

**STATE OF NEW MEXICO
CITY OF BAYARD**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2017

STATE OF NEW MEXICO
CITY OF BAYARD
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CITY OF BAYARD
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STATE OF NEW MEXICO
CITY OF BAYARD
Directory of Officials
June 30, 2017

ELECTED OFFICIALS

Charles L. Kelly	Mayor
Chon Fierro	Mayor Pro-Tem
Adrian Ortiz	Councilor
Zeke Santa Maria.....	Councilor
Raul Villanueva	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' ReportWayne A. Johnson, 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, 2017, 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 and enterprise funds, 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, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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, 2017, 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 and enterprise funds of the City as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America requested that the schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions on pages fifty-five through fifty-nine 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 financial statements that collectively comprise the City's basis financial statements. The combining and individual fund financial statements, and the other schedules (schedules of cash accounts, pledged collateral, and changes in assets and liabilities) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 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.

Other Reporting Required by Government Auditing Standards (continued)

The purpose of that report is solely 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 effectiveness of 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 12, 2017

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash	\$ 1,291,178	\$ 2,135,927	\$ 3,427,105	\$ 539,083
Receivables, net	204,603	278,147	482,750	44
Prepaid expenses	-	-	-	11,537
Inventory	-	-	-	6,128
Total current assets	1,495,781	2,414,074	3,909,855	556,792
Noncurrent assets:				
Restricted cash	53,546	887,344	940,890	16,473
Capital assets:				
Land and construction in progress	426,467	403,251	829,718	286,578
Other capital assets, net of depreciation	8,663,667	20,409,566	29,073,233	1,020,410
Total noncurrent assets	9,143,680	21,700,161	30,843,841	1,323,461
Deferred Outflows of Resources:				
Pension related	289,503	289,410	578,913	68,799
Total assets and deferred outflows of resources	<u>\$ 10,928,964</u>	<u>\$ 24,403,645</u>	<u>\$ 35,332,609</u>	<u>\$ 1,949,052</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 223,930	\$ 83,750	\$ 307,680	\$ 10,092
Accrued salaries	7,977	10,214	18,191	5,275
Accrued payroll liabilities	-	-	-	1,392
Accrued interest payable	2,396	17,267	19,663	-
Customer deposits	-	86,224	86,224	-
Tenant deposits	-	-	-	16,473
Unearned revenues	-	-	-	2,304
Current maturities of:				
Bonds payable	3,000	4,695	7,695	-
Notes payable	-	129,026	129,026	-
Compensated absences	7,955	13,774	21,729	3,659
Total current liabilities	245,258	344,950	590,208	39,195
Noncurrent liabilities:				
Bonds payable	203,250	289,282	492,532	-
Notes payable	-	1,020,413	1,020,413	-
Compensated absences	669	7,544	8,213	6,024
Net pension liability	928,314	979,958	1,908,272	215,684
Total noncurrent liabilities	1,132,233	2,297,197	3,429,430	221,708
Total liabilities	1,377,491	2,642,147	4,019,638	260,903
Deferred Inflows of Resources:				
Pension related	55,921	60,472	116,393	6,720
Net Position:				
Net investment in capital assets	9,090,134	19,369,401	28,459,535	1,306,988
Restricted:				
Debt service	53,546	424,920	478,466	-
State mandated per statutes	109,195	-	109,195	-
Unrestricted	242,677	1,906,705	2,149,382	374,441
Total net position	9,495,552	21,701,026	31,196,578	1,681,429
Total liabilities, deferred inflows of resources and net position	<u>\$ 10,928,964</u>	<u>\$ 24,403,645</u>	<u>\$ 35,332,609</u>	<u>\$ 1,949,052</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, 2017**

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	\$ 239,575	\$ 59,250	\$ 177,449	\$ -	\$ (2,876)	-	\$ (2,876)	
Public safety	708,397	13,505	132,629	-	(562,263)	-	(562,263)	
Public works	198,553	-	-	121,350	(77,203)	-	(77,203)	
Culture and recreation	129,622	1,345	13,733	-	(114,544)	-	(114,544)	
Health and welfare	13,363	-	-	36,652	23,289	-	23,289	
Interest on long-term debt	8,782	-	-	-	(8,782)	-	(8,782)	
Total governmental activities	1,298,292	74,100	323,811	158,002	(742,379)	-	(742,379)	
Business-type activities:								
Water	1,094,481	501,008	270,205	790,054	-	\$ 466,786	466,786	
Wastewater	467,511	429,015	-	-	-	(38,496)	(38,496)	
Solid waste	1,014,527	691,839	-	-	-	(322,688)	(322,688)	
Cemetery	7,411	1,750	-	-	-	(5,661)	(5,661)	
Interest on long-term debt	23,471	-	-	-	-	(23,471)	(23,471)	
Total business-type activities	2,607,401	1,623,612	270,205	790,054	-	76,470	76,470	
Total primary government	<u>\$ 3,905,693</u>	<u>\$ 1,697,712</u>	<u>\$ 594,016</u>	<u>\$ 948,056</u>	(742,379)	76,470	(665,909)	
Component Unit:								
Public Housing	<u>\$ 420,064</u>	<u>\$ 186,298</u>	<u>\$ 178,863</u>	<u>\$ 153,517</u>				\$ 98,614
General Revenues:								
Gross receipts taxes					435,629	149,183	584,812	-
Property taxes, levied for general purposes					31,968	-	31,968	-
Franchise taxes					49,328	-	49,328	-
Public service taxes					26,563	-	26,563	-
Interest income					1,204	94,971	96,175	889
Donations					14,054	-	14,054	-
Special item - (Loss) on sale of assets					(16,450)	(219,391)	(235,841)	-
Transfers					(84,475)	84,475	-	-
Total general revenues, special item and transfers					457,821	109,238	567,059	889
Changes in net position					(284,558)	185,708	(98,850)	99,503
Net position, beginning of year					9,780,110	21,515,318	31,295,428	1,581,926
Net position, end of year					<u>\$ 9,495,552</u>	<u>\$ 21,701,026</u>	<u>\$ 31,196,578</u>	<u>\$ 1,681,429</u>

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, 2017**

	General Fund	Municipal Streets Fund	Library Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 1,018,218	\$ 187,732	\$ 28,755	\$ 56,473	\$ 1,291,178
Receivables, net	51,236	128,590	24,774	3	204,603
Restricted:					
Cash	-	-	53,448	98	53,546
Total assets	\$ 1,069,454	\$ 316,322	\$ 106,977	\$ 56,574	\$ 1,549,327
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 70,396	\$ 152,458	\$ 358	\$ 718	\$ 223,930
Accrued salaries	7,672	305	-	-	7,977
Total liabilities	78,068	152,763	358	718	231,907
Deferred Inflows of Resources:					
Unavailable property taxes	62,879	-	-	-	62,879
Fund Balances:					
Restricted:					
Debt service	-	-	53,448	98	53,546
State mandated per statutes	-	-	-	38,883	38,883
One twelfth budget reserve	70,312	-	-	-	70,312
Committed:					
Subsequent year's expenditures	215,434	-	5,081	16,107	236,622
Assigned	-	163,559	48,090	768	212,417
Unassigned	642,761	-	-	-	642,761
Total fund balances	928,507	163,559	106,619	55,856	1,254,541
Total liabilities, deferred inflows of resources and fund balances	\$ 1,069,454	\$ 316,322	\$ 106,977	\$ 56,574	\$ 1,549,327

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, 2017

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

Total fund balance governmental funds (page seven)	\$	1,254,541
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,090,134
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.		62,879
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(1,143,188)
Certain accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(2,396)
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 \$289,503 is equal to 2017 employer contributions related to pensions.		289,503
Deferred inflows of resources related to pensions.		(55,921)
Net position of governmental activities (page five)	\$	9,495,552

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, 2017

	General Fund	Municipal Streets Fund	Library Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Gross receipts taxes	\$ 97,065	\$ 67,884	\$ 270,680	\$ -	\$ 435,629
Property taxes	9,068	-	-	-	9,068
Franchise taxes	49,328	-	-	-	49,328
Public service taxes	14,782	11,781	-	-	26,563
Intergovernmental:					
Federal	-	121,350	-	-	121,350
State	203,864	-	13,733	143,301	360,898
Charges for services	43,468	-	1,338	-	44,806
Licenses and permits	5,504	-	-	-	5,504
Fines and forfeitures	8,687	-	-	-	8,687
Interest	468	600	2	134	1,204
Miscellaneous	21,915	-	6,307	500	28,722
Total revenues	454,149	201,615	292,060	143,935	1,091,759
Expenditures:					
Current:					
General government	208,165	-	-	-	208,165
Public safety	471,014	-	-	79,990	551,004
Public works	-	81,842	-	21	81,863
Culture and recreation	21,274	-	30,967	11	52,252
Health and welfare	2,685	-	-	8,726	11,411
Capital outlay	85,551	162,384	-	44,529	292,464
Debt service:					
Principal	-	-	3,000	19,755	22,755
Interest and other charges	-	-	8,370	536	8,906
Total expenditures	788,689	244,226	42,337	153,568	1,228,820
Excess (deficiency) revenues over expenditures	(334,540)	(42,611)	249,723	(9,633)	(137,061)
Other Financing Sources (Uses):					
Transfers in	256,023	20,000	-	2,505	278,528
Transfers (out)	(103,038)	(1,000)	(248,023)	(8,000)	(360,061)
Total other financing sources (uses)	152,985	19,000	(248,023)	(5,495)	(81,533)
Special Item:					
Proceeds from sale of assets	-	-	-	1,800	1,800
Net change in fund balances	(181,555)	(23,611)	1,700	(13,328)	(216,794)
Fund balance, beginning of year	1,110,062	187,170	104,919	69,184	1,471,335
Fund balance, end of year	\$ 928,507	\$ 163,559	\$ 106,619	\$ 55,856	\$ 1,254,541

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, 2017

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

Net change in fund balances total governmental fund (page nine)	\$	(216,794)
Governmental funds report capital outlay as expenditures in the amount of \$292,464; 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 \$277,010. The net adjustments between the amounts is \$15,454.		15,454
Within the statement of activities, the basis of capital assets disposed of are netted with the gross proceeds to produce a gain or loss. The disposal of capital assets does not use current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(16,450)
In the prior year, various capital assets were recorded in the governmental activities, in the amount of \$2,942, net of accumulated depreciation. During, the fiscal year, the City reclassified those assets from the governmental activities to the business-type activities. The net adjustment is \$2,942.		(2,942)
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, 2016, unavailable property taxes amounted to \$39,979. The unavailable property taxes for the current fiscal year amounted to \$62,879; therefore, the net adjustment is \$22,900.		(22,900)
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.		124
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.		22,755
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.		4,785
Governmental funds report pension contributions as expenditures; however, in the statement of activities, the cost of pension benefits earned, net of employees' contribution, is reported as pension expense:		
Pension contributions	\$60,730	
Cost of benefits earned net of employee contributions (pension expense)	<u>(129,320)</u>	<u>(68,590)</u>
Net change in net position - statement of activities (page six)	\$	<u><u>(284,558)</u></u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2017

	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	\$ 97,000	\$ 96,854	\$ 211	\$ 97,065	\$ (146)
Property taxes	28,035	30,060	30,055	(20,987)	9,068	(5)
Franchise taxes	60,000	60,000	52,528	(3,200)	49,328	(7,472)
Public service taxes	6,650	10,550	10,507	4,275	14,782	(43)
Intergovernmental:						
State	200,000	236,462	213,910	(10,046)	203,864	(22,552)
Charges for services	39,420	49,655	45,441	(1,973)	43,468	(4,214)
Licenses and permits	3,850	5,085	4,881	623	5,504	(204)
Fines and forfeitures	18,500	18,500	9,622	(935)	8,687	(8,878)
Interest	370	481	468	-	468	(13)
Miscellaneous	15,300	22,430	19,592	2,323	21,915	(2,838)
Total revenues	436,125	530,223	483,858	(29,709)	454,149	(46,365)
Expenditures:						
Current:						
General government	214,379	214,379	211,307	(3,142)	208,165	3,072
Public safety	458,923	487,223	474,732	(3,718)	471,014	12,491
Culture and recreation	30,050	30,350	21,128	146	21,274	9,222
Health and welfare	3,200	3,200	2,700	(15)	2,685	500
Capital outlay	60,000	185,235	111,583	(26,032)	85,551	73,652
Total expenditures	766,552	920,387	821,450	(32,761)	788,689	98,937
(Deficiency) of revenues over expenditures	(330,427)	(390,164)	(337,592)	3,052	(334,540)	52,572
Other Financing Sources (Uses):						
Transfers in	210,057	320,282	256,023	-	256,023	(64,259)
Transfers (out)	(63,583)	(93,808)	(27,088)	(75,950)	(103,038)	66,720
Total other financing sources (uses)	146,474	226,474	228,935	(75,950)	152,985	2,461
Net change	(183,953)	(163,690)	(108,657)	\$ (72,898)	\$ (181,555)	55,033
Cash balance, beginning of year	1,126,875	1,126,875	1,126,875			-
Cash balance, end of year	<u>\$ 942,922</u>	<u>\$ 963,185</u>	<u>\$ 1,018,218</u>			<u>\$ 55,033</u>
Explanation of Differences:						
Change in receivables				\$ (6,809)		
Change in accounts payable				(53,529)		
Change in accrued salaries				10,340		
Change in unearned revenues				(22,900)		
				<u>\$ (72,898)</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, 2017

	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	\$ 47,534	\$ 67,734	\$ 67,732	\$ 152	\$ 67,884	\$ (2)
Public service taxes	14,000	14,000	11,228	553	11,781	(2,772)
Intergovernmental:						
Federal	-	-	-	121,350	121,350	-
State	35,250	35,250	-	-	-	(35,250)
Interest	450	660	600	-	600	(60)
<u>Total revenues</u>	<u>97,234</u>	<u>117,644</u>	<u>79,560</u>	<u>122,055</u>	<u>201,615</u>	<u>(38,084)</u>
Expenditures:						
Current:						
Public works	79,804	82,704	81,115	727	81,842	1,589
Capital outlay	47,000	47,000	12,177	150,207	162,384	34,823
<u>Total expenditures</u>	<u>126,804</u>	<u>129,704</u>	<u>93,292</u>	<u>150,934</u>	<u>244,226</u>	<u>36,412</u>
Excess (deficiency) of revenues over expenditures	(29,570)	(12,060)	(13,732)	(28,879)	(42,611)	(1,672)
Other Financing Sources (Uses):						
Transfers in	20,000	20,000	20,000	-	20,000	-
Transfers (out)	-	(1,000)	(1,000)	-	(1,000)	-
<u>Total other financing sources (uses)</u>	<u>20,000</u>	<u>19,000</u>	<u>19,000</u>	<u>-</u>	<u>19,000</u>	<u>-</u>
Net change	(9,570)	6,940	5,268	<u>\$ (28,879)</u>	<u>\$ (23,611)</u>	(1,672)
Cash balance, beginning of year	182,464	182,464	182,464			-
Cash balance, end of year	<u>\$ 172,894</u>	<u>\$ 189,404</u>	<u>\$ 187,732</u>			<u>\$ (1,672)</u>
Explanation of Differences:						
Change in receivables				\$ 122,055		
Change in accounts payable				(150,629)		
Change in accrued salaries				(305)		
				<u>\$ (28,879)</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, 2017

	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	\$ 189,575	\$ 270,575	\$ 270,059	\$ 621	\$ 270,680	\$ (516)
Intergovernmental:						
State	24,058	29,333	18,754	(5,021)	13,733	(10,579)
Charges for services	1,000	1,340	1,338	-	1,338	(2)
Interest	10	10	2	-	2	(8)
Miscellaneous	2,000	8,410	8,307	(2,000)	6,307	(103)
Total revenues	216,643	309,668	298,460	(6,400)	292,060	(11,208)
Expenditures:						
Current:						
Culture and recreation	44,291	49,411	31,562	(595)	30,967	17,849
Debt service:						
Principal	3,000	3,000	3,000	-	3,000	-
Interest	8,490	8,490	8,370	-	8,370	120
Total expenditures	55,781	60,901	42,932	(595)	42,337	17,969
(Deficiency) of revenues over expenditures	160,862	248,767	255,528	(5,805)	249,723	6,761
Other Financing Sources (Uses):						
Transfers in	22,518	22,518	-	-	-	(22,518)
Transfers (out)	(189,575)	270,075	(248,023)	-	(248,023)	(518,098)
Total other financing sources (uses)	(167,057)	292,593	(248,023)	-	(248,023)	(540,616)
Net change	(6,195)	541,360	7,505	\$ (5,805)	\$ 1,700	(533,855)
Cash balance, beginning of year	74,698	74,698	74,698			-
Cash balance, end of year	<u>\$ 68,503</u>	<u>\$ 616,058</u>	<u>\$ 82,203</u>			<u>\$ (533,855)</u>
Explanation of Differences:						
Change in receivables				\$ (6,400)		
Change in accounts payable				595		
				<u>\$ (5,805)</u>		

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Water and Sewer Fund	Solid Waste Fund	Joint Wastewater Fund	Other Enterprise Fund	Total
Assets:					
Current assets:					
Cash	\$ 388,703	\$ 277,819	\$ 1,464,755	\$ 4,650	\$ 2,135,927
Receivables, net	121,326	69,370	87,451	-	278,147
Total current assets	510,029	347,189	1,552,206	4,650	2,414,074
Noncurrent assets:					
Restricted cash	607,582	-	279,762	-	887,344
Capital assets:					
Land and construction in progress	74,982	-	66,651	261,618	403,251
Other capital assets, net of accumulated depreciation	8,039,727	8,468	11,874,141	487,230	20,409,566
Total noncurrent assets	8,722,291	8,468	12,220,554	748,848	21,700,161
Deferred Outflows of Resources:					
Pension related	157,318	57,442	74,650	-	289,410
Total assets and deferred outflows of resources	<u>\$ 9,389,638</u>	<u>\$ 413,099</u>	<u>\$ 13,847,410</u>	<u>\$ 753,498</u>	<u>\$ 24,403,645</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 6,688	\$ 23,781	\$ 53,281	\$ -	\$ 83,750
Accrued salaries	5,627	1,942	2,645	-	10,214
Accrued interest payable	14,771	-	2,496	-	17,267
Customer deposits	86,224	-	-	-	86,224
Current maturities of:					
Bonds payable	4,695	-	-	-	4,695
Notes payable	63,769	-	65,257	-	129,026
Compensated absences	7,855	1,986	3,933	-	13,774
Total current liabilities	189,629	27,709	127,612	-	344,950
Noncurrent Liabilities:					
Bonds payable	289,282	-	-	-	289,282
Notes payable	258,045	-	762,368	-	1,020,413
Compensated absences	5,563	472	1,509	-	7,544
Net pension liability	528,567	200,460	250,931	-	979,958
Total noncurrent liabilities	1,081,457	200,932	1,014,808	-	2,297,197
Total liabilities	1,271,086	228,641	1,142,420	-	2,642,147
Deferred Inflows of Resources:					
Pension related	32,617	12,370	15,485	-	60,472
Net Position:					
Net investment in capital assets	7,498,918	8,468	11,113,167	748,848	19,369,401
Restricted debt service	145,158	-	279,762	-	424,920
Unrestricted	441,859	163,620	1,296,576	4,650	1,906,705
Total net position	<u>8,085,935</u>	<u>172,088</u>	<u>12,689,505</u>	<u>753,498</u>	<u>21,701,026</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,389,638</u>	<u>\$ 413,099</u>	<u>\$ 13,847,410</u>	<u>\$ 753,498</u>	<u>\$ 24,403,645</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, 2017

	Water and Sewer Fund	Solid Waste Fund	Joint Wastewater Fund	Other Enterprise Fund	Total
Operating Revenues:					
Charges for services	\$ 618,965	\$ 428,265	\$ 510,218	\$ 1,750	\$ 1,559,198
Operating Expenses:					
Personnel services	458,871	152,103	217,054	-	828,028
Utilities	35,775	-	121,151	-	156,926
Contractual services	27,010	278,233	48,074	-	353,317
Repairs and maintenance	310,479	-	69,618	-	380,097
Insurance claims and expenses	17,417	15,107	16,980	-	49,504
Other operating expenses	90,634	19,247	90,455	-	200,336
Depreciation and amortization	154,295	2,821	451,195	7,411	615,722
Total operating expenses	<u>1,094,481</u>	<u>467,511</u>	<u>1,014,527</u>	<u>7,411</u>	<u>2,583,930</u>
Operating (loss)	(475,516)	(39,246)	(504,309)	(5,661)	(1,024,732)
Non-Operating Revenues (Expenses):					
Gross receipts taxes	135,768	13,415	-	-	149,183
Intergovernmental	270,205	-	-	-	270,205
Interest income	1,052	470	93,449	-	94,971
Miscellaneous	40,929	750	22,735	-	64,414
Interest expense	(17,162)	-	(6,309)	-	(23,471)
Total non-operating revenues (expenses)	<u>430,792</u>	<u>14,635</u>	<u>109,875</u>	<u>-</u>	<u>555,302</u>
(Loss) before capital contributions and transfers	(44,724)	(24,611)	(394,434)	(5,661)	(469,430)
Capital Contributions and Transfers:					
Capital contributions	790,054	-	-	-	790,054
Transfers in	2,942	5,583	26,722	101,149	136,396
Transfers (out)	(26,722)	-	(25,199)	-	(51,921)
Total capital contributions and transfers	<u>766,274</u>	<u>5,583</u>	<u>1,523</u>	<u>101,149</u>	<u>874,529</u>
Special Item:					
(Loss) on sale of assets	-	-	(219,391)	-	(219,391)
Change in net position	721,550	(19,028)	(612,302)	95,488	185,708
Net position, beginning 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>
Net position, end of year	<u>\$ 8,085,935</u>	<u>\$ 172,088</u>	<u>\$ 12,689,505</u>	<u>\$ 753,498</u>	<u>\$ 21,701,026</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, 2017

	Water and Sewer Fund	Solid Waste Fund	Joint Wastewater Fund	Other Enterprise Fund	Total
Cash Flows From Operating Activities:					
Cash received from customers	\$ 618,566	\$ 428,606	\$ 592,661	\$ 1,750	\$ 1,641,583
Cash payments to employees for services	(397,589)	(149,424)	(189,240)	-	(736,253)
Cash payments to suppliers for goods and services	(363,282)	(312,464)	(313,541)	-	(989,287)
Net cash provided (used) by operating activities	(142,305)	(33,282)	89,880	1,750	(83,957)
Cash Flows From Non-Capital Financing Activities:					
Cash received from state shared taxes	135,464	13,386	-	-	148,850
Cash received from capital contributions	1,100,065	-	-	-	1,100,065
Cash received from miscellaneous sources	40,929	750	22,735	-	64,414
Net change in customer deposits	(3,345)	-	-	-	(3,345)
Net transfers in (out)	(26,722)	5,583	26,722	101,149	106,732
Net cash provided by non-capital and related financing activities	1,246,391	19,719	49,457	101,149	1,416,716
Cash Flows from Capital and Financing Activities:					
Acquisition of capital assets	(1,128,010)	-	(45,165)	(101,149)	(1,274,324)
Principal payments on capital debt	66,614	-	(64,611)	-	2,003
Interest on debt	19,707	-	(8,922)	-	10,785
Net cash (used) by capital and related financing activities	(1,041,689)	-	(118,698)	(101,149)	(1,261,536)
Cash Flows From Investing Activities:					
Interest income	1,050	468	6,295	-	7,813
Purchase of certificates of deposit	(593)	(468)	(5,884)	-	(6,945)
Net cash provided by investing activities	457	-	411	-	868
Net increase (decrease) in cash	62,854	(13,563)	21,050	1,750	72,091
Cash and cash equivalents, beginning of year	784,582	197,288	541,949	2,900	1,526,719
Cash and cash equivalents, end of year	<u>\$ 847,436</u>	<u>\$ 183,725</u>	<u>\$ 562,999</u>	<u>\$ 4,650</u>	<u>\$ 1,598,810</u>
Displayed as:					
Cash	\$ 388,703	\$ 277,819	\$ 1,464,755	\$ 4,650	\$ 2,135,927
Restricted cash	607,582	-	279,762	-	887,344
Time deposits not considered cash equivalents	(148,849)	(94,094)	(1,181,518)	-	(1,424,461)
	<u>\$ 847,436</u>	<u>\$ 183,725</u>	<u>\$ 562,999</u>	<u>\$ 4,650</u>	<u>\$ 1,598,810</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, 2017

	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)	\$ (475,516)	\$ (39,246)	\$ (504,309)	\$ (5,661)	\$ (1,024,732)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation and amortization	154,295	2,821	451,195	7,411	615,722
Change in Assets and Liabilities:					
(Increase) decrease in accounts receivable	(3,603)	341	(4,706)	-	(7,968)
Increase (decrease) in accounts payable	(220,970)	123	38,824	-	(182,023)
(Decrease) in accrued salaries	(10,238)	(4,204)	(3,874)	-	(18,316)
Increase (decrease) in compensated absences	3,448	1,452	(308)	-	4,592
Increase in net pension liability	410,279	5,431	113,058	-	528,768
Total adjustments	<u>333,211</u>	<u>5,964</u>	<u>594,189</u>	<u>7,411</u>	<u>940,775</u>
Net cash provided (used) by operating activities	<u>\$ (142,305)</u>	<u>\$ (33,282)</u>	<u>\$ 89,880</u>	<u>\$ 1,750</u>	<u>\$ (83,957)</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, 2017

	<u>Agency Fund</u>
Assets:	
Cash	<u>\$ 1,208</u>
Liabilities:	
Deposits held for others	<u>\$ 1,208</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, 2017

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, 2017.

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, 2017

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.

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

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, 2017

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, 2017

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

Special Revenue Funds

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Projects Funds

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

The City reports the following major business-type funds:

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

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

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

The City maintains one other individual enterprise fund that is considered a non-major fund. A description of the non-major 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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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. Pensions

For purpose 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 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 to PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

G. 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Other Matters (continued)

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 12, 2017, the date of the financial statements were available to be issued.

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.

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

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

As of June 30, 2017, the amount of cash reported on the financial statements differs from the amount on deposit with the institution because of transactions in transit and outstanding checks. The location and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
First American Bank	\$ 4,425,670	\$ (56,565)	\$ 4,369,105

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

Statement of Net Position:	
Cash	\$ 3,427,105
Restricted cash	940,792
Statement of Fiduciary Assets and Liabilities	1,208
Total cash reported on financial statements	\$ 4,369,105

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	\$ 4,425,670
Less FDIC coverage	(250,000)
Uninsured public funds	4,175,670
Pledged collateral held by pledging bank's agent, but not in the City's name	2,742,129
Uninsured and uncollateralized public funds	\$ 1,433,541
Total pledged collateral	\$ 2,742,129
50% pledged collateral requirement per State Statute	(2,087,835)
Pledged collateral over (under) the requirement	\$ 654,294

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

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

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

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$4,175,670 of the City’s bank balance of \$4,425,670 was exposed to custodial credit risk as follows:

	First American Bank
Uninsured and collateral held by agent, not in the City’s name	\$ 4,175,670

3. RESTRICTED ASSETS

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

Statement of Net Position:	
Restricted cash	\$ 98

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, 2017, the NMFA has invested the funds held in the debt service pool. 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 invested within the NMFA debt service pool. At June 30, 2017, the pool was composed of short-term, high-credit-quality money market instruments.

Interest Rate Risk

Interest rate is the risk that interest rate variations may adversely affect an investment’s fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio’s weighted average maturity (WAM) is a key determinant of the tolerance of a fund’s investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The NMFA debt service pool fund weighted average maturity is 2.155 years or 787 days. The WMFA program funds pool fund weighted average maturity is .715 years or 261 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, 2017

4. RECEIVABLES, NET

Receivables, net of allowance for doubtful accounts, at June 30, 2017, consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$ 1,955	\$ 298,434
Allowance for doubtful accounts	(1,015)	(34,292)
Total	940	264,142
Taxes receivable:		
Gross receipts taxes	38,920	13,647
Franchise taxes	7,672	-
Property taxes	24,012	-
Public service taxes	7,230	-
Allowance for doubtful accounts	-	-
Total	77,834	13,647
Intergovernmental receivables:		
Infrastructure improvement grants	125,816	-
Interest receivable	13	358
Receivables, net	\$ 204,603	\$ 278,147

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 2016, was \$2.225 per \$1,000 for non-residential and \$1.287 for residential property. In the year 2016, 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, 2017

6. CAPITAL ASSETS

Governmental activities capital assets for the fiscal year ended June 30, 2017:

	Balance 06/30/16	Increases	Decreases	Transfers	Balance 06/30/17
Governmental Activities (continued):					
Capital assets, not being depreciated:					
Land	\$ 184,290	\$ -	\$ -	\$ -	\$ 184,290
Construction in progress	84,192	162,697	(4,712)	-	242,177
	<u>268,482</u>	<u>162,697</u>	<u>(4,712)</u>	<u>-</u>	<u>426,467</u>
Total capital assets, not being depreciated					
	268,482	162,697	(4,712)	-	426,467
Other capital assets, being depreciated:					
Buildings	3,470,935	12,929	-	-	3,483,864
Infrastructure	7,952,527	77,021	-	-	8,029,548
Equipment	1,292,423	44,529	(91,643)	(8,404)	1,236,905
	<u>12,715,885</u>	<u>134,479</u>	<u>(91,643)</u>	<u>(8,404)</u>	<u>12,750,317</u>
Total other capital assets, being depreciated					
	12,715,885	134,479	(91,643)	(8,404)	12,750,317
Accumulated depreciation:					
Buildings	(894,512)	(69,141)	-	-	(963,653)
Infrastructure	(1,936,478)	(143,257)	-	-	(2,079,735)
Equipment	(1,057,505)	(64,612)	73,393	5,462	(1,043,262)
	<u>(3,888,495)</u>	<u>(277,010)</u>	<u>73,393</u>	<u>5,462</u>	<u>(4,086,650)</u>
Total accumulated depreciation					
	(3,888,495)	(277,010)	73,393	5,462	(4,086,650)
Other capital assets, net					
	<u>8,827,390</u>	<u>(142,531)</u>	<u>(18,250)</u>	<u>(2,942)</u>	<u>8,663,667</u>
Total capital assets, net					
	<u>\$ 9,095,872</u>	<u>\$ 20,166</u>	<u>\$ (22,962)</u>	<u>\$ (2,942)</u>	<u>\$ 9,090,134</u>

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

Governmental Activities:	
General government	\$ 13,332
Public safety	68,569
Public works	115,787
Culture and recreation	77,370
Health and welfare	1,952
	<u>277,010</u>
	<u>\$ 277,010</u>

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

6. CAPITAL ASSETS (continued)

Business-type activities capital assets for the fiscal year ended June 30, 2017:

	Balance 06/30/16	Increases	Decreases	Transfers	Balance 06/30/17
Business-Type Activities (continued):					
Capital assets, not being depreciated:					
Land	\$ 239,470	\$ -	\$ -	\$ -	\$ 239,470
Construction in progress	1,180,785	101,485	(1,118,489)	-	163,781
Total capital assets, not being depreciated	1,420,255	101,485	(1,118,489)	-	403,251
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	15,560,899	1,742,011	(580,742)	-	16,722,168
Equipment	4,138,572	17,501	-	8,404	4,164,477
Total other capital assets, being amortized and depreciated	24,118,213	1,759,512	(580,742)	8,404	25,305,387
Less accumulated amortization and depreciation for:					
Water rights	(167,500)	(10,000)	-	-	(177,500)
Buildings	(533,655)	(54,137)	-	-	(587,792)
Improvements	(15,236)	(7,411)	-	-	(22,647)
Utility system	(2,570,923)	(356,814)	361,351	-	(2,566,386)
Equipment	(1,348,674)	(187,360)	-	(5,462)	(1,541,496)
Total accumulated amortization and depreciation	(4,635,988)	(615,722)	361,351	(5,462)	(4,895,821)
Other capital assets, net	19,482,225	1,143,790	(219,391)	2,942	20,409,566
Total capital assets, net	<u>\$ 20,902,480</u>	<u>\$ 1,245,275</u>	<u>\$ (1,337,880)</u>	<u>\$ 2,942</u>	<u>\$ 20,812,817</u>

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

7. CAPITAL ASSETS – COMPONENT UNIT

The City of Bayard Public Housing Authority's capital assets for the fiscal year ended June 30, 2017, as follows:

	Balance 06/30/16	Increases	Decreases	Balance 06/30/17
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 15,695	\$ -	\$ -	\$ 15,695
Construction in progress	129,402	141,481		270,883
Total capital assets, not being depreciated	145,097	141,481	-	286,578
Other capital assets, being depreciated:				
Buildings	2,476,819	-	-	2,476,819
Building and other improvements	478,737	-	-	478,737
Furniture and equipment - dwellings	161,937	-	-	161,937
Furniture and equipment - administration	100,275	-	-	100,275
Total other capital assets, being depreciated	3,217,768	-	-	3,217,768
Less accumulated depreciation for:				
Buildings	(1,622,037)	(40,714)	-	(1,662,751)
Building and other improvements	(295,661)	(17,893)	-	(313,554)
Furniture and equipment - dwellings	(133,936)	(4,453)	-	(138,389)
Furniture and equipment - administration	(80,097)	(2,567)	-	(82,664)
Total accumulated depreciation	(2,131,731)	(65,627)	-	(2,197,358)
Other capital assets, net	1,086,037	(65,627)	-	1,020,410
Total capital assets, net	<u>\$ 1,231,134</u>	<u>\$ 75,854</u>	<u>\$ -</u>	<u>\$ 1,306,988</u>

8. LONG-TERM OBLIGATIONS

Governmental Activities Debt

Changes in governmental activities loan activity during the year ended June 30, 2017, were as follows:

	Balance 06/30/16	Additions	Deletions	Balance 06/30/17	Amounts Due Within One Year
Bonds payable	\$ 209,250	\$ -	\$ (3,000)	\$ 206,250	\$ 3,000
Notes payable	19,755	-	(19,755)	-	-
Compensated absences	13,409	17,361	(22,146)	8,624	7,955
Total	<u>\$ 242,414</u>	<u>\$ 17,361</u>	<u>\$ (44,901)</u>	<u>\$ 214,874</u>	<u>\$ 10,955</u>

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

8. LONG-TERM OBLIGATIONS (continued)

Bonds Payable – 2011 Gross Receipts Tax Improvement Revenue Bonds

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

Due in year ending June 30:

	Principal	Interest	Total
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	3,000	7,770	10,770
2023-2027	20,000	36,650	56,650
2028-2032	23,000	32,530	55,530
2033-2037	28,000	27,530	55,530
2038-2042	34,000	21,410	55,410
2043-2047	42,000	14,010	56,010
2048-2051	44,250	4,800	49,050
	\$ 206,250	\$ 176,980	\$ 383,230

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, 2017**

8. LONG-TERM OBLIGATIONS (continued)

Business-Type Activities Debt

Changes in business-type activities loan activity during the year ended June 30, 2017, were as follows:

	Balance 06/30/16	Additions	Deletions	Balance 06/30/16	Amounts Due Within One Year
Bonds payable	\$ 298,562	\$ -	\$ (4,585)	\$ 293,977	\$ 4,695
Notes payable	1,276,079	-	(126,640)	1,149,439	129,026
Compensated absences	16,726	23,814	(19,222)	21,318	13,774
Total	<u>\$ 1,591,367</u>	<u>\$ 23,814</u>	<u>\$ (150,447)</u>	<u>\$ 1,464,734</u>	<u>\$ 147,495</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
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	3,183	7,458	10,641
2023-2027	18,061	35,144	53,205
2028-2032	22,239	30,966	53,205
2033-2037	27,384	25,821	53,205
2038-2042	33,720	19,485	53,205
2043-2047	41,521	11,684	53,205
2048-2050	29,384	2,539	31,923
	<u>\$ 186,977</u>	<u>\$ 164,176</u>	<u>\$ 351,153</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, 2017**

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>
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	2,000	2,475	4,475
2023-2027	10,000	11,625	21,625
2028-2032	10,000	10,375	20,375
2033-2037	13,000	9,050	22,050
2038-2042	15,000	7,250	22,250
2043-2047	15,000	5,375	20,375
2048-2052	19,000	3,350	22,350
2053-2056	15,000	900	15,900
	<u>\$ 107,000</u>	<u>\$ 60,800</u>	<u>\$ 167,800</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>
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>\$ 250,063</u>	<u>\$ 19,032</u>	<u>\$ 269,095</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, 2017**

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>
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	67,907	5,626	73,533
2023-2027	349,857	17,813	367,670
2028-2029	144,890	2,177	147,067
	<u>\$ 827,625</u>	<u>\$ 54,777</u>	<u>\$ 882,402</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>
2018	\$ 2,090	\$ -	\$ 2,090
2019	2,090	-	2,090
2020	2,090	-	2,090
2021	2,089	-	2,089
2022	2,089	-	2,089
2023-2027	10,445	-	10,445
2028-2032	10,445	-	10,445
2033-2034	4,179	-	4,179
	<u>\$ 35,517</u>	<u>\$ -</u>	<u>\$ 35,517</u>

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

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
2018	\$ 1,907	\$ -	\$ 1,907
2019	1,907	-	1,907
2020	1,907	-	1,907
2021	1,907	-	1,907
2022	1,907	-	1,907
2023-2027	9,535	-	9,535
2028-2032	9,535	-	9,535
2033-2036	7,629	-	7,629
	<u>\$ 36,234</u>	<u>\$ -</u>	<u>\$ 36,234</u>

9. INTERFUND TRANSFERS

	Transfers In							Total
	General Fund	Municipal Streets Fund	Water & Sewer Fund	Solid Waste Fund	Joint Wastewater Fund	Other Governmental Funds	Other Enterprise Fund	
Transfers (Out):								
General Fund	\$ -	\$ 20,000	\$ 2,942	\$ 5,583	\$ -	\$ 1,505	\$ 75,950	\$ 105,980
Municipal Streets Fund	-	-	-	-	-	1,000	-	1,000
Library Fund	248,023	-	-	-	-	-	-	248,023
Water and Sewer Fund	-	-	-	-	26,722	-	-	26,722
Joint Wastewater Fund	-	-	-	-	-	-	25,199	25,199
Other Governmental Funds	8,000	-	-	-	-	-	-	8,000
	<u>\$ 256,023</u>	<u>\$ 20,000</u>	<u>\$ 2,942</u>	<u>\$ 5,583</u>	<u>\$ 26,722</u>	<u>\$ 2,505</u>	<u>\$ 101,149</u>	<u>\$ 414,924</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. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information About the Pension Plan

Plan description

Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Audit Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers twenty-four 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 Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits provided

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

Tier II – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least eighty-five or at age sixty-seven with eight or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with twenty-five or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with twenty-five or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in twenty-five year retirement plans; however, service credit will no longer be enhanced by 20%.

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

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

Benefits provided (continued)

Tier II (continued) – All public safety members in Tier II may retire at age sixty with six or more years of service credit. Generally, under Tier II pension factors were reduced by 0.5% employee contribution increase by 1.5% and effective July 1, 2014 employer contributions were raised by 0.5%. The computation of final average salary increased as the average of salary for sixty consecutive months.

Contributions – The following is the PERA contribution rates and pension factors as of July 1, 2016:

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

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension –

At June 30, 2017, the City reported a liability of \$1,908,272 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll forward liabilities as of June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

PERA Fund Municipal General Division

At June 30, 2017, the City reported a liability of \$1,220,615 for its proportionate share of the net pension liability within the municipal general division. At June 30, 2016, the City's proportion was .0764 percent, which was a decrease of .008 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund Municipal General Division pension expense of \$134,666. At June 30, 2017, the City 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>
Difference between expected and actual experience	\$ 60,987	\$ 11,912
Change of assumptions	71,575	203
Changes in proportion and differences between contributions and proportionate share of contributions	3,435	63,208
Employer contributions subsequent to the measurement date	<u>224,840</u>	<u>-</u>
	<u>\$ 360,837</u>	<u>\$ 75,323</u>

\$224,840 reported as deferred outflows of resources related to pensions resulting from City of Bayard's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

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

PERA Fund Municipal General Division (continued)

Year Ended		
2018	\$	56,319
2019		56,319
2020		117,639
2021		54,988
2022		-
Thereafter		-

PERA Fund Municipal Police Division –

At June 30, 2017, the City reported a liability of \$687,657 for its proportionate share of the net pension liability within the municipal police division. At June 30, 2016, the City's proportion was .0932 percent, which was a decrease of .0081 percent from its proportion measured as of June 30, 2015, due to the insignificance of the difference.

For the year ended June 30, 2017, the City recognized PERA Fund Municipal Police Division pension expense of \$83,423. At June 30, 2017, the City 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
Difference between expected and actual experience	\$ 50,484	\$ -
Changes of assumptions	45,547	12,402
Changes in proportion and differences between contributions and proportionate share of contributions	7,741	28,668
Employer contributions subsequent to the measurement date	114,304	-
	\$ 218,076	\$ 41,070

\$5,547 reported as deferred outflows of resources related to pensions resulting from City of Bayard's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

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

PERA Fund Municipal Police Division (continued)

Year Ended		
2018	\$	40,116
2019		40,116
2020		64,236
2021		26,991
2022		-
Thereafter		-

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

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

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2105 actuarial valuation.

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

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

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

All Funds Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	100.00%	

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

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

Sensitivity of the City of Bayard's proportionate share of the net pension liability to changes in the discount rate - The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.48%) or one percentage point higher (8.48%) than the current rate:

	1% Decrease 6.48%	Current Discount Rate 7.48%	1% Increase 8.48%
PERA Fund Municipal General Division			
City of Bayard proportionate share of the net pension liability	\$ 1,819,828	\$ 1,220,615	\$ 723,597
PERA Fund Municipal Police Division			
City of Bayard's proportionate share of the net pension liability	\$ 1,011,715	\$ 687,657	\$ 422,616

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 PERA financial report.

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

11. 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 \$171, \$195, and \$150, respectively, due to the increase of the allowance for doubtful accounts.

12. CONSTRUCTION COMMITMENTS

Governmental Activities – As of June 30, 2017, the City has construction contracts in progress and with total costs of \$242,177. The projects are funded through federal and state grants and local resources. The remaining construction commitments are \$408,421.

Business-Type Activities – As of June 30, 2017, the City has construction contracts in progress with total costs of \$163,781. The projects are funded through federal and state grants and local resources. The remaining construction commitments are \$63,129.

13. 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.

14. 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.

15. CONTINGENT LIABILITES

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

STATE OF NEW MEXICO
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16. 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, 2017.

Excess of expenditures over appropriations – there were no funds that exceeded approved budgetary authority for the year ended June 30, 2017.

Designated Cash Appropriations – There were no funds that exceeded approved designated cash appropriations for the year ended June 30, 2017.

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, 2017**

	Special Revenue Funds				Total Special Revenue Funds	Capital Projects Fund	Total Other Governmental Funds
	Fire Protection Fund	Law Enforcement Fund	Corrections Fund	Emergency Medical Services Fund		CDBG Fund	
<u>ASSETS</u>							
Cash	\$ 15,452	\$ 11,535	\$ 25,166	\$ 3,352	\$ 55,505	\$ 968	\$ 56,473
Receivables, net	-	-	3	-	3	-	3
Restricted:							
Cash	98	-	-	-	98	-	98
Total assets	<u>\$ 15,550</u>	<u>\$ 11,535</u>	<u>\$ 25,169</u>	<u>\$ 3,352</u>	<u>\$ 55,606</u>	<u>\$ 968</u>	<u>\$ 56,574</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 624	\$ -	\$ 94	\$ -	\$ 718	\$ -	\$ 718
Fund Balances:							
Restricted:							
Debt service	98	-	-	-	98	-	98
State mandated per statutes	2,712	10,404	23,175	2,592	38,883	-	38,883
Committed:							
Subsequent year's expenditures	12,116	1,131	1,900	760	15,907	200	16,107
Assigned	-	-	-	-	-	768	768
Total fund balances	<u>14,926</u>	<u>11,535</u>	<u>25,075</u>	<u>3,352</u>	<u>54,888</u>	<u>968</u>	<u>55,856</u>
Total liabilities and fund balances	<u>\$ 15,550</u>	<u>\$ 11,535</u>	<u>\$ 25,169</u>	<u>\$ 3,352</u>	<u>\$ 55,606</u>	<u>\$ 968</u>	<u>\$ 56,574</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue Funds				Total Special Revenue Funds	Capital Projects Fund	Total Other Governmental Funds
	Fire Protection Fund	Law Enforcement Fund	Corrections Fund	Emergency Medical Services Fund		CDBG Fund	
Revenues:							
Intergovernmental:							
State	\$ 114,301	\$ 23,000	\$ -	\$ 6,000	\$ 143,301	\$ -	\$ 143,301
Interest	59	-	75	-	134	-	134
Miscellaneous	-	-	-	500	500	-	500
Total revenues	<u>114,360</u>	<u>23,000</u>	<u>75</u>	<u>6,500</u>	<u>143,935</u>	<u>-</u>	<u>143,935</u>
Expenditures:							
Current:							
Public safety	51,234	25,155	3,601	-	79,990	-	79,990
Public works	-	-	-	-	-	21	21
Culture and recreation	-	-	-	-	-	11	11
Health and welfare	-	-	-	8,726	8,726	-	8,726
Capital outlay	44,529	-	-	-	44,529	-	44,529
Debt service:							
Principal	19,755	-	-	-	19,755	-	19,755
Interest and other charges	536	-	-	-	536	-	536
Total expenditures	<u>116,054</u>	<u>25,155</u>	<u>3,601</u>	<u>8,726</u>	<u>153,536</u>	<u>32</u>	<u>153,568</u>
Excess (deficiency) of revenues over expenditures	(1,694)	(2,155)	(3,526)	(2,226)	(9,601)	(32)	(9,633)
Other Financing Sources (Uses):							
Transfers in	-	-	1,505	-	1,505	1,000	2,505
Transfers (out)	-	-	(8,000)	-	(8,000)	-	(8,000)
Total other financing sources (uses)	-	-	(6,495)	-	(6,495)	1,000	(5,495)
Special Item:							
Proceeds from sale of assets	-	1,800	-	-	1,800	-	1,800
Net change in fund balances	(1,694)	(355)	(10,021)	(2,226)	(14,296)	968	(13,328)
Fund balances, beginning of year	<u>16,620</u>	<u>11,890</u>	<u>35,096</u>	<u>5,578</u>	<u>69,184</u>	<u>-</u>	<u>69,184</u>
Fund balances, end of year	<u>\$ 14,926</u>	<u>\$ 11,535</u>	<u>\$ 25,075</u>	<u>\$ 3,352</u>	<u>\$ 54,888</u>	<u>\$ 968</u>	<u>\$ 55,856</u>

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, 2017

	Cemetery Fund
Assets:	
Current assets:	
Cash	\$ 4,650
Non-current assets:	
Capital assets:	
Land and construction in progress	261,618
Other capital assets, net of accumulated depreciation	487,230
Total non-current assets	748,848
Total assets	\$ 753,498
Net Position:	
Net investment in capital assets	\$ 748,848
Unrestricted	4,650
Total net position	\$ 753,498

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, 2017

	Cemetery Fund
Operating Revenues:	
Charges for services	\$ 1,750
Operating Expenses:	
Depreciation and amortization	7,411
Total operating expenses	7,411
Operating income	(5,661)
Transfers:	
Transfers in	101,149
Change in net position	95,488
Net position, beginning of year	658,010
Net position, end of year	\$ 753,498

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, 2017

	Cemetery Fund
Cash Flows From Operating Activities:	
Cash received from customers	\$ 1,750
Cash Flows for Non-Capital and Financing Activities:	
Net transfers in (out)	101,149
Cash Flows for Capital and Financing Activities:	
Acquisition of capital assets	(10,149)
Net increase in cash	1,750
Cash and cash equivalents, beginning of year	2,900
Cash and cash equivalents, end of year	\$ 4,650
Displayed as:	
Cash	\$ 4,650
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income	\$ (5,661)
Adjustment to Reconcile Operating Income to Net	
Cash Provided by Operating Activities:	
Depreciation and amortization	7,411
Change in Assets and Liabilities:	
None.	-
Total adjustments	7,411
Net cash provided by operating activities	\$ 1,750

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>	<u>2017</u>
City of Bayard's proportion of the net pension liability (asset)	0.0838%	0.0844%	0.0764%
City of Bayard's proportionate share of the net pension liability (asset)	\$ 653,730	\$ 860,531	\$ 1,220,615
City of Bayard's covered-employee payroll	\$ 677,729	\$ 657,079	\$ 658,616
City of Bayard's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.46%	130.96%	185.33%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%

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

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>	<u>2017</u>
City of Bayard's proportion of the net pension liability (asset)	0.0928%	0.1013%	0.0932%
City of Bayard's proportionate share of the net pension liability (asset)	\$ 320,121	\$ 487,107	\$ 687,657
City of Bayard's covered-employee payroll	\$ 189,369	\$ 185,182	\$ 211,105
City of Bayard's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	169.05%	263.04%	325.74%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%

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

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>	<u>2017</u>
Contractually required contribution	\$ 83,569	\$ 78,641	\$ 81,916
Contributions in relation to the contractually required contribution	<u>83,569</u>	<u>78,641</u>	<u>81,916</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Bayard's covered-employee payroll	\$ 669,166	\$ 657,079	\$ 658,616
Contributions as a percentage of covered-employee payroll	12.49%	11.97%	12.44%

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

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*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 42,349	\$ 39,629	\$ 42,151
Contributions in relation to the contractually required contribution	<u>42,349</u>	<u>39,629</u>	<u>42,151</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Bayard's covered-employee payroll	\$ 198,169	\$ 185,182	\$ 211,105
Contributions as a percentage of covered-employee payroll	21.37%	21.40%	19.97%

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

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

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

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

OTHER SCHEDULES REQUIRED BY 2.2.2 NMAC

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2017

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	\$ 2,830,931	\$ (55,694)	\$ 2,775,237
EMS	Checking	3,352	-	3,352
Historical and tourism	Checking	19,562	-	19,562
Bayard Community fund	Checking	1,391	-	1,391
Library trust	Checking	3,542	-	3,542
USDA water meter construction	Checking	98	-	98
Motor Vehicle	Checking	2,079	(871)	1,208
CDBG	Checking	968	-	968
Certificate of deposit	CD	61,206	-	61,206
Certificate of deposit	CD	25,041	-	25,041
Certificate of deposit	CD	62,602	-	62,602
Certificate of deposit	CD	18,781	-	18,781
Certificate of deposit	CD	368,415	-	368,415
Certificate of deposit	CD	500,058	-	500,058
Certificate of deposit	CD	94,094	-	94,094
Certificate of deposit	CD	125,185	-	125,185
Certificate of deposit	CD	187,860	-	187,860
Certificate of deposit	CD	120,505	-	120,505
		<u>\$ 4,425,670</u>	<u>\$ (56,565)</u>	<u>\$ 4,369,105</u>

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2017

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	\$ 200,598
Clovis NM Mun Sch Dist 1	189414JL0	08/01/21	411,412
Clovis NM Mun Sch Dist 1	189414JK2	08/01/20	307,107
Clovis NM Mun Sch Dist 1	18941KG9	08/01/26	750,953
MBS FHLMC Gold 15 yr	3128MDKM4	11/01/27	461,737
Torrance Etc Cnty NM Sch	891400NG4	05/15/20	204,358
Torrance Etc Cnty NM Sch	891400NF6	05/15/19	405,964
		Total	<u><u>\$ 2,742,129</u></u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
COMBINING SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES FOR THE AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>06/30/16</u>	<u>Increases/</u> <u>Receipts</u>	<u>Decreases/</u> <u>Disbursements</u>	<u>Balance</u> <u>06/30/17</u>
Motor Vehicle Fund				
Assets:				
Cash	<u>\$ 500</u>	<u>\$ 74,645</u>	<u>\$ 73,937</u>	<u>\$ 1,208</u>
Liabilities:				
Deposits held for others	<u>\$ 500</u>	<u>\$ 74,645</u>	<u>\$ 73,937</u>	<u>\$ 1,208</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
JOINT POWERS AGREEMENT
JUNE 30, 2017**

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, Grant County (North Hurley), and Fort Bayard Special District to dispose of waste water into the City of Bayard sewer system. As of June 30, 2017, the governments have expended \$16,486,301 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 \$1,660,857.
- F. **Amount contributed in the current fiscal year** – The Village of Santa Clara contributed \$194,974; Town of Hurley contributed \$160,951; Grant County (North Hurley) contributed \$56,505; and Fort Bayard Special District contributed \$583 toward operating revenue, with the residents of Bayard contributing the remainder of operating revenues. Additionally, the City of Bayard transferred a net amount of \$26,722 from other funds.
- G. **Audit Responsibility** – The City of Bayard is responsible for the annual audit of all the financial activity.
- H. **Fiscal Agent** – The City of Bayard is the fiscal agent.
- I. **Name of government where revenues and expenditures are recorded** – City of Bayard.

ADDITIONAL INDEPENDENT AUDITORS' REPORT

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www.fierrocpa.com

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

Independent Auditors' Report

Wayne A. Johnson, State Auditor
and
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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds, presented as supplemental information, and have issued our report thereon dated December 12, 2017.

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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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 12, 2017

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

FINANCIAL STATEMENT FINDINGS

Primary Government

None.

Component Unit

None.

PRIOR YEAR'S AUDIT FINDINGS

Primary Government

Item 2010-003 – Per Diem and Mileage Act – In the previous 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 made the necessary changes to their travel and per diem policy to comply with the Per Diem and Mileage Act. This finding is considered resolved.

Item 2016-001 – Legal Compliance with Adopted Budget – In the previous year's audit report, we noted the City failed to meet the statutory budgetary requirements and budgeted negative cash in the capital projects fund. During the current year, while preparing the annual budget, City staff did not budget any negative cash amounts in any of the City's funds, which meets statutory budgetary requirements. This finding is considered resolved.

Component Unit

Item 2015-001 – Tenant Eligibility – In the previous year's audit report, we noted the Authority failed to review the tenants' eligibility files to ensure compliance with U.S. Housing and Urban Development guidelines. During the current year, the Authority reviewed and ensured all tenants' eligibility files complied with the necessary guidelines. This finding is considered resolved.

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

**CITY OF BAYARD
EXIT CONFERENCE**

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

**PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2017, was discussed during the exit conference held on December 15, 2017. Present for the Public Housing Authority was Rosemary Alvarado, chairperson; Jolene D. Ortiz, executive director; and Kathy Carrillo, housing manager. Present for the City of Bayard was Charles L. Kelly, mayor and Kristina V. Ortiz, city clerk-treasurer. Present from the auditing firm was Rose Fierro, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the City of Bayard as of June 30, 2017. 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.