-	-	-	-	7	-	7
Total assets	\$ 12,954	\$ 3,958	\$ 39,590	\$ 112,656	\$ 1,337	\$ 170,495	\$ -	\$ 170,495
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ 5,249	\$ -	\$ 1,004	\$ 514	\$ -	\$ 6,767	\$ -	\$ 6,767
Fund Balances:								
Reserved for:								
Debt service	7	-	-	-	-	7	-	7
State mandated per statutes	7,698	-	38,586	112,142	1,337	159,763	-	159,763
Committed for:								
Subsequent year's expenditures	-	3,958	-	-	-	3,958	-	3,958
Total fund balances	7,705	3,958	38,586	112,142	1,337	163,728	-	163,728
Total liabilities and fund balances	\$ 12,954	\$ 3,958	\$ 39,590	\$ 112,656	\$ 1,337	\$ 170,495	\$ -	\$ 170,495

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, 2015

	Special Revenue Funds					Total Special Revenue Funds	Capital Projects Fund	Total Other Governmental Funds
	Fire Protection Fund	Law Enforcement Fund	Corrections Fund	Library Fund	Emergency Medical Services Fund		CDBG Fund	
Revenues:								
Sales taxes	\$ -	\$ -	\$ -	\$ 287,181	\$ -	\$ 287,181	\$ -	\$ 287,181
Intergovernmental:								
State	107,648	23,600	-	16,516	1,700	149,464	-	149,464
Charges for services	-	-	-	1,724	-	1,724	-	1,724
Interest	1	-	44	1	-	46	-	46
Miscellaneous	500	-	-	3,350	-	3,850	-	3,850
Total revenues	<u>108,149</u>	<u>23,600</u>	<u>44</u>	<u>308,772</u>	<u>1,700</u>	<u>442,265</u>	<u>-</u>	<u>442,265</u>
Expenditures:								
Current:								
Public safety	89,745	7,175	6,568	-	-	103,488	-	103,488
Culture and recreation	-	-	-	37,389	-	37,389	-	37,389
Health and welfare	-	-	-	-	670	670	-	670
Debt service:								
Principal	18,764	14,000	-	3,000	-	35,764	-	35,764
Interest and other charges	1,525	1,160	-	8,610	-	11,295	-	11,295
Total expenditures	<u>110,034</u>	<u>22,335</u>	<u>6,568</u>	<u>48,999</u>	<u>670</u>	<u>188,606</u>	<u>-</u>	<u>188,606</u>
Excess (deficiency) of revenues over expenditures	(1,885)	1,265	(6,524)	259,773	1,030	253,659	-	253,659
Other Financing Sources (Uses):								
Transfers in	-	-	3,978	10,000	-	13,978	-	13,978
Transfers (out)	-	-	-	(309,548)	-	(309,548)	-	(309,548)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,978</u>	<u>(299,548)</u>	<u>-</u>	<u>(295,570)</u>	<u>-</u>	<u>(295,570)</u>
Net change in fund balances	(1,885)	1,265	(2,546)	(39,775)	1,030	(41,911)	-	(41,911)
Fund balances, beginning of year	<u>9,590</u>	<u>2,693</u>	<u>41,132</u>	<u>151,917</u>	<u>307</u>	<u>205,639</u>	<u>-</u>	<u>205,639</u>
Fund balances, end of year	<u>\$ 7,705</u>	<u>\$ 3,958</u>	<u>\$ 38,586</u>	<u>\$ 112,142</u>	<u>\$ 1,337</u>	<u>\$ 163,728</u>	<u>\$ -</u>	<u>\$ 163,728</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, 2015

	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	\$ 104,524	\$ 87,359	\$ 20,289	\$ 107,648	\$ (17,165)
Interest	-	-	-	1	1	-
Miscellaneous	700	700	500	-	500	(200)
Total revenues	71,558	105,224	87,859	20,290	108,149	(17,365)
Expenditures:						
Current:						
Public safety	52,726	86,186	85,195	4,550	89,745	991
Debt service:						
Principal	18,309	18,309	-	18,764	18,764	18,309
Interest	1,979	1,979	-	1,525	1,525	1,979
Total expenditures	73,014	106,474	85,195	24,839	110,034	21,279
Net change	(1,456)	(1,250)	2,664	<u>\$ (4,549)</u>	<u>\$ (1,885)</u>	3,914
Cash balance, beginning of year	10,283	10,283	10,283			-
Cash balance, end of year	<u>\$ 8,827</u>	<u>\$ 9,033</u>	<u>\$ 12,947</u>			<u>\$ 3,914</u>
Explanation of Differences:						
Fire allotment intercepted				\$ 20,289		
Interest income earned by agent				1		
Changes in accounts payable				(4,550)		
Payment to debt service				<u>(20,289)</u>		
				<u>\$ (4,549)</u>		

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, 2015

	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	\$ 23,600	\$ 23,600	\$ -	\$ 23,600	\$ -
Expenditures:						
Current:						
Public safety	8,920	7,920	7,175	-	7,175	745
Debt service:						
Principal	13,000	14,000	14,000	-	14,000	-
Interest	1,680	1,680	1,160	-	1,160	520
Total expenditures	<u>23,600</u>	<u>23,600</u>	<u>22,335</u>	<u>-</u>	<u>22,335</u>	<u>1,265</u>
Net change	-	-	1,265	<u>\$ -</u>	<u>\$ 1,265</u>	1,265
Cash balance, beginning of year	<u>2,693</u>	<u>2,693</u>	<u>2,693</u>			<u>-</u>
Cash balance, end of year	<u>\$ 2,693</u>	<u>\$ 2,693</u>	<u>\$ 3,958</u>			<u>\$ 1,265</u>

Explanation of Differences:

None.

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	\$ 46	\$ (2)	\$ 44	\$ (254)
Expenditures:						
Current:						
Public safety	5,000	5,565	5,564	1,004	6,568	1
(Deficiency) of revenues over expenditures	(4,700)	(5,265)	(5,518)	(1,006)	(6,524)	(253)
Other Financing Sources (Uses):						
Transfers in	5,000	5,000	3,978	-	3,978	(1,022)
Net change	300	(265)	(1,540)	<u>\$ (1,006)</u>	<u>\$ (2,546)</u>	(1,275)
Cash balance, beginning of year	41,128	41,128	41,128			-
Cash balance, end of year	<u>\$ 41,428</u>	<u>\$ 40,863</u>	<u>\$ 39,588</u>			<u>\$ (1,275)</u>
Explanation of Differences:						
Change in receivables				\$ (2)		
Change in accounts payable				<u>(1,004)</u>		
				<u>\$ (1,006)</u>		

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, 2015

	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	\$ 235,000	\$ 322,066	\$ 322,066	\$ (34,885)	\$ 287,181	\$ -
Intergovernmental:						
State	23,896	27,476	8,780	7,736	16,516	(18,696)
Charges for services	1,500	1,725	1,724	-	1,724	(1)
Interest	10	10	1	-	1	(9)
Miscellaneous	2,300	2,300	1,350	2,000	3,350	(950)
Total revenues	262,706	353,577	333,921	(25,149)	308,772	(19,656)
Expenditures:						
Current:						
Culture and recreation	55,586	55,586	37,635	(246)	37,389	17,951
Debt service:						
Principal	2,000	3,000	3,000	-	3,000	-
Interest	8,690	8,690	8,610	-	8,610	80
Total expenditures	66,276	67,276	49,245	(246)	48,999	18,031
(Deficiency) of revenues over expenditures	196,430	286,301	284,676	(24,903)	259,773	(1,625)
Other Financing Sources (Uses):						
Transfers in	22,518	22,518	10,000	-	10,000	(12,518)
Transfers (out)	(235,000)	(322,066)	(309,548)	-	(309,548)	12,518
Total other financing sources (uses)	(212,482)	(299,548)	(299,548)	-	(299,548)	-
Net change	(16,052)	(13,247)	(14,872)	\$ (24,903)	\$ (39,775)	(1,625)
Cash balance, beginning of year	82,847	82,847	82,847			-
Cash balance, end of year	<u>\$ 66,795</u>	<u>\$ 69,600</u>	<u>\$ 67,975</u>			<u>\$ (1,625)</u>
Explanation of Differences:						
Change in receivables				\$ (25,149)		
Change in accounts payable				246		
				<u>\$ (24,903)</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual on GAAP Basis</u>	<u>Budgetary Basis Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Revenues:						
Intergovernmental:						
State	\$ 1,500	\$ 1,700	\$ 1,700	\$ -	\$ 1,700	\$ -
Expenditures:						
Current:						
Health and welfare	<u>1,500</u>	<u>1,500</u>	<u>670</u>	<u>-</u>	<u>670</u>	<u>830</u>
Net change	-	200	1,030	<u>\$ -</u>	<u>\$ 1,030</u>	830
Cash balance, beginning of year	<u>307</u>	<u>307</u>	<u>307</u>			<u>-</u>
Cash balance, end of year	<u>\$ 307</u>	<u>\$ 507</u>	<u>\$ 1,337</u>			<u>\$ 830</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, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ (500,000)
Expenditures:						
Current:						
Capital outlay	500,000	500,000	-	-	-	500,000
Net change	-	-	-	\$ -	\$ -	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
Explanation of Differences:						
None.						

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

**INDIVIDUAL OTHER
ENTERPRISE FUND FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Cemetery Fund</u>
Assets:	
Current assets:	
Cash	\$ 3,100
Non-current assets:	
Capital assets:	
Land and construction in progress	120,300
Other capital assets, net of accumulated depreciation	<u>502,053</u>
Total non-current assets	<u>622,353</u>
Total assets	<u><u>\$ 625,453</u></u>
Net Position:	
Net investment in capital assets	\$ 622,353
Unrestricted	<u>3,100</u>
Total net position	<u><u>\$ 625,453</u></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, 2015

	Cemetery Fund
Operating Revenues:	
Charges for services	\$ 3,100
Operating Expenses:	
Depreciation and amortization	2,304
Operating income	796
Capital Contributions and Transfers:	
Capital contributions	351,371
Transfers in	13,662
Total capital contributions and transfers	365,033
Change in net position	365,829
Net position, beginning of year	-
Restatements	259,624
Net position, beginning of year, restated	259,624
Net position, end of year	\$ 625,453

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

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2015

	Cemetery Fund
Cash Flows From Operating Activities:	
Cash received from customers	\$ 3,100
Cash Flows for Non-Capital and Financing Activities:	
Cash received from capital contributions	351,371
Net transfers in (out)	13,662
Net cash provided by non-capital and related financing activities	365,033
Cash Flows for Capital and Financing Activities:	
Acquisition of capital assets	(365,033)
Net increase in cash	3,100
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ 3,100
Displayed as:	
Cash	\$ 3,100
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 796
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and amortization	2,304
Change in Assets and Liabilities:	
None.	-
Total adjustments	2,304
Net cash provided by operating activities	\$ 3,100

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

**MAJOR ENTERPRISE FUNDS
BUDGETARY COMPARISON STATEMENTS**

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, 2015

	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	\$ 613,075	\$ 591,331	\$ (15,952)	\$ 575,379	\$ (21,744)
Miscellaneous	34,000	40,896	40,888	-	40,888	(8)
Total operating revenues	636,600	653,971	632,219	(15,952)	616,267	(21,752)
Operating Expenses:						
Personnel services	468,379	472,849	442,901	(22,297)	420,604	29,948
Utilities	36,000	36,490	36,490	(342)	36,148	-
Contractual services	32,515	34,186	30,839	201	31,040	3,347
Repairs and maintenance	36,300	42,015	31,977	8,339	40,316	10,038
Insurance claims and expenses	20,000	20,000	15,340	-	15,340	4,660
Other operating expenses	129,700	152,530	134,530	(21,229)	113,301	18,000
Depreciation and amortization	-	-	-	150,107	150,107	-
Total operating expenses	722,894	758,070	692,077	114,779	806,856	65,993
Operating (loss)	(86,294)	(104,099)	(59,858)	(130,731)	(190,589)	44,241
Non-Operating Revenues (Expenses):						
Sales taxes	96,000	161,517	161,512	(17,449)	144,063	(5)
Intergovernmental	946,600	946,600	-	-	-	946,600
Interest income	1,100	1,100	818	(15)	803	282
Capital outlay	(1,772,471)	(1,746,271)	(324,270)	324,270	-	(1,422,001)
Debt service - principal	(78,512)	(88,637)	(86,637)	86,637	-	(2,000)
Interest expense and other charges	(25,662)	(25,662)	(21,995)	2,227	(19,768)	(3,667)
Total non-operating revenues (expenses)	(832,945)	(751,353)	(270,572)	395,670	125,098	(480,791)
Income (loss) before capital contributions and transfers	(919,239)	(855,452)	(330,430)	264,939	(65,491)	(436,550)
Capital Contributions and Transfers:						
Capital contributions	651,871	651,871	96,908	80,602	177,510	(554,963)
Transfers in	115,280	269,444	-	-	-	(269,444)
Transfers (out)	(169,280)	(323,444)	(42,670)	-	(42,670)	280,774
Loan proceeds	-	-	41,787	(41,787)	-	41,787
Total capital contributions and transfers	597,871	597,871	96,025	38,815	134,840	(501,846)
Special item: Proceeds from sale of capital assets	1,000	1,000	-	(15,293)	(15,293)	(1,000)
Net change	(320,368)	(256,581)	(234,405)	\$ 288,461	\$ 54,056	22,176
Cash balance, beginning of year	1,093,616	1,093,616	1,093,616			-
Cash balance, end of year	\$ 773,248	\$ 837,035	\$ 859,211			\$ 22,176

Explanation of Differences:

Change in receivables	\$ 57,187
Addition in capital assets	324,270
Change in accounts payable	11,951
Change in accrued salaries	(455)
Change in accrued interest payable	2,227
Change in deposits payable	(8,921)
Change in compensated absences	1,614
Change in long-term debt	44,850
Change in net pension liability	21,138
Restatement of sale of assets	(15,293)
Depreciation expense	(150,107)
	<u>\$ 288,461</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, 2015

	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	\$ 416,215	\$ 416,217	\$ 858	\$ 417,075	\$ 2
Miscellaneous	100	100	1	-	1	(99)
Total revenues	393,600	416,315	416,218	858	417,076	(97)
Operating Expenses:						
Personnel services	201,162	201,377	197,499	(10,359)	187,140	3,878
Contractual services	254,641	266,066	266,059	1,934	267,993	7
Repairs and maintenance	2,000	2,000	-	-	-	2,000
Insurance claims and expenses	14,000	12,360	9,123	-	9,123	3,237
Other operating expenses	21,400	21,400	19,375	326	19,701	2,025
Depreciation expense	-	-	-	2,823	2,823	-
Total expenditures	493,203	503,203	492,056	(5,276)	486,780	11,147
Operating income (loss)	(99,603)	(86,888)	(75,838)	6,134	(69,704)	11,050
Non-Operating Revenues (Expenses):						
State shared taxes	10,700	15,965	15,963	(1,721)	14,242	2
Interest income	600	600	326	(7)	319	274
Capital outlay	(10,000)	-	-	-	-	-
Total non-operating revenues (expenses)	1,300	16,565	16,289	(1,728)	14,561	276
Transfers:						
Transfers in	5,583	5,583	5,583	-	5,583	-
Transfers (out)	(10,000)	(10,000)	(10,000)	-	(10,000)	-
Total transfers	(4,417)	(4,417)	(4,417)	-	(4,417)	-
Net change	(102,720)	(74,740)	(63,966)	\$ 4,406	\$ (59,560)	10,774
Cash balance, beginning of year	395,649	395,649	395,649			-
Cash balance, end of year	\$ 292,929	\$ 320,909	\$ 331,683			\$ 10,774
Explanation of Differences:						
Change in receivables				\$ (870)		
Change in accounts payable				(2,260)		
Change in accrued salaries				(363)		
Change in compensated absences				1,293		
Change in net pension liability				9,429		
Depreciation expense				(2,823)		
				\$ 4,406		

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, 2015

	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	\$ 574,900	\$ 574,900	\$ 564,779	\$ (18,375)	\$ 546,404	\$ (10,121)
Miscellaneous	9,800	9,800	9,494	-	9,494	(306)
Total revenues	584,700	584,700	574,273	(18,375)	555,898	(10,427)
Operating Expenses:						
Personnel services	218,458	219,668	214,235	(5,752)	208,483	5,433
Utilities	149,600	156,275	156,273	6,329	162,602	2
Contractual services	67,376	67,376	37,971	42	38,013	29,405
Repairs and maintenance	33,700	33,700	20,063	5,923	25,986	13,637
Insurance claims and expenses	14,000	14,000	13,173	-	13,173	827
Other operating expenses	42,700	67,595	62,521	3,406	65,927	5,074
Depreciation expense	-	-	-	236,197	236,197	-
Total expenditures	525,834	558,614	504,236	246,145	750,381	54,378
Operating income (loss)	58,866	26,086	70,037	(264,520)	(194,483)	43,951
Non-Operating Revenues (Expenses):						
Interest income	6,500	6,500	3,870	(96)	3,774	(2,630)
Capital outlay	(3,621,045)	(3,587,725)	(3,241,968)	3,241,968	-	345,757
Debt service - principal	(63,000)	(63,340)	(63,338)	63,338	-	2
Interest expense and other charges	(10,000)	(10,200)	(10,195)	338	(9,857)	5
Total non-operating revenues (expenses)	(3,687,545)	(3,654,765)	(3,311,631)	3,305,644	(6,083)	343,134
Capital Contributions and Transfers:						
Capital contributions	3,498,291	3,498,291	3,173,198	(305,825)	2,867,373	(325,093)
Transfers in	80,627	80,627	22,670	-	22,670	(57,957)
Transfers (out)	(66,627)	(66,627)	(20,000)	-	(20,000)	46,627
Total capital contributions and transfers	3,512,291	3,512,291	3,175,868	(305,825)	2,870,043	(336,423)
Net change	(116,388)	(116,388)	(65,726)	\$ 2,735,299	\$ 2,669,477	50,662
Cash balance, beginning of year	1,884,377	1,884,377	1,884,377			-
Cash balance, end of year	<u>\$ 1,767,989</u>	<u>\$ 1,767,989</u>	<u>\$ 1,818,651</u>			<u>\$ 50,662</u>
Explanation of Differences:						
Change in receivables				\$ (630,025)		
Addition to capital assets				3,241,968		
Change in accounts payable				290,125		
Change in accrued salaries				(4,237)		
Change in compensated absences				(22)		
Change in accrued interest payable				338		
Change in long-term debt				63,338		
Change in net pension liability				10,011		
Depreciation expense				(236,197)		
				<u>\$ 2,735,299</u>		

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

**OTHER ENTERPRISE FUND
BUDGETARY COMPARISON STATEMENT**

STATE OF NEW MEXICO
CITY OF BAYARD
CEMETERY 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, 2015

	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	\$ -	\$ 3,100	\$ 3,100	\$ -	\$ 3,100	\$ -
Operating Expenses:						
Depreciation expense	-	-	-	2,304	2,304	-
Operating income	-	3,100	3,100	(2,304)	796	-
Capital Contributions and Transfers:						
Capital contributions	-	-	-	351,371	351,371	-
Transfers in	-	-	-	13,662	13,662	-
Total capital contributions and transfers	-	-	-	365,033	365,033	-
Net change	-	3,100	3,100	\$ 362,729	\$ 365,829	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ -	\$ 3,100	\$ 3,100			\$ -
Explanation of Differences:						
Transfer of capital contributions				\$ 351,371		
Transfer of capital assets				13,662		
Depreciation expense				(2,304)		
				\$ 362,729		

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2015</u>
City of Bayard's proportion of the net pension liability (asset)	0.0838%
City of Bayard's proportionate share of the net pension liability (asset)	\$ 653,730
City of Bayard's covered-employee payroll	\$ 677,729
City of Bayard's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.46%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

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

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

	2015
City of Bayard's proportion of the net pension liability (asset)	0.0928%
City of Bayard's proportionate share of the net pension liability (asset)	\$ 320,121
City of Bayard's covered-employee payroll	\$ 189,369
City of Bayard's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	169.05%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

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

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

	2015
Contractually required contribution	\$ 83,569
Contributions in relation to the contractually required contribution	83,569
Contribution deficiency (excess)	\$ -
City of Bayard's covered-employee payroll	\$ 669,166
Contributions as a percentage of covered-employee payroll	12.49%

*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the City of Bayard will present information for those years for which information is available.

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

	2015
Contractually required contribution	\$ 42,349
Contributions in relation to the contractually required contribution	42,349
Contribution deficiency (excess)	\$ -
City of Bayard's covered-employee payroll	\$ 198,169
Contributions as a percentage of covered-employee payroll	21.37%

*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the City of Bayard will present information for those years for which information is available.

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

Changes of benefit terms - The PERA fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 14 audit report. That report is available at the following internet address:

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

Changes of assumption - The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2014, is available at the following internet address:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014PERA%Valutation%20Report_FINAL.pdf.

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

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2015

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
First American Bank 1609 N. Swan St. Silver City, NM 88061				
Checking accounts:				
General	Checking	\$ 3,127,938	\$ (145,578)	\$ 2,982,360
EMS	Checking	1,337	-	1,337
Historical tourism	Checking	21,346	-	21,346
Community fund	Checking	1,717	-	1,717
Library trust	Checking	3,538	-	3,538
USDA water meter construction	Checking	1,000	-	1,000
Certificate of deposit	CD	18,633	-	18,633
Certificate of deposit	CD	119,426	-	119,426
Certificate of deposit	CD	24,844	-	24,844
Certificate of deposit	CD	60,726	-	60,726
Certificate of deposit	CD	62,111	-	62,111
Certificate of deposit	CD	495,518	-	495,518
Certificate of deposit	CD	93,240	-	93,240
Certificate of deposit	CD	124,048	-	124,048
Certificate of deposit	CD	186,182	-	186,182
Certificate of deposit	CD	365,116	-	365,116
		<u>\$ 4,706,720</u>	<u>\$ (145,578)</u>	<u>\$ 4,561,142</u>

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2015

First American Bank
1609 N. Swan St.
Silver City, NM 88061

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
Belen N Mex Cons Sch Dist No 2	077581MK9	08/01/15	\$ 100,473
Clovis NM Mun Sch Dist 1	189414GP4	08/01/21	207,632
Clovis NM Mun Sch Dist 1	189414JL0	08/01/21	408,844
Clovis NM Mun Sch Dist 1	189414JK2	08/01/20	308,685
Lea Cnty NM Sch Dist	521513AS0	06/15/16	204,494
Luna County NM School District	550340DN0	08/01/18	205,368
MBS FHLMC Gold 15 yr	3128MDKM4	11/01/27	726,139
Southern Sandoval County	843789DU9	08/01/15	100,366
Torrance Etc Cnty NM Sch	891400NG4	05/15/20	205,422
Torrance Etc Cnty NM Sch	891400NF6	05/15/19	411,792
		Total	<u><u>\$ 2,879,215</u></u>

The holder of the security pledged by First American Bank 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, 2015**

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, 2015, the governments have expended \$14,411,894 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 \$185,000.
- F. **Amount contributed in the current fiscal year** – The Village of Santa Clara contributed \$175,635; Town of Hurley contributed \$144,874; Grant County (North Hurley) contributed \$37,884; 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 \$22,670 from other funds.
- G. **Audit Responsibility** – The City of Bayard is responsible for the annual audit of all the financial activity.
- H. **Fiscal Agent** – The City of Bayard is the fiscal agent.
- I. **Name of government where revenues and expenditures are recorded** – City of Bayard.

ADDITIONAL INFORMATION

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

RFB# RFP#	Type of Procurement	Awarded Vendor	Amount Awarded Contract	Amount Amended Contract	Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded	In-State/ Out of State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor in-state and Chose Veteran's Preference (Yes or No) for Federal Funds Answer N/A	Brief Description of the Scope of Work
GES2015	Proposal	Engineers, Inc.	\$ -	\$ -	Engineer's Inc. 3400 Hwy 180, Suite A Silver City, NM 88061	In-State	No	General Engineering Services
					Crenshaw Consulting Group 1475 N. Main St., Suite E Las Cruces, NM 88001	In-State	No	
					Stubbs Engineering, Inc. 277 E. Amador, Suite 200 Las Cruces, NM 88001	In-State	No	
					Souder, Miller & Associates 401 N. 17th St. Las Cruces, NM 88005	In-State	No	
					Molzen Corbin 1155 Commerce Dr., Suite F Las Cruces, NM 88001	In-State	No	
					Zia Engineering 755 S. Telshor Blvd, Suite F-201 Las Cruces, NM 88001	In-State	No	
					Vertterre Corporation 320 Gold Ave., Suite 500 Albuquerque, NM 87102	In-State	No	
2014-SSC	Proposal	Engineers, Inc.	\$ 28,096	\$ -	Engineer's Inc. 3400 Hwy 180, Suite A Silver City, NM 88061	In-State	N/A	CDBG - Engineering Services
					Paiki 2901 Juan Tabo NE, Ste 201 Albuquerque, NM 87112	In-State	N/A	

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

RFB# RFP#	Type of Procurement	Awarded Vendor	Amount Awarded Contract	Amount Amended Contract	Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded	In-State/ Out of State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor in-state and Chose Veteran's Preference (Yes or No) for Federal Funds Answer N/A	Brief Description of the Scope of Work
2014WMIP	Proposal	Engineers, Inc.	\$ 41,816	\$ -	Engineer's Inc. 3400 Hwy 180, Suite A Silver City, NM 88061	N/A	N/A	Engineering Services
					Wilson & Company 414 N. Main St., Suite A Las Cruces, NM 88001	N/A	N/A	
Bayard Cemetery	Bid	SW Concrete & Paving	\$ 274,427	\$ -	SW Concrete & Paving P.O. Box 2278 Silver City, NM 88023	N	No	Construction of Cemetery
SWCS 2015	Bid	Southwest Disposal			Southwest Disposal 2485 W. Amador Las Cruces, NM 88004	Yes	No	Garbage Collection & Disposal
Waste Water 2014 #2	Proposal	Tatsch Construction	\$ 3,172,804		Tatsch Construction 208 Hwy 180 West Silver City, NM 88062	Yes	No	Construction of WW 2 Improvements.
					Anderson-Brown, Inc. 1210 Prosperity Ave., SE Suite B Albuquerque, NM 87105	Yes	No	
					SmithCo Construction, Inc. P.O. Box 45 Caballo, NM 87931	Yes	No	
					SunWestern Contractors 2925 E. Ganley Road Tucson, AZ 85706	No	No	
					Morrow Enterprises, Inc. P.O. Box 1747 Las Cruces, NM 88004	Yes	No	

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

RFB# RFP#	Type of Procurement	Awarded Vendor	Amount Awarded Contract	Amount Amended Contract	Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded	In-State/ Out of State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor in-state and Chose Veteran's Preference (Yes or No) for Federal Funds Answer N/A	Brief Description of the Scope of Work
Waste Water 2014 #2	Proposal	Tatsch Construction	\$ 3,172,804		RMCI, Inc. 6211 Chappell Road, NE Albuquerque, NM 87113	Yes	No	Construction of WW 2 Improvements.
Backhoe	State Contract Purchase	Titan Machinery	\$ 156,426		Titan Machinery 6813 Edith Blvd., NE Albuquerque, NM 87113	N/A	N/A	Backhoe purchase utilizing state agreement
RWW 2013	Proposal	Trumm Engineering - MBI, Inc.	\$ -		Trumm Engineering - MBI, inc. 416 Bryn Mawr Dr., SE Albuquerque, NM 87106	No	No	Engineering Services
					Smith Engineering Co. 201 N. Church St., Suite 300 Las Cruces, NM 88001	Yes	No	

ADDITIONAL INDEPENDENT AUDITORS' REPORT

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

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

Timothy Keller, 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, 2015, 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 December 15, 2015.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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. The results of our test disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-003 and CU2015-001.

The City's Responses to Findings

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

Purpose of this Report

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

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

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

December 15, 2015

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

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 was one instance where an actual meal receipt was not submitted by employee. The total amount of meal receipt was \$7.03.
- There were two instances where meal receipt exceeded limit allowed by Travel & Per Diem Act. The payroll clerk processed payroll deductions for access amounts. The access amounts were miscalculated. The total amount due to employees is \$9.73.
- There were four instances where the travel expenditures were incorrectly posted to the general ledger for total amount of \$569.24.

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

Furthermore, Section 2.42.2.9B(2) of the Travel and Per Diem 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 Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

Cause – The city staff did not have a complete understanding of the Travel and Per Diem Act.

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

Views of Responsible Officials and Planned Corrective Actions – Staff (clerk-treasurer and deputy clerk-treasurer) will review all travel transactions throughout the fiscal year, for verification of applicable rates and use of correct expense line items. Additional office staff (accounts payable clerk) will be trained to assist in the review process of all travel request forms to provide additional oversight for travel and per diem.

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

Component Unit

Item CU2015-001 – Other - Tenant Eligibility

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

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

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions – The Authority concurs with the auditors' recommendation. Authority staff (executive director and housing manager) will review all tenant files during their annual re-examination process, to ensure they are complete, correct, and accurate in accordance with U.S. Department of Housing and Urban Development guidelines.

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

PRIOR YEARS' AUDIT FINDINGS

Primary Government

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.

Component Unit

None.

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

**CITY OF BAYARD
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2015, was discussed during the exit conference held on December 15, 2015. 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, 2015, was discussed during the exit conference held on December 1, 2015. 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, 2015. 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.