

**STATE OF NEW MEXICO
CITY OF BAYARD**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2016

STATE OF NEW MEXICO
CITY OF BAYARD
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STATE OF NEW MEXICO
CITY OF BAYARD
Directory of Officials
June 30, 2016

ELECTED OFFICIALS

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

DEPARTMENT HEADS

Kristina V. Ortiz	Clerk-Treasurer
Anna M. Binder	Deputy Clerk-Treasurer
Willy Kerin	Police Chief
Euphemio Gonzalez.....	Fire Chief
Jason Jaeger	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 funds of the City of Bayard (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds, and the budgetary comparison for the major capital project and 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, 2016, 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, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental funds of the City as of June 30, 2016, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital project and enterprise funds, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America requested that the schedule 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 basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and other schedules required by Section 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 14, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Fierro + Fierro, P.A.

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

December 14, 2016

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash	\$ 1,401,624	\$ 2,171,385	\$ 3,573,009	\$ 487,190
Receivables, net	95,757	271,501	367,258	35
Prepaid expenses	-	-	-	11,335
Inventory	-	-	-	2,768
Total current assets	1,497,381	2,442,886	3,940,267	501,328
Noncurrent assets:				
Restricted cash	52,782	768,305	821,087	16,023
Restricted investments	39	38,142	38,181	-
Capital assets:				
Land and construction in progress	268,482	1,420,255	1,688,737	145,097
Other capital assets, net of depreciation	8,827,390	19,482,225	28,309,615	1,086,037
Total noncurrent assets	9,148,693	21,708,927	30,857,620	1,247,157
Deferred Outflows of Resources:				
Pension related	97,295	66,303	163,598	11,044
Total assets and deferred outflows of resources	<u>\$ 10,743,369</u>	<u>\$ 24,218,116</u>	<u>\$ 34,961,485</u>	<u>\$ 1,759,529</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 20,876	\$ 265,773	\$ 286,649	\$ 10,560
Accrued salaries	18,012	28,530	46,542	5,303
Accrued payroll liabilities	-	-	-	1,355
Accrued interest payable	2,520	22,425	24,945	-
Customer deposits	-	82,879	82,879	-
Tenant deposits	-	-	-	16,023
Unearned revenues	-	-	-	1,150
Current maturities of:				
Bonds payable	3,000	4,585	7,585	-
Notes payable	19,755	126,640	146,395	-
Compensated absences	10,496	10,044	20,540	3,662
Total current liabilities	74,659	540,876	615,535	38,053
Noncurrent liabilities:				
Bonds payable	206,250	293,977	500,227	-
Notes payable	-	1,149,439	1,149,439	-
Compensated absences	2,913	6,682	9,595	3,014
Net pension liability	653,652	693,986	1,347,638	128,468
Total noncurrent liabilities	862,815	2,144,084	3,006,899	131,482
Total liabilities	937,474	2,684,960	3,622,434	169,535
Deferred Inflows of Resources:				
Pension related	25,785	17,838	43,623	8,068
Net Position:				
Net investment in capital assets	8,866,867	19,327,839	28,194,706	1,231,134
Restricted:				
Debt service	52,821	370,061	422,882	-
State mandated per statutes	115,566	-	115,566	-
Unrestricted	744,856	1,817,418	2,562,274	350,792
Total net position	9,780,110	21,515,318	31,295,428	1,581,926
Total liabilities, deferred inflows of resources and net position	<u>\$ 10,743,369</u>	<u>\$ 24,218,116</u>	<u>\$ 34,961,485</u>	<u>\$ 1,759,529</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, 2016**

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	\$ 225,447	\$ 63,995	\$ 185,154	\$ -	\$ 23,702	-	\$ 23,702	
Public safety	609,498	22,307	189,385	89,800	(308,006)	-	(308,006)	
Public works	234,047	160	-	115,670	(118,217)	-	(118,217)	
Culture and recreation	137,778	1,378	11,973	378,898	254,471	-	254,471	
Health and welfare	6,884	-	-	-	(6,884)	-	(6,884)	
Interest on long-term debt	9,471	-	-	-	(9,471)	-	(9,471)	
Total governmental activities	1,223,125	87,840	386,512	584,368	(164,405)	-	(164,405)	
Business-type activities:								
Water	716,040	427,571	-	524,380	-	\$ 235,911	235,911	
Wastewater	473,073	623,107	-	-	-	150,034	150,034	
Solid waste	966,477	580,023	-	70,026	-	(316,428)	(316,428)	
Cemetery	7,712	100	-	-	-	(7,612)	(7,612)	
Interest on long-term debt	28,657	-	-	-	-	(28,657)	(28,657)	
Total business-type activities	2,191,959	1,630,801	-	594,406	-	33,248	33,248	
Total primary government	\$ 3,415,084	\$ 1,718,641	\$ 386,512	\$ 1,178,774	(164,405)	33,248	(131,157)	
Component Unit:								
Public Housing	\$ 397,711	\$ 197,224	\$ 183,598	\$ 136,407				\$ 119,518
General Revenues:								
Gross receipts taxes					320,586	109,741	430,327	-
Property taxes, levied for general purposes					32,009	-	32,009	-
Franchise taxes					53,346	-	53,346	-
Public service taxes					24,389	-	24,389	-
Interest income					1,084	6,814	7,898	733
Donations					13,861	-	13,861	-
Transfers					(32,095)	32,095	-	-
Total general revenues and transfers					413,180	148,650	561,830	733
Changes in net position					248,775	181,898	430,673	120,251
Net position, beginning of year					9,526,995	21,314,297	30,841,292	1,461,675
Restatements					4,340	19,123	23,463	-
Net position, beginning of year, restated					9,531,335	21,333,420	30,864,755	1,461,675
Net position, end of year					\$ 9,780,110	\$ 21,515,318	\$ 31,295,428	\$ 1,581,926

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, 2016**

	General Fund	Municipal Streets Fund	Library Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 1,126,875	\$ 182,464	\$ 21,916	\$ -	\$ 70,369	\$ 1,401,624
Receivables, net	58,045	6,535	31,174	-	3	95,757
Restricted:						
Cash	-	-	52,782	-	-	52,782
Investments	-	-	-	-	39	39
Total assets	<u>\$ 1,184,920</u>	<u>\$ 188,999</u>	<u>\$ 53,090</u>	<u>\$ -</u>	<u>\$ 70,411</u>	<u>\$ 1,550,202</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 16,867	\$ 1,829	\$ 953	\$ -	\$ 1,227	\$ 20,876
Accrued salaries	18,012	-	-	-	-	18,012
Total liabilities	34,879	1,829	953	-	1,227	38,888
Deferred Inflows of Resources:						
Unavailable property taxes	39,979	-	-	-	-	39,979
Fund Balances:						
Restricted:						
Debt service	-	-	52,782	-	39	52,821
State mandated per statutes	-	-	-	-	51,687	51,687
One twelfth budget reserve	63,879	-	-	-	-	63,879
Committed:						
Subsequent year's expenditures	183,953	-	-	-	17,458	201,411
Assigned	-	187,170	52,137	-	-	239,307
Unassigned	862,230	-	-	-	-	862,230
Total fund balances	<u>1,110,062</u>	<u>187,170</u>	<u>52,782</u>	<u>-</u>	<u>69,184</u>	<u>1,471,335</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,184,920</u>	<u>\$ 188,999</u>	<u>\$ 53,735</u>	<u>\$ -</u>	<u>\$ 70,411</u>	<u>\$ 1,550,202</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, 2016

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

Total fund balance governmental funds (page seven)	\$	1,471,335
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,095,872
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.		39,979
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(896,066)
Certain accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(2,520)
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 \$97,295 is equal to 2016 employer contributions related to pensions.		97,295
Deferred inflows of resources related to pensions.		(25,785)
Net position of governmental activities (page five)	\$	9,780,110

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, 2016

	General Fund	Municipal Streets Fund	Library Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Gross receipts taxes	\$ 71,527	\$ 49,933	\$ 199,126	\$ -	\$ -	\$ 320,586
Property taxes	11,146	-	-	-	-	11,146
Franchise taxes	53,346	-	-	-	-	53,346
Public service taxes	6,997	17,392	-	-	-	24,389
Intergovernmental:						
Federal	-	-	-	368,202	89,800	458,002
State	268,891	115,670	22,669	-	106,825	514,055
Charges for services	52,743	-	1,154	-	-	53,897
Licenses and permits	3,940	-	-	-	-	3,940
Fines and forfeitures	16,672	-	-	-	-	16,672
Interest	494	482	2	-	106	1,084
Miscellaneous	17,401	160	7,454	-	1,000	26,015
Total revenues	503,157	183,637	230,405	368,202	197,731	1,483,132
Expenditures:						
Current:						
General government	200,123	-	-	-	-	200,123
Public safety	460,966	-	-	-	78,722	539,688
Public works	-	122,402	-	75	-	122,477
Culture and recreation	25,788	-	34,610	-	-	60,398
Health and welfare	3,200	-	-	-	1,732	4,932
Capital outlay	193,882	201,155	4,128	212,557	-	611,722
Debt service:						
Principal	-	-	3,000	-	34,245	37,245
Interest and other charges	-	-	8,490	-	1,644	10,134
Total expenditures	883,959	323,557	50,228	212,632	116,343	1,586,719
Excess (deficiency) revenues over expenditures	(380,802)	(139,920)	180,177	155,570	81,388	(103,587)
Other Financing Sources (Uses):						
Transfers in	331,239	187,154	10,000	1,000	11,164	540,557
Transfers (out)	(142,728)	(1,000)	(197,400)	(156,570)	(74,954)	(572,652)
Total other financing sources (uses)	188,511	186,154	(187,400)	(155,570)	(63,790)	(32,095)
Net change in fund balances	(192,291)	46,234	(7,223)	-	17,598	(135,682)
Fund balance, beginning of year	1,302,353	140,936	112,142	-	51,586	1,607,017
Fund balance, end of year	\$ 1,110,062	\$ 187,170	\$ 104,919	\$ -	\$ 69,184	\$ 1,471,335

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, 2016

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

Net change in fund balances total governmental fund (page nine)	\$	(135,682)
<p>Governmental funds report capital outlay as expenditures in the amount of \$611,722; 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 \$265,143. The net adjustments between the amounts is \$345,579.</p>		
		345,579
<p>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, 2015, unavailable property taxes amounted to \$19,116. The unavailable property taxes for the current fiscal year amounted to \$39,979; therefore, the net adjustment is \$20,863.</p>		
		(20,863)
<p>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.</p>		
		663
<p>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.</p>		
		37,245
<p>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.</p>		
		3,409
<p>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:</p>		
Pension contributions	\$73,273	
Cost of benefits earned net of employee contributions (pension expense)	(54,849)	
		18,424
Net change in net position - statement of activities (page six)	\$	248,775

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, 2016

	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	\$ 75,600	\$ 75,594	\$ (4,067)	\$ 71,527	\$ (6)
Property taxes	30,091	31,086	29,981	(18,835)	11,146	(1,105)
Franchise taxes	62,500	62,500	56,054	(2,708)	53,346	(6,446)
Public service taxes	10,150	10,555	7,050	(53)	6,997	(3,505)
Intergovernmental:						
State	400,000	473,500	258,654	10,237	268,891	(214,846)
Charges for services	56,020	59,215	51,690	1,053	52,743	(7,525)
Licenses and permits	3,850	4,350	3,940	-	3,940	(410)
Fines and forfeitures	35,500	35,500	17,849	(1,177)	16,672	(17,651)
Interest	455	590	494	-	494	(96)
Miscellaneous	17,000	21,886	17,401	-	17,401	(4,485)
Total revenues	679,566	774,782	518,707	(15,550)	503,157	(256,075)
Expenditures:						
Current:						
General government	214,467	219,567	201,888	(1,765)	200,123	17,679
Public safety	501,557	509,182	459,698	1,268	460,966	49,484
Culture and recreation	31,600	36,645	26,648	(860)	25,788	9,997
Health and welfare	4,500	4,500	3,222	(22)	3,200	1,278
Capital outlay	150,500	241,365	207,161	(13,279)	193,882	34,204
Total expenditures	902,624	1,011,259	898,617	(14,658)	883,959	112,642
(Deficiency) of revenues over expenditures	(223,058)	(236,477)	(379,910)	(24,723)	(380,802)	(143,433)
Other Financing Sources (Uses):						
Transfers in	174,482	175,453	331,239	-	331,239	155,786
Transfers (out)	(75,583)	(156,764)	(118,897)	(23,831)	(142,728)	37,867
Total other financing sources (uses)	98,899	18,689	212,342	(23,831)	188,511	193,653
Special Item:						
Proceeds from sale of capital assets	500	500	-	-	-	(500)
Net change	(123,659)	(217,288)	(167,568)	\$ (48,554)	\$ (192,291)	49,720
Cash balance, beginning of year	1,294,443	1,294,443	1,294,443			-
Cash balance, end of year	<u>\$ 1,170,784</u>	<u>\$ 1,077,155</u>	<u>\$ 1,126,875</u>			<u>\$ 49,720</u>
Explanation of Differences:						
Change in receivables				\$ 5,313		
Change in accounts payable				(6,739)		
Change in accrued salaries				(2,434)		
Change in unearned revenues				(20,863)		
Change in transfers				(23,831)		
				<u>\$ (48,554)</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, 2016

	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	\$ 52,655	\$ 52,651	\$ (2,718)	\$ 49,933	\$ (4)
Public service taxes	28,000	28,000	19,007	(1,615)	17,392	(8,993)
Intergovernmental:						
Federal	-	-	-	-	-	-
State	123,104	123,104	123,104	(7,434)	115,670	-
Charges for services	100	100	-	-	-	(100)
Interest	1,700	1,700	479	3	482	(1,221)
Miscellaneous	-	200	160	-	160	(40)
Total revenues	204,904	205,759	195,401	(11,764)	183,637	(10,358)
Expenditures:						
Current:						
Public works	125,640	131,065	126,185	(3,783)	122,402	4,880
Capital outlay	49,000	201,158	201,155	-	201,155	3
Total expenditures	174,640	332,223	327,340	(3,783)	323,557	4,883
Excess (deficiency) of revenues over expenditures	30,264	(126,464)	(131,939)	(7,981)	(139,920)	(5,475)
Other Financing Sources (Uses):						
Transfers in	37,083	187,154	187,154	-	187,154	-
Transfers (out)	-	(1,000)	(1,000)	-	(1,000)	-
Total other financing sources (uses)	37,083	186,154	186,154	-	186,154	-
Net change	67,347	59,690	54,215	\$ (7,981)	\$ 46,234	(5,475)
Cash balance, beginning of year	128,249	128,249	128,249			-
Cash balance, end of year	<u>\$ 195,596</u>	<u>\$ 187,939</u>	<u>\$ 182,464</u>			<u>\$ (5,475)</u>
Explanation of Differences:						
Change in receivables				\$ (11,764)		
Change in accounts payable				1,153		
Change in accrued salaries				2,630		
				<u>\$ (7,981)</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, 2016

	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	\$ 162,000	\$ 209,920	\$ 209,918	\$ (10,792)	\$ 199,126	\$ (2)
Intergovernmental:						
State	44,588	45,790	25,384	(2,715)	22,669	(20,406)
Charges for services	2,000	2,000	1,154	-	1,154	(846)
Interest	10	10	2	-	2	(8)
Miscellaneous	2,200	7,455	7,454	-	7,454	(1)
Total revenues	210,798	265,175	243,912	(13,507)	230,405	(21,263)
Expenditures:						
Current:						
Culture and recreation	65,044	65,344	38,299	(4,717)	33,582	27,045
Capital outlay	-	-	-	4,128	4,128	-
Debt service:						
Principal	3,000	3,000	3,000	-	3,000	-
Interest	8,690	8,690	8,490	-	8,490	200
Total expenditures	76,734	77,034	49,789	(589)	49,200	200
(Deficiency) of revenues over expenditures	134,064	188,141	194,123	(12,918)	181,205	(21,063)
Other Financing Sources (Uses):						
Transfers in	22,518	22,518	10,000	-	10,000	(12,518)
Transfers (out)	(162,000)	209,920	(197,400)	-	(197,400)	(407,320)
Total other financing sources (uses)	(139,482)	232,438	(187,400)	-	(187,400)	(419,838)
Net change	(5,418)	420,579	6,723	\$ (12,918)	\$ (6,195)	(440,901)
Cash balance, beginning of year	67,975	67,975	67,975			-
Cash balance, end of year	\$ 62,557	\$ 488,554	\$ 74,698			\$ (440,901)
Explanation of Differences:						
Change in receivables				\$ (13,507)		
Change in accounts payable				589		
				\$ (12,918)		

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, 2016

	Water and Sewer Fund	Solid Waste Fund	Joint Wastewater Fund	Other Enterprise Fund	Total
Assets:					
Current assets:					
Cash	\$ 396,668	\$ 290,914	\$ 1,480,903	\$ 2,900	\$ 2,171,385
Receivables, net	119,081	69,680	82,740	-	271,501
Total current assets	515,749	360,594	1,563,643	2,900	2,442,886
Noncurrent assets:					
Restricted cash	535,170	-	233,135	-	768,305
Restricted investments	38,142	-	-	-	38,142
Capital assets:					
Land and construction in progress	1,094,689	-	165,097	160,469	1,420,255
Other capital assets, net of accumulated depreciation	6,552,522	11,289	12,423,773	494,641	19,482,225
Total noncurrent assets	8,220,523	11,289	12,822,005	655,110	21,708,927
Deferred Outflows of Resources:					
Pension related	34,490	15,403	16,410	-	66,303
Total assets and deferred outflows of resources	<u>\$ 8,770,762</u>	<u>\$ 387,286</u>	<u>\$ 14,402,058</u>	<u>\$ 658,010</u>	<u>\$ 24,218,116</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 227,658	\$ 23,658	\$ 14,457	\$ -	\$ 265,773
Accrued salaries	15,865	6,146	6,519	-	28,530
Accrued interest payable	17,316	-	5,109	-	22,425
Customer deposits	82,879	-	-	-	82,879
Current maturities of:					
Bonds payable	4,585	-	-	-	4,585
Notes payable	62,029	-	64,611	-	126,640
Compensated absences	5,933	1,006	3,105	-	10,044
Total current liabilities	416,265	30,810	93,801	-	540,876
Noncurrent Liabilities:					
Bonds payable	293,977	-	-	-	293,977
Notes payable	321,814	-	827,625	-	1,149,439
Compensated absences	4,037	-	2,645	-	6,682
Net pension liability	361,005	161,216	171,765	-	693,986
Total noncurrent liabilities	980,833	161,216	1,002,035	-	2,144,084
Total liabilities	1,397,098	192,026	1,095,836	-	2,684,960
Deferred Inflows of Resources:					
Pension related	9,279	4,144	4,415	-	17,838
Net Position:					
Net investment in capital assets	6,964,806	11,289	11,696,634	655,110	19,327,839
Restricted debt service	136,926	-	233,135	-	370,061
Unrestricted	262,653	179,827	1,372,038	2,900	1,817,418
Total net position	<u>7,364,385</u>	<u>191,116</u>	<u>13,301,807</u>	<u>658,010</u>	<u>21,515,318</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,770,762</u>	<u>\$ 387,286</u>	<u>\$ 14,402,058</u>	<u>\$ 658,010</u>	<u>\$ 24,218,116</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, 2016

	Water and Sewer Fund	Solid Waste Fund	Joint Wastewater Fund	Other Enterprise Fund	Total
Operating Revenues:					
Charges for services	\$ 586,786	\$ 423,763	\$ 566,999	\$ 100	\$ 1,577,648
Operating Expenses:					
Personnel services	379,525	162,020	182,232	-	723,777
Utilities	33,789	-	145,973	-	179,762
Contractual services	20,855	278,554	37,378	-	336,787
Repairs and maintenance	25,016	-	113,172	-	138,188
Insurance claims and expenses	17,588	11,901	15,168	-	44,657
Other operating expenses	83,265	17,775	92,213	300	193,553
Depreciation and amortization	156,002	2,823	380,341	7,412	546,578
Total operating expenses	<u>716,040</u>	<u>473,073</u>	<u>966,477</u>	<u>7,712</u>	<u>2,163,302</u>
Operating (loss)	(129,254)	(49,310)	(399,478)	(7,612)	(585,654)
Non-Operating Revenues (Expenses):					
Gross receipts taxes	95,771	13,970	-	-	109,741
Interest income	1,066	434	5,314	-	6,814
Miscellaneous	39,969	160	13,024	-	53,153
Interest expense	(19,095)	-	(9,562)	-	(28,657)
Total non-operating revenues (expenses)	<u>117,711</u>	<u>14,564</u>	<u>8,776</u>	<u>-</u>	<u>141,051</u>
Income (loss) before capital contributions and transfers	(11,543)	(34,746)	(390,702)	(7,612)	(444,603)
Capital Contributions and Transfers:					
Capital contributions	524,380	-	70,026	-	594,406
Transfers in	6,501	6,441	25,877	40,169	78,988
Transfers (out)	(29,109)	(1,446)	(16,338)	-	(46,893)
Total capital contributions and transfers	<u>501,772</u>	<u>4,995</u>	<u>79,565</u>	<u>40,169</u>	<u>626,501</u>
Change in net position	490,229	(29,751)	(311,137)	32,557	181,898
Net position, beginning of year	6,874,156	220,867	13,593,821	625,453	21,314,297
Restatements	-	-	19,123	-	19,123
Net position, beginning of year, restated	<u>6,874,156</u>	<u>220,867</u>	<u>13,612,944</u>	<u>625,453</u>	<u>21,333,420</u>
Net position, end of year	<u>\$ 7,364,385</u>	<u>\$ 191,116</u>	<u>\$ 13,301,807</u>	<u>\$ 658,010</u>	<u>\$ 21,515,318</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, 2016

	Water and Sewer Fund	Solid Waste Fund	Joint Wastewater Fund	Other Enterprise Fund	Total
Cash Flows From Operating Activities:					
Cash received from customers	\$ 582,269	\$ 418,789	\$ 564,428	\$ 100	\$ 1,565,586
Cash payments to employees for services	(403,956)	(172,204)	(196,466)	-	(772,626)
Cash payments to suppliers for goods and services	(180,471)	(307,444)	(402,649)	(300)	(890,864)
Net cash provided (used) by operating activities	(2,158)	(60,859)	(34,687)	(200)	(97,904)
Cash Flows From Non-Capital Financing Activities:					
Cash received from state shared taxes	101,207	14,509	-	-	115,716
Cash received from capital contributions	603,318	-	137,202	-	740,520
Cash received from miscellaneous sources	39,969	160	13,024	-	53,153
Net change in customer deposits	(14,495)	-	-	-	(14,495)
Net transfers in (out)	(22,608)	4,995	9,539	16,338	8,264
Net cash provided by non-capital and related financing activities	707,391	19,664	159,765	16,338	903,158
Cash Flows from Capital and Financing Activities:					
Acquisition of capital assets	(662,658)	-	(161,370)	(16,338)	(840,366)
Cash received from loan proceeds	109,000	-	-	-	109,000
Principal payments on capital debt	(60,910)	-	(63,971)	-	(124,881)
Interest on debt	(19,095)	-	(9,562)	-	(28,657)
Net cash (used) by capital and related financing activities	(633,663)	-	(234,903)	(16,338)	(884,904)
Cash Flows From Investing Activities:					
Interest income	1,057	426	5,212	-	6,695
Redemption of certificates of deposit	425	-	-	-	425
Purchase of certificates of deposit	-	(386)	(4,770)	-	(5,156)
Net cash provided by investing activities	1,482	40	442	-	1,964
Net increase (decrease) in cash	73,052	(41,155)	(109,383)	(200)	(77,686)
Cash and cash equivalents, beginning of year	711,530	238,443	651,332	3,100	1,604,405
Cash and cash equivalents, end of year	<u>\$ 784,582</u>	<u>\$ 197,288</u>	<u>\$ 541,949</u>	<u>\$ 2,900</u>	<u>\$ 1,526,719</u>
Displayed as:					
Cash	\$ 396,668	\$ 290,914	\$ 1,480,903	\$ 2,900	\$ 2,171,385
Restricted cash	535,170	-	233,135	-	768,305
Time deposits not considered cash equivalents	(148,256)	(93,626)	(1,172,089)	-	(1,413,971)
	<u>\$ 783,582</u>	<u>\$ 197,288</u>	<u>\$ 541,949</u>	<u>\$ 2,900</u>	<u>\$ 1,525,719</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, 2016

	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 (loss)	\$ (129,254)	\$ (49,310)	\$ (399,478)	\$ (7,612)	\$ (585,654)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation and amortization	156,002	2,823	380,341	7,412	546,578
Change in Assets and Liabilities:					
(Increase) decrease in accounts receivable	(13,143)	(4,974)	(2,571)	-	(20,688)
Increase (decrease) in accounts payable	8,668	786	1,255	-	10,709
Increase (decrease) in accrued salaries	560	(53)	(3,529)	-	(3,022)
Increase (decrease) in compensated absences	(658)	556	86	-	(16)
Increase (decrease) in net pension liability	(24,333)	(10,687)	(10,791)	-	(45,811)
Total adjustments	<u>127,096</u>	<u>(11,549)</u>	<u>364,791</u>	<u>7,412</u>	<u>487,750</u>
Net cash provided (used) by operating activities	<u>\$ (2,158)</u>	<u>\$ (60,859)</u>	<u>\$ (34,687)</u>	<u>\$ (200)</u>	<u>\$ (97,904)</u>

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

FIDUCIARY FINANCIAL STATEMENT

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2016

	<u>Agency Fund</u>
Assets:	
Cash	<u>\$ 500</u>
Liabilities:	
Deposits held for others	<u>\$ 500</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, 2016

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, 2016.

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, 2016

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, 2016

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, 2016

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, 2016

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

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

The city maintains four other individual governmental funds that are considered non-major funds; all are classified as special revenue funds. 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 *emergency medical services fund* accounts for the state emergency medical services grant, to be used for specific medical services provided through fire department activities.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Special Revenue Funds (continued)

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

The 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.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

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, 2016

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, 2016

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 debt service expense in the year of issuance. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the year of issuance. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 City Council – 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, 2016

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.

4. Subsequent Events

Management has evaluated events through December 14, 2016, the date of the financial statements were available to be issued.

**STATE OF NEW MEXICO
CITY OF BAYARD**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, 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>\$ 4,697,013</u>	<u>\$ (302,417)</u>	<u>\$ 4,394,596</u>

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

Statement of Net Position:	
Cash	\$ 3,573,009
Restricted cash	821,087
Statement of Fiduciary Assets and Liabilities	<u>500</u>
Total cash reported on financial statements	<u>\$ 4,394,596</u>

**STATE OF NEW MEXICO
CITY OF BAYARD**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

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

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	First American Bank
Total deposits in bank	\$ 4,697,013
Less FDIC coverage	(250,000)
Uninsured public funds	4,447,013
Pledged collateral held by pledging bank's agent, but not in the City's name	2,365,318
Uninsured and uncollateralized public funds	\$ 2,081,695
Total pledged collateral	\$ 2,365,318
50% pledged collateral requirement per State Statute	(2,223,507)
Pledged collateral over (under) the requirement	\$ 141,811

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, 2016, \$4,447,013 of the City's bank balance of \$4,697,013 was exposed to custodial credit risk as follows:

	First American Bank
Uninsured and collateral held by agent, not in the City's name	\$ 4,447,013

3. RESTRICTED INVESTMENTS

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

Statement of Net Position:	
Restricted investments	\$ 31,181

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

3. RESTRICTED INVESTMENTS (continued)

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.

All amounts borrowed are for the purchase of construction of capital assets. As of June 30, 2016, the restricted investments are composed of the following:

Program receipts	\$ 39
Program funds	38,142
	\$ 38,181

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, 2016, 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 \$39 invested within the NMFA debt service pool. At June 30, 2016, the pool was composed of short-term, high-credit-quality money market instruments.

NMFA – Program Funds

The City has \$38,142 invested within the NMFA program fund. At June 30, 2016, the fund was composed of 15.34% cash and short-term high quality money market instruments and 84.66% fixed income U.S. government securities.

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 1.649 years or 602 days. The NMFA program funds pool fund weighted average maturity is .513 years or 187 days.

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.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

4. RECEIVABLES, NET

Receivables, net of allowance for doubtful accounts, at June 30, 2016, consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$ 1,155	\$ 289,950
Allowance for doubtful accounts	(665)	(33,776)
Total	490	256,174
Taxes receivable:		
Gross receipts taxes	30,211	13,314
Franchise taxes	10,872	-
Property taxes	22,099	-
Public service taxes	9,279	-
Allowance for doubtful accounts	-	-
Total	72,461	13,314
Intergovernmental receivables:		
Infrastructure improvement grants	22,793	1,664
Interest receivable	13	349
Receivables, net	\$ 95,267	\$ 271,501

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 2015, was \$2.225 per \$1,000 for non-residential and \$1.286 for residential property. In the year 2015, 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, 2016

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, 2016, within the governmental and business-type activities capital assets. The effect of the changes is as follows:

	Balance 06/30/15	Corrections	Restated Balance 06/30/15
Governmental Capital Assets:			
Land	\$ 184,290	\$ -	\$ 184,290
Construction in progress	71,710	2,035	73,745
Buildings	3,470,934	1	3,470,935
Infrastructure	7,498,003	-	7,498,003
Equipment	1,145,672	-	1,145,672
Accumulated depreciation:			
Buildings	(825,521)	-	(825,521)
Infrastructure	(1,811,569)	(2,304)	(1,813,873)
Equipment	(988,566)	-	(988,566)
Net governmental capital assets	<u>\$ 8,744,953</u>	<u>\$ (268)</u>	<u>\$ 8,744,685</u>
Business-Type Capital Assets:			
Land	\$ 239,470	\$ -	\$ 239,470
Construction in progress	4,244,816	19,151	4,263,967
Water rights	1,200,000	-	1,200,000
Buildings	2,708,865	-	2,708,865
Improvements	509,877	-	509,877
Utility system	11,493,126	-	11,493,126
Equipment	4,105,146	-	4,105,146
Accumulated depreciation:			
Water rights	(157,500)	-	(157,500)
Buildings	(479,519)	-	(479,519)
Improvements	(7,824)	-	(7,824)
Utility system	(2,279,970)	-	(2,279,970)
Equipment	(1,164,569)	(28)	(1,164,597)
Net business-type capital assets	<u>\$ 20,411,918</u>	<u>\$ 19,123</u>	<u>\$ 20,431,041</u>

Governmental activities capital assets for the fiscal year ended June 30, 2016:

	Restated Balance 06/30/15	Increases	Decreases	Balance 06/30/16
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 184,290	\$ -	\$ -	\$ 184,290
Construction in progress	<u>73,745</u>	<u>611,722</u>	<u>(601,275)</u>	<u>84,192</u>
Total capital assets, not being depreciated	258,035	611,722	(601,275)	268,482

**STATE OF NEW MEXICO
CITY OF BAYARD**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

6. CAPITAL ASSETS (continued)

	Restated Balance 06/30/15	Increases	Decreases	Balance 06/30/16
Governmental Activities (continued):				
Other capital assets, being depreciated:				
Buildings	3,470,935	-	-	3,470,935
Infrastructure	7,498,003	454,524	-	7,952,527
Equipment	1,145,672	146,751	-	1,292,423
Total other capital assets, being depreciated	12,114,610	601,275	-	12,715,885
Accumulated depreciation:				
Buildings	(825,521)	(68,991)	-	(894,512)
Infrastructure	(1,809,265)	(127,213)	-	(1,936,478)
Equipment	(988,566)	(68,939)	-	(1,057,505)
Total accumulated depreciation	(3,623,352)	(265,143)	-	(3,888,495)
Other capital assets, net	8,491,258	336,132	-	8,827,390
Total capital assets, net	<u>\$ 8,749,293</u>	<u>\$ -</u>	<u>\$ (601,275)</u>	<u>\$ 9,095,872</u>

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

Governmental Activities:	
General government	\$ 11,943
Public safety	63,623
Public works	110,245
Culture and recreation	77,380
Health and welfare	1,952
	<u>\$ 265,143</u>

Business-type activities capital assets for the fiscal year ended June 30, 2016:

	Restated Balance 06/30/15	Increases	Decreases	Balance 06/30/16
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 239,470	\$ -	\$ -	\$ 239,470
Construction in progress	4,263,967	1,018,017	(4,101,199)	1,180,785
Total capital assets, not being depreciated	4,503,437	1,018,017	(4,101,199)	1,420,255

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

6. CAPITAL ASSETS (continued)

	Restated Balance 06/30/15	Increases	Decreases	Balance 06/30/16
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	509,877	-	-	509,877
Utility system	11,493,126	4,067,773	-	15,560,899
Equipment	4,105,146	33,426	-	4,138,572
Total other capital assets, being amortized and depreciated	20,017,014	4,101,199	-	24,118,213
Less accumulated amortization and depreciation for:				
Water rights	(157,500)	(10,000)	-	(167,500)
Buildings	(479,519)	(54,136)	-	(533,655)
Improvements	(7,824)	(7,412)	-	(15,236)
Utility system	(2,279,970)	(290,953)	-	(2,570,923)
Equipment	(1,164,597)	(184,077)	-	(1,348,674)
Total accumulated amortization and depreciation	(4,089,410)	(546,578)	-	(4,635,988)
Other capital assets, net	15,927,604	3,554,621	-	19,482,225
Total capital assets, net	<u>\$ 20,431,041</u>	<u>\$ 4,572,638</u>	<u>\$ (4,101,199)</u>	<u>\$ 20,902,480</u>

7. CAPITAL ASSETS – COMPONENT UNIT

The City of Bayard Public Housing Authority's capital assets for the fiscal year ended June 30, 2016, as follows:

	Balance 06/30/15	Increases	Decreases	Balance 06/30/16
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 15,695	\$ -	\$ -	\$ 15,695
Construction in progress	9,667	119,735	-	129,402
Total capital assets, not being depreciated	25,362	119,735	-	145,097

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CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

7. CAPITAL ASSETS – COMPONENT UNIT (continued)

	Balance 06/30/15	Increases	Decreases	Balance 06/30/16
Other capital assets, being depreciated:				
Buildings	2,476,819	-	-	2,476,819
Building and other improvements	478,737	-	-	478,737
Furniture and equipment - dwellings	152,498	9,439	-	161,937
Furniture and equipment - administration	100,275	-	-	100,275
Total other capital assets, being depreciated	3,208,329	9,439	-	3,217,768
Less accumulated depreciation for:				
Buildings	(1,580,472)	(41,565)	-	(1,622,037)
Building and other improvements	(277,768)	(17,893)	-	(295,661)
Furniture and equipment - dwellings	(130,535)	(3,401)	-	(133,936)
Furniture and equipment - administration	(77,530)	(2,567)	-	(80,097)
Total accumulated depreciation	(2,066,305)	(65,426)	-	(2,131,731)
Other capital assets, net	1,142,024	(55,987)	-	1,086,037
Total capital assets, net	<u>\$ 1,167,386</u>	<u>\$ 63,748</u>	<u>\$ -</u>	<u>\$ 1,231,134</u>

8. LONG-TERM OBLIGATIONS

Governmental Activities Debt

Changes in governmental activities loan activity during the year ended June 30, 2016, were as follows:

	Balance 06/30/15	Additions	Deletions	Balance 06/30/16	Amounts Due Within One Year
Bonds payable	\$ 227,250	\$ -	\$ (18,000)	\$ 209,250	\$ 3,000
Notes payable	39,000	-	(19,245)	19,755	19,755
Compensated absences	16,818	26,137	(29,546)	13,409	10,496
Total	<u>\$ 283,068</u>	<u>\$ 26,137</u>	<u>\$ (66,791)</u>	<u>\$ 242,414</u>	<u>\$ 33,251</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:

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CITY OF BAYARD**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

8. LONG-TERM OBLIGATIONS (continued)

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

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3,000	7,890	10,890
2022-2027	19,000	37,410	56,410
2027-2031	22,000	33,410	55,410
2032-2036	27,000	28,610	55,610
2037-2041	33,000	22,730	55,730
2042-2046	40,000	15,610	55,610
2047-2051	53,250	6,930	60,180
	<u>\$ 209,250</u>	<u>\$ 185,350</u>	<u>\$ 394,600</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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 19,755	\$ 486	\$ 20,241

Compensated Absences

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

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

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

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

8. LONG-TERM OBLIGATIONS (continued)

Business-Type Activities Debt

Changes in business-type activities loan activity during the year ended June 30, 2016, were as follows:

	Balance 06/30/15	Additions	Deletions	Balance 06/30/16	Amounts Due Within One Year
Bonds payable	\$ 192,041	\$ 109,000	\$ (2,479)	\$ 298,562	\$ 4,585
Notes payable	1,360,339	38,142	(122,402)	1,276,079	140,919
Compensated absences	16,742	25,378	(25,394)	16,726	10,044
Total	<u>\$ 1,569,122</u>	<u>\$ 172,520</u>	<u>\$ (150,275)</u>	<u>\$ 1,591,367</u>	<u>\$ 155,548</u>

2009 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
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	3,053	7,588	10,641
2022-2026	17,325	35,880	53,205
2027-2031	21,333	31,872	53,205
2032-2036	26,268	26,937	53,205
2037-2041	32,345	20,860	53,205
2042-2046	39,828	13,377	53,205
2047-2050	38,393	4,171	42,564
	<u>\$ 189,562</u>	<u>\$ 172,232</u>	<u>\$ 361,794</u>

2015 Municipal Gross Receipts Tax Revenue Bond

On March 17, 2016, the City issued \$109,000 of gross receipts tax revenue bonds for the purpose of providing a portion of the cost of improving its water and sewer system. The bonds bear interest at 2.50% per annum. The bonds' principal matures in amounts commencing on March 17, 2017, an annually thereafter, in accordance with the payment schedule.

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

8. LONG-TERM OBLIGATIONS (continued)

2015 Municipal Gross Receipts Tax Revenue Bond (continued)

The final principal maturity shall be forty years from the date of the bonds issuance. Principal and interest payments are made from the water and sewer fund. Annual debt service requirements to maturity are as follows:

Due in the year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,000	\$ 2,725	\$ 4,725
2018	2,000	2,675	4,675
2019	2,000	2,625	4,625
2020	2,000	2,575	4,575
2021	2,000	2,525	4,525
2022-2026	10,000	11,875	21,875
2027-2031	10,000	10,625	20,625
2032-2036	12,000	9,350	21,350
2037-2041	15,000	7,625	22,625
2042-2046	15,000	5,750	20,750
2047-2051	18,000	3,800	21,800
2052-2056	19,000	1,375	20,375
	<u>\$ 109,000</u>	<u>\$ 63,525</u>	<u>\$ 172,525</u>

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 308,094</u>	<u>\$ 28,275</u>	<u>\$ 336,369</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:

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

8. LONG-TERM OBLIGATIONS (continued)

Notes Payable – NM Environment Department (continued)

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	67,235	6,298	73,533
2022-2026	346,394	21,274	367,668
2027-2029	216,260	4,342	220,602
	<u>\$ 892,236</u>	<u>\$ 63,699</u>	<u>\$ 955,935</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.

The payments of principal and administrative fees will be paid from net revenues from the City's water and wastewater utility system activities. Annual debt service requirements for the note are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,090	\$ -	\$ 2,090
2018	2,090	-	2,090
2019	2,090	-	2,090
2020	2,090	-	2,090
2021	2,089	-	2,089
2022-2026	10,445	-	10,445
2027-2031	10,445	-	10,445
2032-2034	6,268	-	6,268
	<u>\$ 37,607</u>	<u>\$ -</u>	<u>\$ 37,607</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

8. LONG-TERM OBLIGATIONS (continued)

Note Payable – New Mexico Finance Authority #2

On March 18, 2016, the City entered into a loan and subsidy agreement with the Colonias Infrastructure Board, financed by the New Mexico Finance Authority, with a total amount of \$381,419, of which the loan portion of the agreement is a maximum of \$38,142. The note matures on June 1, 2036, 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 construction of a second 125,000 gallon head/surge tank at the existing well field. The payments of principal and administrative fees will be paid from net revenues from the City's water and wastewater utility system activities. Annual debt service requirements for the note are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2017	\$ 1,908	\$ -	\$ 1,908
2018	1,907	-	1,907
2019	1,907	-	1,907
2020	1,907	-	1,907
2021	1,907	-	1,907
2022-2026	9,535	-	9,535
2027-2031	9,535	-	9,535
2032-2036	9,536	-	9,536
	<u>\$ 38,142</u>	<u>\$ -</u>	<u>\$ 38,142</u>

As of June 30, 2016, the City had not drawdown any of these loan proceeds.

9. INTERFUND TRANSFERS

	Transfers In									
	General Fund	Municipal Streets Fund	Library Fund	CDBG Fund	Water & Sewer Fund	Solid Waste Fund	Joint Wastewater Fund	Other Governmental Fund	Other Enterprise Funds	Total
Transfers (Out):										
General Fund	\$ -	\$ 89,469	\$ 10,000	\$ -	\$ 6,501	\$ 6,441	\$ 19,153	\$ 11,164	\$ -	\$ 142,728
Municipal Streets Fund	-	-	-	1,000	-	-	-	-	-	1,000
Library Fund	197,400	-	-	-	-	-	-	-	-	197,400
CDBG Fund	58,885	97,685	-	-	-	-	-	-	-	156,570
Water and Sewer Fund	-	-	-	-	-	6,724	-	22,385	-	29,109
Solid Waste Fund	-	-	-	-	-	-	-	1,446	-	1,446
Joint Wastewater Fund	-	-	-	-	-	-	-	16,338	-	16,338
Other Governmental Funds	74,954	-	-	-	-	-	-	-	-	74,954
	<u>\$ 331,239</u>	<u>\$ 187,154</u>	<u>\$ 10,000</u>	<u>\$ 1,000</u>	<u>\$ 6,501</u>	<u>\$ 6,441</u>	<u>\$ 25,877</u>	<u>\$ 11,164</u>	<u>\$ 40,169</u>	<u>\$ 619,545</u>

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

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
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10. RESTATEMENT OF NET POSITION

The City discovered an error in the beginning of the year capital assets and accumulated depreciation balances.

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.	\$ 4,340		
<i>Major Funds</i>			
Joint Wastewater Fund			
The City corrected errors in the capital assets as previously reported.		\$ 19,123	\$ 19,123
Total Government-Wide Financial Statements	\$ 4,340	\$ 19,123	

11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

Plan description - The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Audit Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978).

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
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11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

General Information About the Pension Plan (continued)

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, 2015 that can be obtained at:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.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 FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 and 32 of the PERA FY15 annual audit report which can be located at the following internet address:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.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 \$97,750, and employer paid member benefits that were *picked up* by the employer were \$20,520 for the year ended June 30, 2016.

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, 2015. The employer's portion was established as of the measurement date June 30, 2015.

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.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued) - 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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY15 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, 2016, the City of Bayard reported a liability of \$860,531 for its proportionate share of the net pension liability. At June 30, 2015, the City of Bayard's proportion was .0844 percent, which was unchanged from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the City of Bayard recognized PERA Fund Municipal General Division pension expense of \$19,886. At June 30, 2016, 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
	<u> </u>	<u> </u>
Changes of assumptions	\$ -	\$ 336
Net difference between projected and actual earnings on pension plan investments	-	2,722
Net difference between projected and actual earnings on pension plan investments	-	19,061
City of Bayard contributions subsequent to the measurement date	82,215	-
	<u>\$ 82,215</u>	<u>\$ 22,119</u>

\$82,215 reported as deferred outflows of resources related to pensions resulting from City of Bayard's contributions subsequent to the measurement date June 30, 2015 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:

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CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
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11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

PERA Fund Municipal General Division (continued)

Year Ended		
2017	\$	22,792
2018		22,792
2019		22,792
2020		(46,258)
2021		-
Thereafter		-

PERA Fund Municipal Police Division - At June 30, 2016, the City of Bayard reported a liability of \$487,107 for its proportionate share of the net pension liability. At June 30, 2015, the City of Bayard's proportion was .1013 percent, which was an increase of zero from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the City of Bayard recognized PERA Fund Municipal Police Division pension expense of \$44,045. At June 30, 2016, 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	\$ -	\$ 20,153
Net difference between projected and actual earnings on pension plan investments	-	1,351
City of Bayard contributions subsequent to the measurement date	81,383	-
	\$ 81,383	\$ 21,504

\$81,383 reported as deferred outflows of resources related to pensions resulting from City of Bayard's contributions subsequent to the measurement date June 30, 2015 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		
2017	\$	4,148
2018		4,148
2019		4,148
2020		(24,976)
2021		-
Thereafter		-

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CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

PERA Fund Municipal Police Division (continued)

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, 2014 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, 2015 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, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate
• Mortality Assumption	RP-2000 Mortality Tables (combined table for healthy post-retirees, Employee Table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
• Experience Study Dates	July 1, 2008 to June 30, 2013

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:

<u>All Funds Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%	

**STATE OF NEW MEXICO
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11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

PERA Fund Municipal Police Division (continued)

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	\$ 1,465,143	\$ 860,531	\$ 357,837
PERA Fund Municipal General Division			
City of Bayard's proportionate share of the net pension liability	\$ 804,428	\$ 487,107	\$ 226,797

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.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>

12. CHANGE IN GROSS REVENUES

Charges for services within the Water and Sewer Fund, the Solid Waste Fund, and the Joint Wastewater Fund were decreased by \$143, \$236, and \$122, respectively, due to the increase of the allowance for doubtful accounts.

13. CONSTRUCTION COMMITMENTS

Governmental Activities – As of June 30, 2016, the City has construction contracts in progress and with total costs of \$103,538. The projects are funded through federal and state grants and local resources. The remaining construction commitments are \$46,234.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

13. CONSTRUCTION COMMITMENTS (continued)

Business-Type Activities – As of June 30, 2016, the City has construction contracts in progress with total costs of \$2,064,052. The projects are funded through federal and state grants and local resources. The remaining construction commitments are \$900,104.

14. POST-EMPLOYMENT BENEFITS

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

15. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other local governments in the state, and obtained insurance through the New Mexico Self Insured Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The City pays an annual premium to New Mexico Self Insured Fund for its general insurance coverage, and all risk of loss is transferred.

16. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

17. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

Deficit fund balance of individual funds – there were no funds that had a deficit fund balance for the year ended June 30, 2016.

Excess of expenditures over appropriations – there were no funds that exceeded approved budgetary authority for the year ended June 30, 2016.

Designated Cash Appropriations – There were no funds that exceeded approved designated cash appropriations for the year ended June 30, 2016.

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, 2016**

	Special Revenue Funds				Total Other Governmental Funds
	Fire Protection Fund	Law Enforcement Fund	Corrections Fund	Emergency Medical Services Fund	
<u>ASSETS</u>					
Cash	\$ 17,113	\$ 12,556	\$ 35,122	\$ 5,578	\$ 70,369
Receivables, net	-	-	3	-	3
Restricted:					
Cash	-	-	-	-	-
Investments	39	-	-	-	39
Total assets	\$ 17,152	\$ 12,556	\$ 35,125	\$ 5,578	\$ 70,411
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 532	\$ 666	\$ 29	\$ -	\$ 1,227
Fund Balances:					
Restricted:					
Debt service	39	-	-	-	39
State mandated per statutes	16,581	-	35,096	10	51,687
Committed:					
Subsequent year's expenditures	-	11,890	-	5,568	17,458
Total fund balances	16,620	11,890	35,096	5,578	69,184
Total liabilities and fund balances	\$ 17,152	\$ 12,556	\$ 35,125	\$ 5,578	\$ 70,411

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, 2016

	Special Revenue Funds				Total Other Governmental Funds
	Fire Protection Fund	Law Enforcement Fund	Corrections Fund	Emergency Medical Services Fund	
Revenues:					
Intergovernmental:					
Federal	\$ -	\$ 89,800	\$ -	\$ -	\$ 89,800
State	77,852	23,000	-	5,973	106,825
Interest	32	-	74	-	106
Miscellaneous	1,000	-	-	-	1,000
Total revenues	<u>78,884</u>	<u>112,800</u>	<u>74</u>	<u>5,973</u>	<u>197,731</u>
Expenditures:					
Current:					
Public safety	49,680	22,844	6,198	-	78,722
Health and welfare	-	-	-	1,732	1,732
Debt service:					
Principal	19,245	15,000	-	-	34,245
Interest and other charges	1,044	600	-	-	1,644
Total expenditures	<u>69,969</u>	<u>38,444</u>	<u>6,198</u>	<u>1,732</u>	<u>116,343</u>
Excess (deficiency) of revenues over expenditures	8,915	74,356	(6,124)	4,241	81,388
Other Financing Sources (Uses):					
Transfers in	-	8,530	2,634	-	11,164
Transfers (out)	-	(74,954)	-	-	(74,954)
Total other financing sources (uses)	<u>-</u>	<u>(66,424)</u>	<u>2,634</u>	<u>-</u>	<u>(63,790)</u>
Net change in fund balances	8,915	7,932	(3,490)	4,241	17,598
Fund balances, beginning of year	<u>7,705</u>	<u>3,958</u>	<u>38,586</u>	<u>1,337</u>	<u>51,586</u>
Fund balances, end of year	<u>\$ 16,620</u>	<u>\$ 11,890</u>	<u>\$ 35,096</u>	<u>\$ 5,578</u>	<u>\$ 69,184</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, 2016

	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	\$ 77,852	\$ 77,852	\$ 57,563	\$ 20,289	\$ 77,852	\$ (20,289)
Interest	-	-	-	32	32	-
Miscellaneous	700	1,000	1,000	-	1,000	-
Total revenues	78,552	78,852	58,563	20,321	78,884	(20,289)
Expenditures:						
Current:						
Public safety	53,531	60,536	54,397	(4,717)	49,680	6,139
Debt service:						
Principal	18,309	18,309	-	19,245	19,245	18,309
Interest	1,979	1,979	-	1,044	1,044	1,979
Total expenditures	73,819	80,824	54,397	15,572	69,969	26,427
Net change	4,733	(1,972)	4,166	<u>\$ 4,749</u>	<u>\$ 8,915</u>	6,138
Cash balance, beginning of year	12,947	12,947	12,947			-
Cash balance, end of year	<u>\$ 17,680</u>	<u>\$ 10,975</u>	<u>\$ 17,113</u>			<u>\$ 6,138</u>
Explanation of Differences:						
Fire allotment intercepted				\$ 20,289		
Interest income earned by agent				32		
Changes in accounts payable				4,717		
Payment to debt service				<u>(20,289)</u>		
				<u>\$ 4,749</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, 2016

	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:						
Federal	\$ -	\$ 89,800	\$ 89,800	\$ -	\$ 89,800	\$ -
State	23,000	23,000	23,000	-	23,000	-
Total revenues	23,000	112,800	112,800	-	112,800	-
Expenditures:						
Current:						
Public safety	11,278	69,398	65,504	666	66,170	3,894
Debt service:						
Principal	14,000	15,000	13,944	-	13,944	1,056
Interest	1,680	680	600	-	600	80
Total expenditures	26,958	85,078	80,048	666	80,714	5,030
(Deficiency) of revenues over before other financing sources (uses)	(3,958)	27,722	32,752	666	32,086	5,030
Other Financing Sources (Uses):						
Transfers in	(15,680)	(24,210)	8,530	-	8,530	32,740
Transfers (out)	15,680	48,364	(32,684)	-	(32,684)	(81,048)
Total other financing sources (uses)	-	24,154	(24,154)	-	(24,154)	(48,308)
Net change	(3,958)	51,876	8,598	<u>\$ 666</u>	<u>\$ 7,932</u>	(43,278)
Cash balance, beginning of year	3,958	3,958	3,958			-
Cash balance, end of year	<u>\$ -</u>	<u>\$ 55,834</u>	<u>\$ 12,556</u>			<u>\$ (43,278)</u>
Explanation of Differences:						
Change in accounts payable.				<u>\$ 666</u>		

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

STATE OF NEW MEXICO
CITY OF BAYARD
CORRECTIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 73	\$ 1	\$ 74	\$ (227)
Expenditures:						
Current:						
Public safety	<u>5,000</u>	<u>7,175</u>	<u>7,173</u>	<u>(975)</u>	<u>6,198</u>	<u>2</u>
(Deficiency) of revenues over expenditures	(4,700)	(6,875)	(7,100)	976	(6,124)	(225)
Other Financing Sources (Uses):						
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>2,634</u>	<u>-</u>	<u>2,634</u>	<u>(2,366)</u>
Net change	300	(1,875)	(4,466)	<u>\$ 976</u>	<u>\$ (3,490)</u>	(2,591)
Cash balance, beginning of year	<u>39,588</u>	<u>39,588</u>	<u>39,588</u>			<u>-</u>
Cash balance, end of year	<u>\$ 39,888</u>	<u>\$ 37,713</u>	<u>\$ 35,122</u>			<u>\$ (2,591)</u>
Explanation of Differences:						
Change in receivables				\$ 1		
Change in accounts payable				<u>975</u>		
				<u>\$ 976</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, 2016

	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	\$ -	\$ 5,973	\$ 5,973	\$ -	\$ 5,973	\$ -
Expenditures:						
Current:						
Health and welfare	1,337	1,972	1,732	-	1,732	240
Net change	(1,337)	4,001	4,241	\$ -	\$ 4,241	240
Cash balance, beginning of year	1,337	1,337	1,337			-
Cash balance, end of year	\$ -	\$ 5,338	\$ 5,578			\$ 240
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, 2016

	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	\$ 424,524	\$ 424,524	\$ 368,202	\$ -	\$ 368,202	\$ (56,322)
Expenditures:						
Current:						
Public works	-	80	75	-	75	5
Capital outlay	418,141	268,654	212,557	-	212,557	56,097
Total expenditures	418,141	268,734	212,632	-	212,632	56,102
Excess (deficiency) of revenues over expenditures	6,383	155,790	155,570	-	155,570	(220)
Other Financing Sources (Uses):						
Transfers in	-	1,000	1,000	-	1,000	-
Transfers (out)	(7,083)	(156,570)	(156,570)	-	(156,570)	-
Net change	(700)	220	-	\$ -	\$ -	(220)
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ (700)	\$ 220	\$ -			\$ (220)
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, 2016

	<u>Cemetery Fund</u>
Assets:	
Current assets:	
Cash	\$ 2,900
Non-current assets:	
Capital assets:	
Land and construction in progress	160,469
Other capital assets, net of accumulated depreciation	<u>494,641</u>
Total non-current assets	<u>655,110</u>
Total assets	<u><u>\$ 658,010</u></u>
Net Position:	
Net investment in capital assets	\$ 655,110
Unrestricted	<u>2,900</u>
Total net position	<u><u>\$ 658,010</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, 2016

	<u>Cemetery Fund</u>
Operating Revenues:	
Charges for services	\$ 100
Operating Expenses:	
Other operating expenses	300
Depreciation and amortization	<u>7,412</u>
Total operating expenses	<u>7,712</u>
Operating income	(7,612)
Transfers:	
Transfers in	<u>40,169</u>
Change in net position	32,557
Net position, beginning of year	<u>625,453</u>
Net position, end of year	<u><u>\$ 658,010</u></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
JUNE 30, 2016

	Cemetery Fund
Cash Flows From Operating Activities:	
Cash received from customers	\$ 100
Cash payments to suppliers for goods and services	(300)
Net cash (used) by operating activities	(200)
Cash Flows for Non-Capital and Financing Activities:	
Net transfers in (out)	16,338
Cash Flows for Capital and Financing Activities:	
Acquisition of capital assets	(16,338)
Net decrease in cash	(200)
Cash and cash equivalents, beginning of year	3,100
Cash and cash equivalents, end of year	\$ 2,900
Displayed as:	
Cash	\$ 2,900
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating (loss)	\$ (7,612)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and amortization	7,412
Change in Assets and Liabilities:	
None.	-
Total adjustments	7,412
Net cash provided by operating activities	\$ (200)

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, 2016

	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	\$ 612,960	\$ 613,540	\$ 567,774	\$ 19,012	\$ 586,786	\$ (45,766)
Miscellaneous	41,300	42,220	39,969	-	39,969	(2,251)
Total operating revenues	654,260	655,760	607,743	19,012	626,755	(48,017)
Operating Expenses:						
Personnel services	449,954	450,504	403,956	(24,431)	379,525	46,548
Utilities	36,000	34,400	33,759	30	33,789	641
Contractual services	29,900	28,590	19,662	1,193	20,855	8,928
Repairs and maintenance	28,000	26,200	25,617	(601)	25,016	583
Insurance claims and expenses	16,000	17,600	17,588	-	17,588	12
Other operating expenses	77,500	89,690	83,845	(580)	83,265	5,845
Depreciation and amortization	-	-	-	156,002	156,002	-
Total operating expenses	637,354	646,984	584,427	131,613	716,040	62,557
Operating (loss)	16,906	8,776	23,316	(112,601)	(89,285)	14,540
Non-Operating Revenues (Expenses):						
Gross receipts taxes	81,600	101,215	101,207	(5,436)	95,771	(8)
Intergovernmental	1,651,803	1,651,803	413,926	1,664	415,590	1,237,877
Interest income	800	1,065	1,057	9	1,066	8
Capital outlay	(1,838,946)	(1,832,691)	(662,658)	662,658	-	(1,170,033)
Debt service - principal	(62,912)	(56,412)	(60,910)	60,910	-	4,498
Interest expense and other charges	(19,095)	(19,097)	(19,095)	-	(19,095)	(2)
Total non-operating revenues (expenses)	(186,750)	(154,117)	(226,473)	719,805	493,332	72,340
Income (loss) before capital contributions and transfers	(169,844)	(145,341)	(203,157)	607,204	404,047	86,880
Capital Contributions and Transfers:						
Capital contributions	189,392	189,392	189,392	(80,602)	108,790	-
Transfers in	124,024	156,447	6,501	-	6,501	(149,946)
Transfers (out)	(161,024)	(190,947)	(29,109)	-	(29,109)	161,838
Loan proceeds	-	-	109,000	(109,000)	-	109,000
Total capital contributions and transfers	152,392	154,892	275,784	(189,602)	86,182	120,892
Special item:						
Proceeds from sale of capital assets	500	500	-	-	-	(500)
Net change	(16,952)	10,051	72,627	\$ 417,602	\$ 490,229	62,576
Cash balance, beginning of year	859,211	859,211	859,211			-
Cash balance, end of year	\$ 842,259	\$ 869,262	\$ 931,838			\$ 62,576

Explanation of Differences:

Change in receivables	\$ (71,222)
Addition in capital assets	876,090
Change in accounts payable	(213,686)
Change in accrued salaries	(560)
Change in deposits payable	6,081
Change in compensated absences	658
Change in long-term debt	(48,090)
Change in net pension liability	24,333
Depreciation expense	(156,002)
	\$ 417,602

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, 2016

	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	\$ 420,985	\$ 421,570	\$ 418,789	\$ 4,974	\$ 423,763	\$ (2,781)
Miscellaneous	-	200	160	-	160	(40)
Total revenues	420,985	421,770	418,949	4,974	423,923	(2,821)
Operating Expenses:						
Personnel services	210,354	183,299	172,204	(10,184)	162,020	11,095
Contractual services	252,054	276,054	276,038	2,516	278,554	16
Insurance claims and expenses	10,000	11,905	11,901	-	11,901	4
Other operating expenses	18,400	18,155	18,112	(337)	17,775	43
Depreciation expense	-	-	-	2,823	2,823	-
Total expenditures	490,808	489,413	478,255	(5,182)	473,073	11,158
Operating income (loss)	(69,823)	(67,643)	(59,306)	10,156	(49,150)	8,337
Non-Operating Revenues (Expenses):						
Gross receipts taxes	17,800	17,800	14,509	(539)	13,970	3,291
Interest income	600	600	426	8	434	174
Capital outlay	-	(1,395)	(1,393)	1,393	-	2
Total non-operating revenues (expenses)	18,400	17,005	13,542	862	14,404	3,467
Transfers:						
Transfers in	5,583	6,443	6,441	-	6,441	(2)
Transfers (out)	-	(2,500)	(1,446)	-	(1,446)	1,054
Total transfers	5,583	3,943	4,995	-	4,995	1,052
Net change	(45,840)	(46,695)	(40,769)	\$ 11,018	\$ (29,751)	5,926
Cash balance, beginning of year	331,683	331,683	331,683			-
Cash balance, end of year	\$ 285,843	\$ 284,988	\$ 290,914			\$ 5,926
Explanation of Differences:						
Change in receivables				\$ 4,443		
Change in accounts payable				(786)		
Change in accrued salaries				53		
Change in compensated absences				(556)		
Change in net pension liability				10,687		
Depreciation expense				(2,823)		
				\$ 11,018		

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, 2016

	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	\$ 564,300	\$ 564,530	\$ 564,428	\$ 2,571	\$ 566,999	\$ (102)
Miscellaneous	9,500	13,140	13,024	-	13,024	(116)
Total revenues	573,800	577,670	577,452	2,571	580,023	(218)
Operating Expenses:						
Personnel services	244,892	245,742	196,466	(14,234)	182,232	49,276
Utilities	157,300	146,300	146,274	(301)	145,973	26
Contractual services	34,500	34,500	33,209	4,169	37,378	1,291
Repairs and maintenance	18,000	112,322	112,309	863	113,172	13
Insurance claims and expenses	14,000	15,170	15,168	-	15,168	2
Other operating expenses	55,350	96,242	95,689	(3,476)	92,213	553
Depreciation expense	-	-	-	380,341	380,341	-
Total expenditures	524,042	650,276	599,115	367,362	966,477	51,161
Operating income (loss)	49,758	(72,606)	(21,663)	(364,791)	(386,454)	50,943
Non-Operating Revenues (Expenses):						
Interest income	3,800	5,245	5,212	102	5,314	(33)
Capital outlay	(130,454)	(177,762)	(161,370)	161,370	-	16,392
Debt service - principal	(63,350)	(64,000)	(63,971)	63,971	-	29
Interest expense and other charges	(10,200)	(10,200)	(9,562)	-	(9,562)	638
Total non-operating revenues (expenses)	(200,204)	(246,717)	(229,691)	225,443	(4,248)	17,026
Capital Contributions and Transfers:						
Capital contributions	192,631	192,631	137,202	(67,176)	70,026	(55,429)
Transfers in	157,177	158,035	25,877	-	25,877	(132,158)
Transfers (out)	(120,177)	(120,177)	(16,338)	-	(16,338)	103,839
Total capital contributions and transfers	229,631	230,489	146,741	(67,176)	79,565	(83,748)
Net change	79,185	(88,834)	(104,613)	\$ (206,524)	\$ (311,137)	(15,779)
Cash balance, beginning of year	1,818,651	1,818,651	1,818,651			-
Cash balance, end of year	<u>\$ 1,897,836</u>	<u>\$ 1,729,817</u>	<u>\$ 1,714,038</u>			<u>\$ (15,779)</u>
Explanation of Differences:						
Change in receivables				\$ (64,503)		
Addition to capital assets				101,758		
Change in accounts payable				58,357		
Change in accrued salaries				3,529		
Change in compensated absences				(86)		
Change in long-term debt				63,971		
Change in net pension liability				10,791		
Depreciation expense				(380,341)		
				<u>\$ (206,524)</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, 2016

	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	\$ 100	\$ -	\$ 100	\$ (3,000)
Operating Expenses:						
Other operating expenses	-	300	300	-	300	-
Depreciation expense	-	-	-	7,412	7,412	-
Total expenditures	-	300	300	7,412	7,712	-
Operating income	3,100	2,800	(200)	(7,412)	(7,612)	(3,000)
Non-Operating Revenues (Expenses):						
Capital outlay	-	-	(16,338)	16,338	-	(16,338)
Transfers:						
Capital contributions	-	-	-	-	-	-
Transfers in	-	-	16,338	23,831	40,169	16,338
Net change	3,100	2,800	(200)	\$ 32,757	\$ 32,557	(3,000)
Cash balance, beginning of year	3,100	3,100	3,100			-
Cash balance, end of year	\$ 6,200	\$ 5,900	\$ 2,900			\$ (3,000)
Explanation of Differences:						
Transfer of capital assets				\$ 40,169		
Depreciation expense				(7,412)		
				\$ 32,757		

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>	<u>2016</u>
City of Bayard's proportion of the net pension liability (asset)	0.0838%	0.0844%
City of Bayard's proportionate share of the net pension liability (asset)	\$ 653,730	\$ 860,531
City of Bayard's covered-employee payroll	\$ 677,729	\$ 657,079
City of Bayard's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.46%	130.96%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%

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*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*

	<u>2015</u>	<u>2016</u>
City of Bayard's proportion of the net pension liability (asset)	0.0928%	0.1013%
City of Bayard's proportionate share of the net pension liability (asset)	\$ 320,121	\$ 487,107
City of Bayard's covered-employee payroll	\$ 189,369	\$ 185,182
City of Bayard's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	169.05%	263.04%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%

*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 CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 83,569	\$ 78,641
Contributions in relation to the contractually required contribution	<u>83,569</u>	<u>78,641</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City of Bayard's covered-employee payroll	\$ 669,166	\$ 657,079
Contributions as a percentage of covered-employee payroll	12.49%	11.97%

*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	2016
Contractually required contribution	\$ 42,349	\$ 39,629
Contributions in relation to the contractually required contribution	42,349	39,629
Contribution deficiency (excess)	\$ -	\$ -
City of Bayard's covered-employee payroll	\$ 198,169	\$ 185,182
Contributions as a percentage of covered-employee payroll	21.37%	21.40%

*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, 2016

Changes of benefit terms - The PERA fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit report. That report is available at:

http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf

Changes of assumption - The Public employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2015, is available at:

<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-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, 2014, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in an increase of \$410.0 million to fund liabilities and a decrease of 0.90% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 53 of the report.*

OTHER SCHEDULES REQUIRED BY 2.2.2 NMAC

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2016

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	\$ 3,107,905	\$ (302,433)	\$ 2,805,472
EMS	Checking	5,578	-	5,578
Historical and tourism	Checking	20,673	-	20,673
Bayard Community fund	Checking	1,706	-	1,706
Library trust	Checking	3,540	-	3,540
USDA water meter construction	Checking	1,000	-	1,000
Motor Vehicle	Checking	500	-	500
USDA police equipment	Checking	(16)	16	-
Certificate of deposit	CD	60,962	-	60,962
Certificate of deposit	CD	24,941	-	24,941
Certificate of deposit	CD	62,353	-	62,353
Certificate of deposit	CD	18,706	-	18,706
Certificate of deposit	CD	366,580	-	366,580
Certificate of deposit	CD	497,568	-	497,568
Certificate of deposit	CD	93,626	-	93,626
Certificate of deposit	CD	124,561	-	124,561
Certificate of deposit	CD	186,925	-	186,925
Certificate of deposit	CD	119,905	-	119,905
		<u>\$ 4,697,013</u>	<u>\$ (302,417)</u>	<u>\$ 4,394,596</u>

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2016

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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
Clovis NM Mun Sch Dist 1	189414GP4	08/01/21	\$ 205,650
Clovis NM Mun Sch Dist 1	189414JL0	08/01/21	421,452
Clovis NM Mun Sch Dist 1	189414JK2	08/01/20	313,641
Luna County NM School District	550340DN0	08/01/18	200,582
MBS FHLMC Gold 15 yr	3128MDKM4	11/01/27	601,853
Torrance Etc Cnty NM Sch	891400NG4	05/15/20	208,564
Torrance Etc Cnty NM Sch	891400NF6	05/15/19	413,576
		Total	<u>\$ 2,365,318</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
COMBINING SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES FOR THE AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Balance 06/30/15	Increases/ Receipts	Decreases/ Disbursements	Balance 06/30/16
Motor Vehicle Fund				
Assets:				
Cash	\$ -	\$ 67,169	\$ 66,669	\$ 500
Liabilities:				
Deposits held for others	\$ -	\$ 67,169	\$ 66,669	\$ 500

**STATE OF NEW MEXICO
CITY OF BAYARD
JOINT POWERS AGREEMENT
JUNE 30, 2016**

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, 2016, the governments have expended \$14,825,444 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 \$1,640,106.
- F. **Amount contributed in the current fiscal year** – The Village of Santa Clara contributed \$175,067; Town of Hurley contributed \$145,056; 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 \$25,019 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, 2016

RFB#/ RFP#	Type of Procurement	Vendor Name	Did Vendor Win Contract	Amount of Awarded Contract	Amount of Amended Contract	Physical Address of Vendor (City, State)	Did the Vendor Provide Documentation of Eligibility for In-State Preference	Did the Vendor Provide Documentation of Eligibility for Veterans' Preference	Brief Description of the Scope of Work
CDBG 14-C-RS I-07-G-06	Competitive (RFP or RFB)	A Mountain Professional Construction	Yes	\$ 289,268.00	\$ 289,375.92	1177 Scoggins Avenue Las Cruces, NM 88005	No	No	CDBG - Stewart Street Crossing
CDBG 14-C-RS I-07-G-06	Competitive (RFP or RFB)	Southwest Concrete & Paving	No			P.O. Box 2278 Silver City, NM 88062	No	No	CDBG - Stewart Street Crossing
CDBG 14-C-RS I-07-G-06	Competitive (RFP or RFB)	Burn Construction	No			P.O. Box 1869 Las Cruces, NM 88004	No	No	CDBG - Stewart Street Crossing
CDBG 14-C-RS I-07-G-06	Competitive (RFP or RFB)	Spartan Construction of NM	No			156 Wyatt Drive Las Cruces, NM 88004	No	No	CDBG - Stewart Street Crossing
CDBG 14-C-RS I-07-G-06	Competitive (RFP or RFB)	Morrow Enterprises, Inc.	No			P.O. Box 1747 Las Cruces, NM 88004	No	No	CDBG - Stewart Street Crossing
CDBG 14-C-RS I-07-G-06	Competitive (RFP or RFB)	Sierra Valley Construction, LLC	No			P.O. Box 3831 T or C, NM 87901	No	No	CDBG - Stewart Street Crossing
CDBG 14-C-RS I-07-G-06	Competitive (RFP or RFB)	Deming Excavation	No			3635 Columbus Road SE Deming, NM 88030	No	No	CDBG - Stewart Street Crossing
NMFA #3341- CIF	Competitive (RFP or RFB)	File Construction	Yes	\$ 324,274.19	Under Construction	119 Industrial Ave., NE Albuquerque, NM 87107	Yes	No	125,000 Fresh Water Tank
NMFA #3341- CIF	Competitive (RFP or RFB)	Ideals, Inc.	No			848 W. Hadley Las Cruces, NM 88005	Yes	No	125,000 Fresh Water Tank

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF VENDOR INFORMATION
FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2016

RFB#/ RFP#	Type of Procurement	Vendor Name	Did Vendor Win Contract	Amount of Awarded Contract	Amount of Amended Contract	Physical Address of Vendor (City, State)	Did the Vendor Provide Documentation of Eligibility for In-State Preference	Did the Vendor Provide Documentation of Eligibility for Veterans' Preference	Brief Description of the Scope of Work
NMFA #3341- CIF	Competitive (RFP or RFB)	Morrow Enterprises, Inc.	No			848 W. Hadley Las Cruces, NM 88005	Yes	No	125,000 Fresh Water Tank
NMFA #3341- CIF	Competitive (RFP or RFB)	Burn Construction	No			Non-compliant	No	No	125,000 Fresh Water Tank
NMFA #3341- CIF	Competitive (RFP or RFB)	DuCross Construction	No			P.O. Box 13230 Las Cruces, NM 88013	Yes	No	125,000 Fresh Water Tank
NMFA #3341- CIF	Competitive (RFP or RFB)	Smith Co. Construction, Inc.	No			6 King Canyon Loop Caballo, NM 87931	Yes	No	125,000 Fresh Water Tank
Colonias 3005-CIF	Competitive (RFP or RFB)	Tatsch Construction, Inc.	Yes	\$ 113,846.06		208 Hwy 180 West Silver City, NM 88062	Yes	Yes	Cameron Creek Crossing
Colonias 3005-CIF	Competitive (RFP or RFB)	Deming Excavation	No			3635 Columbus Road SE Deming, NM 88030	Yes	Yes	Cameron Creek Crossing
Colonias 3005-CIF	Competitive (RFP or RFB)	Smith Co. Construction, Inc.	No			6 King Canyon Loop Caballo, NM 87931	Yes	Yes	Cameron Creek Crossing
Northside Water Main	Competitive (RFP or RFB)	J & S Plumbing	Yes	\$ 165,977.00		P.O. Box 656 Silver City, NM 88062	No	No	North Side Water Main
Northside Water Main	Competitive (RFP or RFB)	Burn Construction	No			P.O. Box 1869 Las Cruces, NM 88004	No	No	North Side Water Main

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF VENDOR INFORMATION
FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2016

RFB#/ RFP#	Type of Procurement	Vendor Name	Did Vendor Win Contract	Amount of Awarded Contract	Amount of Amended Contract	Physical Address of Vendor (City, State)	Did the Vendor Provide Documentation of Eligibility for In-State Preference	Did the Vendor Provide Documentation of Eligibility for Veterans' Preference	Brief Description of the Scope of Work
Northside Water Main	Competitive (RFP or RFB)	Morrow Enterprises, Inc.	No			P.O. Box 1747 Las Cruces, NM 88004	No	No	North Side Water Main
Northside Water Main	Competitive (RFP or RFB)	A Mountain Professional Construction	No			1177 Scoggins Avenue Las Cruces, NM 88005	No	No	North Side Water Main
Northside Water Main	Competitive (RFP or RFB)	DuCross Construction	No			P.O. Box 13230 Las Cruces, NM 88013	No	No	North Side Water Main
Northside Water Main	Competitive (RFP or RFB)	Sierra Valley Construction, LLC	No			P.O. Box 3831 T or C, NM 87901	No	No	North Side Water Main
AMR Water Meter	Competitive (RFP or RFB)	Morrow Enterprises, Inc.	Yes	\$ 700,000.00	Under Construction	P.O. Box 1747 Las Cruces, NM 88004	No	No	AMR Water Meter
AMR Water Meter	Competitive (RFP or RFB)	Burn Construction	No			P.O. Box 1869 Las Cruces, NM 88004	No	No	AMR Water Meter
AMR Water Meter	Competitive (RFP or RFB)	Smith Co. Construction, Inc.	No			6 King Canyon Loop Caballo, NM 87931	No	No	AMR Water Meter

SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Agriculture/Rural Housing Service				
Community Facilities Loans and Grants	10.766		\$ 89,800	\$ 89,844
Water & Waste Disposal Loans and Grants	10.77		946,600	<u>657,943</u>
				747,787
U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.228	12-C-RS-I-01-G-12	425,224	<u>361,119</u>
Total Expenditures of Federal Awards				<u><u>\$ 1,108,906</u></u>

**STATE OF NEW MEXICO
CITY OF BAYARD**
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

1. BASIS OF PRESENTATION

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

2. BASIS OF ACCOUNTING

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

3. FEDERAL EXPENDITURES

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

4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS

Federal expenditures on the schedule of expenditures of federal awards amount to \$1,108,906. The amount of expenditures within the funds is reflected within the financial statements as follows:

General Fund	
Public safety	\$ 67,000
Public works	58,885
Special Revenue Funds	
<u>Municipal Streets Fund</u>	
Capital outlay	97,685
<u>Law Enforcement Fund</u>	
Public safety	22,844
Capital Projects Fund	
<u>CDBG Fund</u>	
Public works	75
Capital outlay	212,557
Proprietary Funds	
<u>Water & Sewer Fund</u>	
Capital outlay	649,860
Total schedule of federal awards	\$ 1,108,906

ADDITIONAL INDEPENDENT AUDITORS' REPORT

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

Independent Auditors' Report

Timothy Keller, State Auditor
and
Mayor and City Council
City of Bayard
Bayard, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the City of Bayard (City), as of and for the year ended June 30, 2016, 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 14, 2016.

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 questioned costs as items 2010-003, 2016-001, 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 questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



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

December 14, 2016

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Report on Compliance for Each Major Federal Program; Report
on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by The Uniform Guidance

Independent Auditors' Report

Timothy Keller, State Auditor
and
Mayor and City Council
City of Bayard
Bayard, New Mexico

Report on Compliance for Each Major Federal Program

We have audited City of Bayard's (City) compliance, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended, June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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



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

December 14, 2016

**STATE OF NEW MEXICO
CITY OF BAYARD**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported
- Noncompliance material to financial statements noted Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported

Type of auditors' report issued on
Compliance with major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? Yes No

Program tested as major programs include:

Program	CFDA No.
Water & Waste Disposal Loans & Grants	10.770

- The threshold for distinguishing Types A and B programs was \$750,000.
- Auditee qualified as low-risk auditee? Yes No

**STATE OF NEW MEXICO
CITY OF BAYARD**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Primary Government

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

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

- There were four instances where partial day for same day travel was miscalculated. The total amount overpaid to employees was \$64.00.

Over the years, the City staff has continued to make improvements in the area of travel and per diem; however, additional improvements are necessary.

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 2.42.2.8B(1) of the Travel and Per Diem regulations states, *“Partial day per diem: Public officers or employees who occasionally and irregularly travel shall be reimbursed for travel which does not require overnight lodging, but extends beyond a normal work day as follows:*

- (a) *For less than 2 hours of travel beyond normal work day, none;*
- (b) *For 2 hours, but less than 6 hours beyond the normal work day, \$12.00;*
- (c) *For 6 hours, but less than 12 hours beyond the normal work day, \$20.00;*
- (d) *For 12 hours or more beyond the normal work day, \$30.00;*
- (e) *“Occasionally and irregularly” means not on a regular basis and infrequently as determined by the agency. For example, an employee is not entitled to per diem rates under this subparagraph if the employee either travels once a week or travels every fourth Thursday of the month. However, the employee is entitled to per diem rates under this subparagraph if the employee either travels once a month with irregular destinations and at irregular times or travel four times in one month and then does not travel again in the next two months, so long as this is not a regular pattern.*
- (f) *“Normal work day” means 8 hours within a nine-hour period for all public officers and employees both salaried and nonsalaried, regardless of the officers’ or employees’ regular work schedule.”*

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.

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Primary Government (continued)

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

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 – Review of per diem and mileage shall be completed by the deputy city clerk/treasurer. The deputy city clerk/treasurer will ensure that the correct calculation between partial day travel and overnight return are applied in the correct manner and shall review all current year transactions. Completion of review of current year transactions shall be completed by January 31, 2017.

Item 2016-001 – Other Noncompliance – Legal Compliance with Adopted Budget

Statement of Condition – During our testing of the City’s statutory budgetary requirements, we noted the following:

- The original budget within the CDBG fund anticipated a year-end deficit cash balance of \$700, as budgeted revenues of \$424,524, and beginning cash of \$0 were not sufficient to pay for the budgeted expenditures and transfers out of \$425,224.

Criteria – Sections 6-6-6 through 6-6-11 NMSA 1978 prohibit local governments from making expenditures without budgetary authority. Additionally, the local governments are not allowed to budget a deficit cash balance within any fund as reflected in the original and final budget within the General Fund. Anticipated ending cash cannot be less than zero.

Effect – Noncompliance with New Mexico state statutes subjects officials and employees to penalties and fines required by state statutes. State Statutes also make public officials liable for expenditures beyond budgetary authority.

Cause – The accounting staff failed to take into consideration the beginning cash balance when preparing the budget.

Recommendation – We recommend the accounting staff verifies proper budget authority has been established prior to transfers made between funds. Additionally, we recommend the accounting staff ensures anticipated end of year cash balances both on the original and final budgets are equal to or greater than zero.

Views of Responsible Officials and Planned Corrective Actions – The city clerk/treasurer will ensure that all funds, budgeted on the original fiscal year budgets, do not have a deficit balance prior to submission and approval of City Council and DFA beginning with the next budget cycle for FY19.

**STATE OF NEW MEXICO
CITY OF BAYARD**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Component Unit

Item 2015-001 – Tenant Eligibility

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

- Three instances where the applicant did not fill out Form 214, *Personal Declaration of Status*. Two of the three instances were for dependents who turned eighteen during the fiscal year.
- Three instances where the applicant did not sign the Community Service form. Two of the three instances were for dependents who turned eighteen during the fiscal year.
- Three instances where a tenant's income was not verified. Two of the three instances were for dependents who turned eighteen during the fiscal year.
- Two instances where a tenant did not fill out the Federal Release of Information/Federal Privacy form. Both instances were for dependents who turned eighteen during the fiscal year.

Management has continued to make progress on resolving this audit finding; however, additional work needs to be done to ensure full compliance with the requirements of tenant files.

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.

**STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Component Unit (continued)

Item 2015-001 – Tenant Eligibility (continued)

Views of Responsible Officials and Planned Corrective Actions – The Authority concurs with the auditors' recommendation. Effective immediately, Authority staff (executive director and housing manager) will continue to review tenant files, during their annual re-examination process. The Authority staff will also review the tenant files during initial move-in and interim exams, to ensure they are complete, correct, and accurate in accordance with U.S. Department of Housing and Urban Development guidelines. Further, the housing manager has created a list of all tenants who are seventeen years old at the time of their annual re-examination or interim exams. The list will help ensure that when tenants turn eighteen years old, all required forms will be completed and signed on a timely basis.

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS –
WATER & WASTE DISPOSAL LOANS & GRANTS – CFDA NO. 10.770**

None.

SECTION IV – PRIOR YEAR'S 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

Item 2015-001 – Tenant Eligibility – In the prior year's audit, it was noted that the Authority failed to review the tenants' eligibility files to ensure compliance with U.S. Housing and Urban Development guidelines. During the current year, the Authority failed to review and ensure all tenants' eligibility files were in compliance with the necessary guidelines. The finding has not been resolved, and the finding is repeated in the current year.

**STATE OF NEW MEXICO
CITY OF BAYARD
EXIT CONFERENCE AND
FINANCIAL STATEMENT PREPARATION
JUNE 30, 2016**

**CITY OF BAYARD
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2016, was discussed during the exit conference held on December 15, 2016. Present for the City was Honorable José Sandoval, municipal judge; Zeke Santa Maria, councilor; and Kristina V. Ortiz, city clerk-treasurer. Present for the auditing firm was Ed Fierro, CPA.

**PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2016, was discussed during the exit conference held on December 15, 2016. Present for the Public Housing Authority was Brenda Davis, commissioner; Jolene Padilla, executive director. Present for the City of Bayard was Zeke Santa Maria, councilor; and Kristina V. Ortiz, city clerk-treasurer. Present from the auditing firm was Ed Fierro, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the City of Bayard as of June 30, 2016. 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.