

State of New Mexico

City of Bayard

**Financial Statements
With Independent Auditor's Report Thereon**

For the Fiscal Year Ended June 30, 2018

City of Bayard
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City of Bayard
DIRECTORY OF OFFICIALS
June 30, 2018

ELECTED OFFICIALS

Chon S. Fierro	Mayor
Zeke Santa Maria	Councilor
Adrian Ortiz	Councilor
Raul Villanueva	Councilor
Eloy Medina	Councilor

DEPARTMENT HEADS

Kristina V. Ortiz	Clerk-Treasurer
Eddie Sedillos	Public Works Director
Jason Jaeger	Wastewater Superintendent
William Kerin	Police Chief
Anna Binder	Deputy Clerk
Euphemio Gonzalez	Fire Chief



MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
KELLEY WYATT, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, State Auditor
And
Mayor and Town 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, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise City of Bayard's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 City of Bayard as of June 30, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information related to the City's pension plan presented on pages 47 to 51 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 evidence sufficient to express an opinion or provide any assurance.

Management has omitted 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.

Other Information

Our audit was conducted for the purpose of forming opinions on City of Bayard's financial statements that collectively comprise the City's basic financial statements. The other schedules presented as other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken 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, 2018, on our consideration of City of Bayard's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Bayard's internal control over financial reporting and compliance.

Stone, McGee & Co., CPAs

Silver City, New Mexico
December 12, 2018

Stone, McGee & Co.
Certified Public Accountants

City of Bayard
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	
ASSETS				
Current:				
Cash and investments	\$ 1,400,904	\$ 2,340,301	\$ 3,741,205	\$ 509,404
Receivables, net	198,563	311,478	510,041	49
Inventory				4,965
Prepaid expenses			-	16,308
Total current assets	\$ 1,599,467	\$ 2,651,779	\$ 4,251,246	\$ 530,726
Noncurrent assets:				
Restricted:				
Cash and investments	\$ -	\$ 537,893	\$ 537,893	\$ 15,764
Capital assets, net	9,270,576	20,657,162	29,927,738	1,257,839
Total noncurrent assets	\$ 9,270,576	\$ 21,195,055	\$ 30,465,631	\$ 1,273,603
Total assets	\$ 10,870,043	\$ 23,846,834	\$ 34,716,877	\$ 1,804,329
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	\$ 250,137	\$ 177,679	\$ 427,816	\$ 41,109
LIABILITIES				
Current:				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable	8,573	32,339	40,912	8,143
Accrued liabilities	7,667	11,731	19,398	8,364
Unearned revenue				925
Interest payable	2,403	16,776	19,179	
Current maturities of long-term debt	14,657	136,281	150,938	
Total current liabilities	\$ 33,300	\$ 197,127	\$ 230,427	\$ 17,432
Noncurrent:				
Payable from restricted assets:				
Customer deposits	\$ -	\$ 88,934	\$ 88,934	\$ 15,764
Notes payable	46,782	888,941	935,723	
Bonds payable	200,250	284,473	484,723	
Net pension liability	936,886	606,851	1,543,737	158,020

City of Bayard
STATEMENT OF NET POSITION (concluded)
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	
Compensated absences	\$ 15,851	\$ 20,233	\$ 36,084	\$ 11,876
Total noncurrent liabilities	\$ 1,199,769	\$ 1,889,432	\$ 3,089,201	\$ 185,660
Total liabilities	\$ 1,233,069	\$ 2,086,559	\$ 3,319,628	\$ 203,092
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	\$ 188,523	\$ 84,169	\$ 272,692	\$ 29,279
NET POSITION				
Net investment in capital assets	\$ 9,008,887	\$ 19,347,467	\$ 28,356,354	\$ 1,257,839
Restricted for:				
Capital projects	244,178		244,178	
Debt service		448,959	448,959	
Other purposes	330,672		330,672	
Unrestricted	114,851	2,057,359	2,172,210	355,228
Total net position	\$ 9,698,588	\$ 21,853,785	\$ 31,552,373	\$ 1,613,067

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

Village of Santa Clara
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues	
Functions/Programs		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 278,921	\$ 367	\$ 131,704
Public safety	568,299		128,491
Public works	181,553		
Health and welfare	8,031		
Culture-recreation	113,925	1,013	21,306
Unallocated interest expense	8,257		
Loan issue costs	438		
	<u>\$ 1,159,424</u>	<u>\$ 1,380</u>	<u>\$ 281,501</u>
 Business-type activities:			
Water and sewer	\$ 748,290	\$ 719,300	\$ -
Cemetary	7,412	1,300	
Joint Wastewater	1,085,713	617,563	
Solid waste	450,092	421,144	
	<u>\$ 2,291,507</u>	<u>\$ 1,759,307</u>	<u>\$ -</u>
 Total primary government	<u>\$ 3,450,931</u>	<u>\$ 1,760,687</u>	<u>\$ 281,501</u>
 Component Unit:			
Public Housing	<u>\$ 402,293</u>	<u>\$ 168,630</u>	<u>\$ -</u>
 General revenues:			
Property taxes			
Gross receipts taxes			
Gas taxes			
Motor vehicle taxes			
Franchise taxes			
Fines and forfeitures			
Miscellaneous			
Transfers			
 Total general revenues			
 Change in net position			
 Net position, beginning of year as originally reported			
 Restatement			
 Net position, beginning of year, as restated			
 Change in net position			
 Net position, end of year			

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

	Primary Government			Component Unit
	Governmental Activities	Business -Type Activities	Total	
	Net (Expenses) Revenue and Changes in Net Position			
Capital Grants and Contributions				
\$ -	\$ (146,850)	\$ -	\$ (146,850)	
	(439,808)		(439,808)	
392,542	210,989		210,989	
50,286	42,255		42,255	
43,828	(47,778)		(47,778)	
	(8,257)		(8,257)	
	(438)		(438)	
<u>\$ 486,656</u>	<u>\$ (389,887)</u>	<u>\$ -</u>	<u>\$ (389,887)</u>	
\$ -	\$ -	\$ (28,990)	\$ (28,990)	
		(6,112)	(6,112)	
3,520		(464,630)	(464,630)	
		(28,948)	(28,948)	
<u>\$ 3,520</u>	<u>\$ -</u>	<u>\$ (528,680)</u>	<u>\$ (528,680)</u>	
<u>\$ 490,176</u>	<u>\$ (389,887)</u>	<u>\$ (528,680)</u>	<u>\$ (918,567)</u>	
<u>\$ 164,223</u>				<u>\$ (69,440)</u>
	\$ 30,107	\$ -	\$ 30,107	\$ -
	688,207	235,444	923,651	
	12,779		12,779	
	22,602		22,602	
	53,828		53,828	
	3,052		3,052	
	101,989	32,928	134,917	1078
	(177,374)	177,374	-	
	<u>\$ 735,190</u>	<u>\$ 445,746</u>	<u>\$ 1,180,936</u>	<u>\$ 1,078</u>
	<u>\$ 345,303</u>	<u>\$ (82,934)</u>	<u>\$ 262,369</u>	<u>\$ (68,362)</u>
	\$ 9,495,552	\$ 21,701,026	\$ 31,196,578	\$ 1,681,429
	(142,267)	235,693	93,426	
	\$ 9,353,285	\$ 21,936,719	\$ 31,290,004	\$ 1,681,429
	345,303	(82,934)	262,369	(68,362)
	<u>\$ 9,698,588</u>	<u>\$ 21,853,785</u>	<u>\$ 31,552,373</u>	<u>\$ 1,613,067</u>

City of Bayard
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Municipal Street	Library
Assets			
Cash and investments	\$ 978,260	\$ 230,509	\$ 42,488
Property taxes receivable	64,614		
Other taxes receivable	36,113	17,035	66,380
Accounts receivable	940		
Due from other governments	10,305		3,176
	\$ 1,090,232	\$ 247,544	\$ 112,044
Liabilities			
Accounts payable	\$ 3,791	\$ 3,857	\$ 329
Interfund payable			
Salaries payable	7,311	356	
	\$ 11,102	\$ 4,213	\$ 329
Deferred Inflows of Resources			
Unavailable revenue	\$ 62,957	\$ -	\$ -
	\$ 62,957	\$ -	\$ -
Fund balance:			
Restricted:			
General government	\$ 70,753	\$ -	\$ -
Public safety			
Culture and recreation			111,715
Public works			
Health and welfare			
Debt Service			
Capital projects		243,331	
Unassigned	945,420		
	\$ 1,016,173	\$ 243,331	\$ 111,715
Total fund balance	\$ 1,016,173	\$ 243,331	\$ 111,715
Total liabilities, deferred inflows of resources and fund balances	\$ 1,090,232	\$ 247,544	\$ 112,044

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

<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 149,647	\$ 1,400,904 64,614 119,528 940 13,481
<u>\$ 149,647</u>	<u>\$ 1,599,467</u>
\$ 596	\$ 8,573 - 7,667
<u>\$ 596</u>	<u>\$ 16,240</u>
\$ -	\$ 62,957
<u>\$ -</u>	<u>\$ 62,957</u>
\$ - 148,204	\$ 70,753 148,204 111,715 - - -
847	244,178 945,420
<u>\$ 149,051</u>	<u>\$ 1,520,270</u>
<u>\$ 149,647</u>	<u>\$ 1,599,467</u>

City of Bayard
**RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 June 30, 2018

Total governmental fund balances	\$	1,520,270
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,270,576
Income received sixty days after year-end is not considered revenue in the fund statements, but is recognized in the governmental activities:		
Property taxes receivable		62,957
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred inflows of resources related to pensions		250,137
Deferred outflows of resources related to pensions		(188,523)
Long-term liabilities are not reported in the funds:		
Net pension liability		(936,886)
Bonds payable		(203,250)
Notes payable		(58,439)
Accrued interest payable		(2,403)
Compensated absences		(15,851)
		(15,851)
 <i>Net position of governmental activities</i>	 \$	 <u><u>9,698,588</u></u>

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

City of Bayard
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
For The Fiscal Year Ended June 30, 2018

	<u>General Fund</u>	<u>Municipal Street</u>
Revenues:		
Property taxes	\$ 30,029	\$ -
Gross receipts taxes	153,144	107,137
Gas taxes	7,775	5,004
Motor vehicle taxes	8,719	13,883
Franchise taxes	53,828	
State intergovernmental	241,403	34,438
Federal intergovernmental	-	358,104
Fines, licenses and permits	3,052	
Charges for services	367	
Miscellaneous	<u>92,650</u>	<u>2,134</u>
Total revenues	<u>\$ 590,967</u>	<u>\$ 520,700</u>
Expenditures:		
Current:		
General government	\$ 242,168	\$ -
Public safety	402,107	
Public works		65,426
Health and welfare	1,678	
Culture recreation	5,844	
Debt service:		
Principal		
Interest		
Loan issue costs		
Capital outlay	<u>17,231</u>	<u>390,502</u>
Total expenditures	<u>\$ 669,028</u>	<u>\$ 455,928</u>
Revenues over (under) expenditures	\$ (78,061)	\$ 64,772
Other financing sources (uses):		
Loan proceeds		
Transfer in	422,802	20,000
Transfer out	<u>(257,075)</u>	<u>(5,000)</u>
Net change in fund balances	\$ 87,666	\$ 79,772
Fund balance July 1, 2017	<u>928,507</u>	<u>\$ 163,559</u>
Fund balance June 30, 2018	<u>\$ 1,016,173</u>	<u>\$ 243,331</u>

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

<u>Library</u>	<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ -	\$ -	\$ 30,029
427,926		688,207
		12,779
		22,602
		53,828
21,306	112,906	410,053
		358,104
		3,052
1,013		1,380
1,733	5,472	101,989
<u>\$ 451,978</u>	<u>\$ 118,378</u>	<u>\$ 1,682,023</u>
\$ -	\$ -	\$ 242,168
	84,364	486,471
	121	65,547
	4,400	6,078
30,875		36,719
3,000		3,000
8,250		8,250
	438	438
40,955		448,688
<u>\$ 83,080</u>	<u>\$ 89,323</u>	<u>\$ 1,297,359</u>
\$ 368,898	\$ 29,055	\$ 384,664
	58,439	58,439
10,000	5,701	458,503
(373,802)		(635,877)
\$ 5,096	\$ 93,195	\$ 265,729
\$ 106,619	55,856	1,254,541
<u>\$ 111,715</u>	<u>\$ 149,051</u>	<u>\$ 1,520,270</u>

City of Bayard
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**
June 30, 2018

Net change in fund balances-total governmental funds \$ 265,729

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

Governmental funds report capital outlay as expenditures.
However, in the Statement of Activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense.

Capital outlay	448,688
Depreciation expense.	(268,246)

Governmental funds report pension contributions as expenditures. However
in the Statement of Activities, the cost of pension benefits earned net of
employee contributions is reported as pension expense

Pension contributions	71,463
Cost of benefits earned net of employee contributions	(109,736)

Governmental funds report revenue only if it is collected during the year or received
within 60 days of year-end. However, in the Statement of Activities, revenue is
recognized when earned. This is the net change for the year.

Property taxes	78
----------------	----

Bond and loan proceeds are reported as financing sources
in the funds. In the Statement of Activities, however, issuing
debt increases long-term liabilities.

(58,439)

Repayment of debt is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the
Statement of Net Position

3,000

In the Statement of Activities, interest is accrued on outstanding
bonds, whereas in governmental funds, an interest expenditure
is reported when due. This is the net change during the year.

(7)

Some expenses reported in the Statement of Activities, such as
compensated absences, do not require the use of current
financial resources and therefore are not reported as
expenditures in the funds. This is the net change during the year.

(7,227)

Change in Net Position of Governmental Activities

\$ 345,303

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

City of Bayard
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 149,903	\$ 227,103	\$ 238,275	\$ 11,172
State sources	250,539	361,299	233,594	(127,705)
Federal sources				-
Fines, licenses and permits	3,950	4,250	3,052	(1,198)
Charges for services	820	835	367	(468)
Miscellaneous	84,620	115,080	93,896	(21,184)
Total revenues	\$ 489,832	\$ 708,567	\$ 569,184	\$ (139,383)
Expenditures:				
Current:				
General government	\$ 310,756	\$ 419,998	\$ 361,281	\$ 58,717
Public safety	434,005	436,707	396,521	40,186
Public works				-
Health and welfare	3,200	2,500	1,678	822
Culture recreation	7,250	5,590	5,531	59
Principle				-
Interest				-
Capital outlay	88,529	89,829	84,022	5,807
Total expenditures	\$ 843,740	\$ 954,624	\$ 849,033	\$ 105,591
Revenues over (under) expenditures	\$ (353,908)	\$ (246,057)	\$ (279,849)	\$ (33,792)
Other financing sources (uses):				
Transfer in	202,057	443,040	422,802	(20,238)
Transfer out	(63,583)	(190,583)	(190,284)	299
Net change in fund balance	\$ (215,434)	\$ 6,400	\$ (47,331)	\$ (53,731)
Fund balance, July 1, 2017	942,922	963,185	1,018,218	55,033
Fund balance, June 30, 2018	<u>\$ 727,488</u>	<u>\$ 969,585</u>	<u>\$ 970,887</u>	<u>\$ 1,302</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 45,501
Revenue accruals (net)				(18,493)
Expenditure accruals (net)				(141,130)
Other financing sources (net)				<u>66,791</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ (47,331)</u>

City of Bayard
SPECIAL REVENUE FUND-LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes			\$ -	\$ -
State sources	21,058	21,172	18,130	(3,042)
Federal sources				-
Fines, licenses and permits				-
Charges for services			1,013	1,013
Miscellaneous	-	-	1,733	1,733
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	\$ 21,058	\$ 21,172	\$ 20,876	\$ (296)
Expenditures:				
Current:				
General government	\$ -	\$ -	\$ -	\$ -
Public safety				-
Public works				-
Health and welfare				-
Culture recreation	36,139	40,249	40,110	139
Principle				-
Interest				-
Capital outlay				-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	\$ 36,139	\$ 40,249	\$ 40,110	\$ 139
Revenues over (under) expenditures	\$ (15,081)	\$ (19,077)	\$ (19,234)	\$ (157)
Other financing sources (uses):				
Transfer in	10,000	10,000	10,000	-
Transfer out				-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	\$ (5,081)	\$ (9,077)	\$ (9,234)	\$ (157)
Fund balance, July 1, 2017	<u>68,503</u>	<u>616,058</u>	<u>82,203</u>	<u>(533,855)</u>
Fund balance, June 30, 2018	<u>\$ 63,422</u>	<u>\$ 606,981</u>	<u>\$ 72,969</u>	<u>\$ (534,012)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 5,096
Revenue accruals (net)				(431,102)
Expenditure accruals (net)				42,970
Other financing sources (net)				373,802
				<u> </u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ (9,234)</u>

The accompanying notes are an integral part of these financial statements

City of Bayard
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2018

Assets	<u>Cemetary</u>	<u>Joint Wastewater</u>	<u>Solid Waste</u>	<u>Water Sewer</u>	<u>Total</u>
Current:					
Cash and investments	\$ 5,950	\$ 1,144,066	\$ 279,039	\$ 911,246	\$ 2,340,301
Grants receivable		3,520			3,520
Receivables, net of allowances:					
Accounts		87,203	67,320	116,915	271,438
Taxes			3,284	33,236	36,520
Total current assets	<u>\$ 5,950</u>	<u>\$ 1,234,789</u>	<u>\$ 349,643</u>	<u>\$ 1,061,397</u>	<u>\$ 2,651,779</u>
Noncurrent assets:					
Restricted:					
Cash and investments	\$ -	\$ 247,523	\$ -	\$ 290,370	\$ 537,893
Capital assets (net)	808,227	11,845,965	5,645	7,997,325	20,657,162
Total noncurrent assets	<u>\$ 808,227</u>	<u>\$ 12,093,488</u>	<u>\$ 5,645</u>	<u>\$ 8,287,695</u>	<u>\$ 21,195,055</u>
Total assets	<u>\$ 814,177</u>	<u>\$ 13,328,277</u>	<u>\$ 355,288</u>	<u>\$ 9,349,092</u>	<u>\$ 23,846,834</u>
Deferred Outflows of Resources					
Related to pensions	<u>\$ -</u>	<u>\$ 47,973</u>	<u>\$ 31,982</u>	<u>\$ 97,724</u>	<u>\$ 177,679</u>
Liabilities					
Current:					
Accounts payable	\$ -	\$ 13,920	\$ 13,621	\$ 4,798	\$ 32,339
Accrued liabilities		3,027	2,072	6,632	11,731
Interfund payable					-
Interest payable		4,173		12,603	16,776
Current maturities of long-term debt		65,910		70,371	136,281
Total current liabilities	<u>\$ -</u>	<u>\$ 87,030</u>	<u>\$ 15,693</u>	<u>\$ 94,404</u>	<u>\$ 197,127</u>
Noncurrent liabilities:					
Payable from restricted assets					
Customer deposits	\$ -	\$ -	\$ -	\$ 88,934	\$ 88,934
Net pension liability		163,850	109,233	333,768	606,851
Compensated absences		5,422	1,227	13,584	20,233
Notes payable		696,458		192,483	888,941
Bonds payable				284,473	284,473
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ 865,730</u>	<u>\$ 110,460</u>	<u>\$ 913,242</u>	<u>\$ 1,889,432</u>
Total liabilities	<u>\$ -</u>	<u>\$ 952,760</u>	<u>\$ 126,153</u>	<u>\$ 1,007,646</u>	<u>\$ 2,086,559</u>

City of Bayard
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (concluded)
June 30, 2018

	<u>Cemetary</u>	<u>Joint Wastewater</u>	<u>Solid Waste</u>	<u>Water Sewer</u>	<u>Total</u>
Deferred Inflows Of Resources					
Related to pensions Unavailable revenue	\$ -	\$ 22,726	\$ 15,150	\$ 46,293	\$ 84,169
					-
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 22,726</u>	<u>\$ 15,150</u>	<u>\$ 46,293</u>	<u>\$ 84,169</u>
Net Position					
Net investment in capital assets	\$ 808,227	\$ 11,083,597	\$ 5,645	\$ 7,449,998	\$ 19,347,467
Restricted for:					
Debt service		247,523		201,436	448,959
Capital projects					-
Unrestricted	<u>5,950</u>	<u>1,069,644</u>	<u>240,322</u>	<u>741,443</u>	<u>2,057,359</u>
Total net position	<u>\$ 814,177</u>	<u>\$ 12,400,764</u>	<u>\$ 245,967</u>	<u>\$ 8,392,877</u>	<u>\$ 21,853,785</u>

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

City of Bayard
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

	<u>Cemetary</u>	<u>Joint Wastewater</u>	<u>Solid Waste</u>	<u>Water Sewer</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 1,300	\$ 617,563	\$ 421,144	\$ 719,300	\$ 1,759,307
Operating expenses:					
Personnel	\$ -	\$ 190,928	\$ 138,479	\$ 412,438	\$ 741,845
Operating		432,084	308,790	107,166	848,040
Depreciation	7,412	452,748	2,823	212,731	675,714
Total operating expenses	\$ 7,412	\$ 1,075,760	\$ 450,092	\$ 732,335	\$ 2,265,599
Net operating income	\$ (6,112)	\$ (458,197)	\$ (28,948)	\$ (13,035)	\$ (506,292)
Nonoperating revenue (expense):					
Investment income	\$ -	\$ 6,841	\$ 472	\$ 829	\$ 8,142
Gross receipts taxes			21,169	214,275	235,444
State grants					-
Federal grants		3,520			3,520
Miscellaneous revenue		23,155	682	949	24,786
Interest expense		(9,953)		(15,955)	(25,908)
Total nonoperating revenue (expense)	\$ -	\$ 23,563	\$ 22,323	\$ 200,098	\$ 245,984
Net income before operating transfers	\$ (6,112)	\$ (434,634)	\$ (6,625)	\$ 187,063	\$ (260,308)
Transfers:					
In	66,791	442,837	30,375	295,112	835,115
Out		(349,571)	(12,500)	(295,670)	(657,741)
Change in net position	<u>\$ 60,679</u>	<u>\$ (341,368)</u>	<u>\$ 11,250</u>	<u>\$ 186,505</u>	<u>\$ (82,934)</u>
Net position, beginning of year, as originally reported	\$ 753,498	\$ 12,689,505	\$ 172,088	\$ 8,085,935	\$ 21,701,026
Restatement		52,627	62,629	120,437	235,693
Net position, beginning of year as restated	\$ 753,498	\$ 12,742,132	\$ 234,717	\$ 8,206,372	\$ 21,936,719
Change in net position	<u>60,679</u>	<u>(341,368)</u>	<u>11,250</u>	<u>186,505</u>	<u>(82,934)</u>
Net position, end of year	<u>\$ 814,177</u>	<u>\$ 12,400,764</u>	<u>\$ 245,967</u>	<u>\$ 8,392,877</u>	<u>\$ 21,853,785</u>

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

City of Bayard
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

	Cemetery	Joint Wastewater	Solid Waste	Water Sewer	Total
Cash flows from operating activities:					
Receipts from customers	\$ 1,300	\$ 617,865	\$ 421,967	\$ 728,201	\$ 1,769,333
Payments to suppliers		(487,053)	(318,950)	(123,255)	(929,258)
Payments to employees		(175,548)	(139,938)	(412,360)	(727,846)
Net cash provided (used) by operating activities	<u>\$ 1,300</u>	<u>\$ (44,736)</u>	<u>\$ (36,921)</u>	<u>\$ 192,586</u>	<u>\$ 112,229</u>
Cash flows from noncapital financing activities:					
Dedicated tax receipts	\$ -	\$ -	\$ 19,112	\$ 193,459	\$ 212,571
Intergovernmental grants					-
Collections of notes receivable					-
Interfund activity					-
Miscellaneous collections		23,155	682	949	24,786
Transfers from other funds	66,791	442,837	30,375	295,112	835,115
Transfers to other funds		(349,571)	(12,500)	(295,670)	(657,741)
Net cash provided (used) by noncapital financing activities	<u>\$ 66,791</u>	<u>\$ 116,421</u>	<u>\$ 37,669</u>	<u>\$ 193,850</u>	<u>\$ 414,731</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	\$ (66,791)	\$ (357,921)	\$ -	\$ (95,347)	\$ (520,059)
Borrowings on capital debt					-
Principal paid on capital debt		(65,257)		(68,464)	(133,721)
Interest paid on capital debt		(8,276)		(18,123)	(26,399)
Net cash provided (used) by capital and related financing activities	<u>\$ (66,791)</u>	<u>\$ (431,454)</u>	<u>\$ -</u>	<u>\$ (181,934)</u>	<u>\$ (680,179)</u>
Cash flows from investing activities:					
Earnings on investments	\$ -	\$ 6,841	\$ 472	\$ 829	\$ 8,142
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ 6,841</u>	<u>\$ 472</u>	<u>\$ 829</u>	<u>\$ 8,142</u>
Net increase (decrease) in cash and equivalents	\$ 1,300	\$ (352,928)	\$ 1,220	\$ 205,331	\$ (145,077)
Cash and equivalents, beginning of year	<u>4,650</u>	<u>1,744,517</u>	<u>277,819</u>	<u>996,285</u>	<u>3,023,271</u>
Cash and equivalents, end of year	<u>\$ 5,950</u>	<u>\$ 1,391,589</u>	<u>\$ 279,039</u>	<u>\$ 1,201,616</u>	<u>\$ 2,878,194</u>

City of Bayard
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (concluded)
For the Fiscal Year Ended June 30, 2018

	<u>Cemetery</u>	<u>Joint Wastewater</u>	<u>Solid Waste</u>	<u>Water Sewer</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (6,112)	\$ (458,197)	\$ (28,948)	\$ (13,035)	\$ (506,292)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	7,412	452,748	2,823	212,731	675,714
(Increase) decrease in:					
Receivables, net		248	823	(809)	262
Deferred outflows		26,677	25,460	59,594	111,731
Increase (decrease) in:					
Accounts payable		(39,361)	(10,160)	(1,890)	(51,411)
Accrued expenses		382	130	1,005	1,517
Customer deposits				2,710	2,710
Deferred inflows		7,241	2,780	13,676	23,697
Net pension liability		(34,454)	(28,598)	(81,562)	(144,614)
Compensated absences		(20)	(1,231)	166	(1,085)
Net cash provided (used) by operating activities	<u>\$ 1,300</u>	<u>\$ (44,736)</u>	<u>\$ (36,921)</u>	<u>\$ 192,586</u>	<u>\$ 112,229</u>

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

City of Bayard
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2018

	Agency Funds
Assets	
Cash and investments	\$ 954
Receivables	
	954
Total assets	\$ 954
 Liabilities and Fund Equity	
Deposits held for others	\$ 954
Interfund payable	
	954
Total liabilities	\$ 954

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

City of Bayard
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 Summary of Significant Accounting Policies

A. GENERAL

City of Bayard, a political subdivision of the State of New Mexico, operates under the Council-mayor form of government. The City provides the following authorized services: public safety, highways and streets, sanitation, health and welfare, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for State and Local Governments, through its pronouncements (Statements and Interpretations). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

B. FINANCIAL REPORTING ENTITY

The City's basic financial statements include the accounts of all City operations. The criteria for include organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City has one component unit. The City reports its Housing Authority as a component unit.

The Bayard Housing Authority is an entity formed to provide housing to lower income individuals and families, and is funded primarily through tenant rents and grants from the U.S. Department of Housing and Urban Development. The City of Bayard appoints a majority of the Authority's board, but has no continuing financial relationship with the Authority. The Authority's financial statements are presented discretely, meaning separate columns are provided for the Authority's financial statements. Separately issued financial statements for the Authority can be obtained by writing to Bayard Housing Authority at P.O. Box 768, Bayard, New Mexico 88023.

C. BASIS OF PRESENTATION

Governmental-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are not allocated, but are presented as separate functions. Program revenues include charges paid by recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which a program or business segment is self-financing or draws from the general revenues of the City.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category of type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Funds

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general obligation bonds of the City other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the City's general obligation bonds. The City currently has no general obligation bonds outstanding.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (Note included in government-wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes four agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency funds are as follows:

Municipal Court Bond Fund – to account for the cash collected for bonds posted by defendants.

Major Funds

These funds classified as major are as follows:

General – accounts for all activities except those accounted for in other funds.

Municipal Street – accounts for the revenues and expenditures associated with the improvement and construction of City Streets funded by the local and government grants, and is a Capital Project Fund.

Library – accounts for the State Grants-in-Aid to Public Libraries to be utilized for the acquisition of library needs. The fund was established by local ordinance in accordance with Section 3-18-14, NMSA 1978 and is a Special Revenue Fund.

Non-major Funds

Fund description for all funds are included in the “Other Supplementary Information” section of this report.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item “b” below:

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or non-current) associated with their activities are reported. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from non-exchange transactions are recognized when the earnings process is complete. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Derived tax revenues are recognized when the exchange takes place, and grants are recognized when all eligibility requirements are met.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting,

revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Revenues that are not available are recorded as deferred outflows of resources. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported when due. All proprietary funds and fiduciary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

E. BUDGETS

Budgets for the General, Special Revenue, Capital Projects, and Enterprise Funds are prepared by management and approved by the local governing body and the New Mexico Department of Finance and Administration.

These budgets are prepared on the NON-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a by 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 also 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.

F. CASH AND INVESTMENTS

For the purpose of the Statement of Net Position, “cash and investments” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer’s investment pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the City. The pledged securities remain in the name of the financial institution.

G. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term inter-fund loans

are reported as “inter-fund receivables or payables”. Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

H. RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and periodic aging of accounts receivable. Major receivable balances for the governmental activities include gross receipts and use taxes, franchise taxes, and grants. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as gross receipts tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

I. CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings 25-50 years
- Improvements 10-50 years
- Machinery and Equipment 03-10 years
- Infrastructure 25-75 years
- Software and Library 5-10 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements. Assets acquired with an original cost of \$5,000 or more are capitalized. Construction period interest is capitalized in proprietary funds.

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The Government has deferred outflows related to pensions as discussed in Note 7.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The Government has deferred inflows of resources related to pensions as disclosed in Note 7.

Finally, the government has revenue of \$62,957 not collected within 60 days, so is recorded as unavailable revenue in the fund statements.

K. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets acquired with the debt are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

L. COMPENSATED ABSENCES

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from

expendable available financial resources, while the proprietary funds report the liability as it is incurred.

M. EQUITY CLASSIFICATIONS

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

The City has implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Council. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes). Expenditures are normally made from the most highly constrained group first.

N. REVENUES, EXPENDITURES, AND EXPENSES

Gross Receipts Tax

The City levies a gross receipts tax on taxable gross receipts within the City. The rate includes both City and State assessments. The tax is collected by the New Mexico Taxation and Revenue Department and remitted to the City in the month following receipt by the Department. The Department receives the tax one month after collection by vendors. Included in this tax is amounts dedicated to intercept agreements, and those dedicated amounts are recorded directly in those funds.

Gross receipts tax collected by the State in June and July (which represent May and June transactions) and received by the City in July and August have been accrued and are included under the caption "Taxes Receivable".

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semiannual installments by November 10 and April 10 of the subsequent year and become delinquent 30 days later. Taxes are collected on behalf of the City by the County Treasurer, and are remitted to the City in the month following collection. Because the Treasurer of the County in which the City is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the City.

The City is permitted to levy taxes for general operating purposes based on a state formula, per \$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 bond 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 ended June 30, 2018 was \$1.597 per \$1,000 for non-residential property and \$.666 for residential property. The City's tax rate for debt service was \$.00 per \$1,000 for both residential and nonresidential property.

Property tax receivables are recognized net of estimated refunds and uncollectible amounts in the period for which the taxes are levied, even if they are not available. Property taxes not collected within 60 days of year-end are reported as deferred inflows of resources in the fund statements.

Operating Revenues and Expenses

Operating revenue of governmental funds includes fees to users and license fees. Operating grants include operating-specific and discretionary grants while capital grants reflect capital-specific appropriations.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Fund – By Character: Current (further classified by function)
Debt Service
Capital Outlay

Proprietary Fund – By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The City does not allocate indirect costs.

O. INTER-FUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity are classified as inter-fund transfers. For the purposes of the Statement of Activities, all inter-fund transfers between individual governmental funds have been eliminated.

P. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the Governments deposits may not be returned to it. The City does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2018, \$1,703,698 of the City's bank balance of \$4,329,381 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		<u>\$ 1,703,698</u>
	<u>Bank</u>	<u>Carrying</u>
	<u>Balance</u>	<u>Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank's agent in the City's name	2,375,683	2,375,683
Uninsured and uncollateralized	<u>1,703,698</u>	<u>1,596,369</u>
	<u>\$ 4,329,381</u>	<u>\$ 4,222,052</u>

The City does not have a risk policy beyond that required by State Statute.

The cash on deposit with NMFA is, in effect, loan proceeds or payments made by the City but not yet disbursed. Such deposits are subject to the collateral requirements of NMFA. Such deposits total \$58,001.

Note 3 Receivables

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accounts receivable:		
Services (net)	\$ 940	\$ 271,438
Franchise tax	\$ 10,918	\$
Property taxes	64,614	
Gross receipts tax	106,662	36,520
MVD Gas Tax	<u>1,948</u>	<u> </u>
Total taxes receivable	<u>\$ 184,142</u>	<u>\$ 36,520</u>
Intergovernmental grants	<u>\$ 13,481</u>	<u>\$ 3,520</u>
Total	<u>\$ 198,563</u>	<u>\$ 311,478</u>

The City believes all receivables are collectible, therefore, no allowance for doubtful accounts has been established.

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 184,290	\$ -0-	\$ -0-	\$ 184,290
Construction in pro- gress	<u>242,177</u>	<u>448,688</u>	<u>673,035</u>	<u>17,830</u>
Total capital assets not being depre- ciated	<u>\$ 426,467</u>	<u>\$ 448,688</u>	<u>\$ 673,035</u>	<u>\$ 202,120</u>

Capital assets being depreciated:				
Buildings/Improvements/ Infrastructure	\$11,513,412	\$ 673,035	\$	\$ 12,186,447
Equipment/vehicles/ machinery	<u>1,236,905</u>			<u>1,236,905</u>
Total capital assets being depreciated	<u>\$ 12,750,317</u>	<u>\$ 673,035</u>	<u>\$ -0-</u>	<u>\$13,423,352</u>
Less accumulated depreciation for:				
Buildings/Improvements/ Infrastructure	\$ (3,043,388)	\$ (197,965)	\$	\$ (3,241,353)
Equipment/vehicles/ machinery	<u>(1,043,262)</u>	<u>(70,281)</u>		<u>(1,113,543)</u>
Total accumulated depreciation	<u>\$ (4,086,650)</u>	<u>\$ (268,246)</u>	<u>\$ -0-</u>	<u>\$ (4,354,896)</u>
Total capital assets being depreciated, net	<u>\$ 8,663,667</u>	<u>\$ 404,789</u>	<u>\$ -0-</u>	<u>\$ 9,068,456</u>
Governmental activity, capital assets, net	<u>\$ 9,090,134</u>	<u>\$ 853,477</u>	<u>\$ 673,035</u>	<u>\$ 9,270,576</u>

**Other business-type
activity programs:**

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 239,470	\$ -0-	\$ -0-	\$ 239,470
Construction in progress	<u>163,781</u>	<u>520,059</u>	<u>275,747</u>	<u>408,093</u>
Total capital assets not being depre- ciated	<u>\$ 403,251</u>	<u>\$ 520,059</u>	<u>\$ 275,747</u>	<u>\$ 647,563</u>
Capital assets being depreciated:				
Equipment	\$ 4,164,477	\$ 109,174	\$	\$ 4,273,651
Buildings/Improvements Infrastructure	<u>4,418,742</u>	<u>166,573</u>		<u>4,585,315</u>
	<u>16,722,168</u>			<u>16,722,168</u>
Total capital assets being depreciated	<u>\$25,305,387</u>	<u>\$ 275,747</u>	<u>\$ -0-</u>	<u>\$ 25,581,134</u>
Less accumulated depreciation:				

Equipment	\$ (1,541,496)	\$ (193,537)	\$	\$ (1,735,033)
Buildings/Improvements	(787,939)	(71,548)		(859,487)
Infrastructure	<u>(2,566,386)</u>	<u>(410,629)</u>		<u>(2,977,015)</u>
Total accumulated depreciation	\$ <u>(4,895,821)</u>	\$ <u>(675,714)</u>	\$ -0-	\$ <u>(5,571,535)</u>
Total capital assets being depreciated, net	\$ <u>20,409,566</u>	\$ <u>(399,967)</u>	\$ -0-	\$ <u>20,009,599</u>
Other business-type activity programs capital assets, net	\$ <u>20,812,817</u>	\$ <u>120,092</u>	\$ <u>275,747</u>	\$ <u>20,657,162</u>

Depreciation was charged to the Governmental Activities as follows:

General Government	\$ 15,365
Public Safety	58,481
Public Works	115,241
Health and welfare	1,953
Culture-recreation	<u>77,206</u>
	<u>\$ 268,246</u>

Note 5 Accrued Expenses

At June 30, 2018, accrued expenses consisted of the following:

	Governmental Activities	Business Type Activities
Accruals payroll and benefits	\$ <u>7,667</u>	\$ <u>11,731</u>
	\$ <u>7,667</u>	\$ <u>11,731</u>

Note 6 Long-Term Debt

Changes in governmental activities long-term debt is as follows:

Governmental Activities

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
2011 GRT Bonds	\$ 206,250	\$	\$ 3,000	\$ 203,250	\$ 3,000
NMFA payable	<u>-0-</u>	<u>58,439</u>	<u>-0-</u>	<u>58,439</u>	<u>11,657</u>
Total	<u>\$ 206,250</u>	<u>\$ 58,439</u>	<u>\$ 3,000</u>	<u>\$ 261,689</u>	<u>\$ 14,657</u>

Series 2011 GRT Revenue Bonds – These bonds were issued to make improvements to the City Library. The bonds are secured by gross receipts tax revenues, and bear interest at 4%. These revenues pledged total \$371,980 at June 30, 2018, which is 2.8% of

revenues at the current rate. Maturity dates range from 2019 through 2049. During the year ended June 30, 2018, the City recognized \$427,926 pledged revenues, and retired \$11,250 in bond principal and interest.

Law Enforcement – This loan is for police vehicles. The loan is secured by State Law Enforcement Allocations. The revenues pledged totaled \$58,624 at June 30, 2018, which is 50% of allocations at their current rate. Interest is .1%, and maturity rates range from 2019-2023. During the year ended June 30, 2018, the City recognized \$23,600 in pledged revenues, and retired \$.00 in loan principal and interest.

Business-Type Activities:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Rev Bond 2009	\$ 186,977	\$	\$ 2,695	\$ 184,282	\$ 2,809
Rev Bond 2015	107,000		2,000	105,000	2,000
NMFA Colonias	35,517		2,090	33,427	2,090
NMFA					
Colonias #2	36,234		1,907	34,327	1,907
Water System	250,063		59,772	190,291	61,565
Joint					
Wastewater	<u>827,625</u>	<u> </u>	<u>65,257</u>	<u>762,368</u>	<u>65,910</u>
	<u>\$1,443,416</u>	<u>\$ -0-</u>	<u>\$ 133,721</u>	<u>\$1,309,695</u>	<u>\$ 136,281</u>

Series 2009 and 2015 Revenue Bonds – These bonds were issued to make improvements to the City Water and Sewer systems. The bonds are secured by gross receipts tax revenues, and bear interest from 2.5% to 4.25%. These revenues pledged total \$503,632 at June 30, 2018, which is 6.5% of revenues at the current rate. Maturity dates range from 2019 through 2054. During the year ended June 30, 2018, the City recognized \$214,275 in pledged revenues, and retired \$15,316 in bond principal and interest.

NMFA and NM Environmental Department Loans – These loans were obtained to make improvements to the water and sewer systems. The loans are secured by water and sewer system revenues, and bear interest at rates ranging from 0% to 3%. The revenues pledged totaled \$1,078,444 at June 30, 2018, which is 9.4% of revenues at their current rate. Maturity dates range from 2019 to 2034. During the year ended June 30, 2018, the City recognized \$719,300 in pledged revenues, and retired \$84,804 in loan principal and interest.

The annual debt service requirements are as follows:

	<u>Governmental Activities</u>		<u>Proprietary Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Due in year ending:				
2019	\$ 14,657	\$ 8,198	\$ 136,281	\$ 23,790
2020	14,678	8,057	138,906	21,115
2021	14,690	7,925	141,598	18,371
2022	14,701	7,793	77,085	15,560

2023	15,713	7,662	77,900	14,695
2024-2028	20,000	35,850	402,166	60,063
2029-2033	24,000	31,610	125,970	40,873
2034-2039	29,000	26,410	50,359	33,383
2040-2044	36,000	20,050	50,153	24,927
2045-2049	43,000	12,330	58,285	14,920
2050-2053	35,250	3,030	39,992	4,159
2054-2058			11,000	525
	<u>\$ 261,689</u>	<u>\$ 168,915</u>	<u>\$ 1,309,695</u>	<u>\$ 272,381</u>

Compensated absences in governmental activities were as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due in</u> <u>One Year</u>
Compensated absences	<u>\$ 8,624</u>	<u>\$ 32,481</u>	<u>\$ 25,254</u>	<u>\$ 15,851</u>	<u>\$ -0-</u>

Changes in Proprietary Funds Long-Term Debt were as follows during the year ended June 30, 2018:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due in</u> <u>One Year</u>
Compensated absences	<u>\$ 21,318</u>	<u>\$ 25,331</u>	<u>\$ 26,416</u>	<u>\$ 20,233</u>	<u>\$ -0-</u>

All compensated absences are considered non-current. Compensated absences are paid out of the fund that salaries for the respective employee are paid out of provided there are funds available. Otherwise, they are paid out of the general fund.

Note 7 Pension Plan – Public Employees Retirement Association

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

Benefits Provided – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2017 available at <http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366PublicEmployeesRetirementAssociation2017.pdf>.

Contributions – The contribution requirements of defined benefit plan members and City of Bayard are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 40 of the PERA FY17 annual audit at <http://osanm.org/media/audits/366PublicEmployeesRetirementAssociation2017.pdf>. The PERA coverage options that apply to the City are the Municipal General and Municipal Police. Statutorily required contributions to the pension plan from the City were \$122,795 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2016. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore the employer's portion was established as of the measurement date June 30, 2017.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general

members; state police members and legislative members. The City's proportion of the net pension liability for each member group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division – Municipal General, at June 30, 2018, the City reported a liability of \$994,838 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportion was .0724 percent, and was .0764 percent measured as of June 30, 2016.

For the year ended June 30, 2017, the City recognized PERA Fund Division Municipal General pension expense of \$89,722. At June 30, 2018, the City reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,091	\$ 50,953
Changes of assumptions	45,877	10,280
Net difference between projected and actual earnings on pension plan investments	81,620	
Changes in proportion and differences between the City's contributions and proportionate share of contributions	1,895	76,749
The City's contributions subsequent to the measurement date	<u>93,331</u>	<u>-0-</u>
Total	<u>\$ 261,814</u>	<u>\$ 137,982</u>

\$93,331 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date, June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (2,450)
2020	55,597
2021	1,207
2022	(23,853)

For PERA Fund Division – Municipal Police, at June 30, 2018, the City reported a liability of \$548,899 for its proportionate share of the net pension liability. At June 30, 2018 the City’s proportion was \$.0988% and for 2017 was .0932%.

For the year ended June 30, 2018 the Town recognized PERA Fund Division Police pension expense of \$69,361. At June 30, 2018, the City reported PERA Fund Division Police deferred outflows of resources and deferred inflows or resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 33,337	\$ 102,556
Changes of assumptions	32,658	12,764
Net difference between projected and actual earnings on pension plan investments	44,206	
Changes in proportion and differences between the City’s contributions and proportionate share of contributions	26,338	19,390
The City’s contributions subsequent to the measurement date	<u>29,464</u>	<u>-0-</u>
Total	<u>\$ 166,003</u>	<u>\$ 134,710</u>

\$29,464 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (229)
2020	25,501
2021	(10,517)
2022	(12,926)

Actuarial Assumptions – As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2016 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value

Actuarial assumptions:

- Investment rate of return 7.48% annual rate, net of investment expense
- Payroll growth 2.25% for 10 years, then 2.75% thereafter
- Projected salary increases Up to 11.25%
- Includes inflation at 2.25% for 10 years and 2.75% thereafter

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

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5%	7.39%
Risk Reduction and Mitigation	21.5%	1.79%
Credit Oriented Fixed Income	15.0%	5.77%
Real Assets	<u>20.0%</u>	7.35%
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.51 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected

future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the City’s net pension liability in each PERA Fund Division that the City participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.51%) or one percentage point higher (8.51%) than the single discount rate.

	1% Decrease	Current Discount Rate	1% Increase
PERA Fund Division Municipal General	<u>(6.51%)</u>	<u>(7.51%)</u>	<u>(8.51%)</u>
The City’s proportionate share of the net pension liability	<u>\$ 1,559,239</u>	<u>\$ 994,838</u>	<u>\$ 525,459</u>
PERA Fund Division Municipal Police			
The City’s proportionate share of the net pension liability	<u>\$ 875,342</u>	<u>\$ 548,899</u>	<u>\$ 281,005</u>

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. The report is available at <http://www.pera.state.nm.us/publications.html>.

Note 8 Retiree Health Care Act Contributions

The City does not participate in the Retiree Health Care Act.

Note 9 Contingent Liabilities

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

Note 10 Future Commitments

The City has contracts and grant awards for construction projects in various stages of completion. Such contracts, funded principally by federal and state agencies, constitute future commitments, and approximate \$900,000 at June 30, 2018.

Note 11 Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other agencies in the State and obtained insurance through the New Mexico Self Insurers Fund, a public 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 Insurers Fund for its general insurance coverage. No losses in excess of insurance coverage have been experienced.

Note 12 Expenditures in Excess of Budgetary Authority

The City incurred no expenditures in excess of budgetary authority.

Note 13 Fund Balance Deficits

The City had no fund balance deficits at June 30, 2018.

Note 14 Inter-fund Activity

There were no inter-fund balances at June 30, 2018.

Inter-fund transfers were as follows during the year ended June 30, 2018:

	Transfers Out						Total
	General	Municipal Street	Library	Joint Wastewater	Solid Waste	Water Sewer	
<u>Transfers To</u>							
General	\$		\$ 373,802	\$ 180		\$ 48,820	\$ 422,802
Municipal Street	20,000						20,000
Library	10,000						10,000
Other Funds	5,701						5,701
Cemetery				66,779		12	66,791
Joint Wastewater	190,999	5,000				246,838	442,837
Solid Waste	30,375						30,375
Water Sewer				282,612	12,500		295,112
	<u>\$ 257,075</u>	<u>\$ 5,000</u>	<u>\$ 373,802</u>	<u>\$ 349,571</u>	<u>\$ 12,500</u>	<u>\$ 295,670</u>	<u>\$1,293,618</u>

The transfers were made to fund construction projects and provide operating funds.

Note 15 Restricted Net Position

Net position restricted for other purposes consist of fund balances which are restricted by legislation to specific purposes. The restricting legislation is listed in the fund descriptions appearing at the beginning of Other Supplementary Information. Major restrictions are as follows:

General	\$ 70,753
Fire	33,656
Library	111,715
Law Enforcement	90,684

Other	<u>23,864</u>
	<u>\$ 330,672</u>

The City reports \$1,023,809 in restricted assets, of which \$1,023,809 is restricted by enabling legislation.

Note 16 Related Organizations

The City of Bayard appoints a voting majority of the Board of the Bayard Housing Authority. The City accounts for the Housing Authority as a discretely presented component unit.

The Housing Authority issues its own audited financial statement which can be obtained by contacting the executive director of the Authority at P.O. Box 768, Bayard, New Mexico 88023.

Note 17 Evaluation of Subsequent Events

The City has evaluated subsequent events through December 12, 2018, the date which the financial statements were available to be issued.

Note 18 During the year ended June 30, 2018, the City discovered that deferred outflows related to pensions had been recorded improperly in the previous year. As a result, the following restatements are necessary.

	Government				Business Type Activities			
	Activities							Total
		Joint	Solid					
		Wastewater	Waste	Water/Sewer				
Adjustment to prior year deferred outflows of resources	<u>\$(142,267)</u>	<u>\$ 52,627</u>	<u>\$ 62,629</u>	<u>\$ 120,437</u>				<u>\$ 235,693</u>

Prior year financial statements have been restated to show the effect of the changes, where necessary.

Note 19 Tax Abatement Disclosures

The City has no need to make any tax abatement disclosures as required by Governmental Accounting Standards Board Statement 77, since no abatements exist.

SPECIAL REVENUE FUNDS

Fire Protection – to account for proceeds of the State fire allotment, and the expenditures for public safety therefrom. 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.

Law Enforcement Protection – to account 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.

Correction Fees – to account for the fees collected by the Municipal Judge, which are legally restricted to expenditures for jail related costs. The fund was established by local ordinance in order to comply with Section 35-4-11, NMSA 1978.

Emergency Medical Services – to account 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.

CAPITAL PROJECTS FUNDS

CDBG - to account for federal, state, and local sources, revenues and expenditures for the capital projects. The fund is considered a capital projects fund.

ENTERPRISE FUND

Water and Sewer – 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.

Solid Waste – 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.

Joint Wastewater - 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.

Cemetery – to account 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.

City of Bayard
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
PERA FUND DIVISION MUNICIPAL GENERAL
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION)(PERA) PLAN
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Bayard's proportion of the net pension liability	.0724%	.0764%	.0844%	.0838%
City of Bayard's proportionate share of the net pension liability	\$ 994,838	\$ 1,220,615	\$ 860,531	\$ 653,730
City of Bayard's covered payroll	\$ 660,868	\$ 658,616	\$ 657,079	\$ 677,729
City of Bayard's proportionate share of the net pension liability as a percentage of its covered payroll	151%	185%	131%	96%
Plan fiduciary net poositon as a percentage of the total pension liability	73.74%	69%	77%	81%

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

City of Bayard
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS-PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION (PERA) PLAN-PERA FUND DIVISION MUNICIPAL GENERAL
***LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 93,331	\$ 81,916	\$ 78,641	\$ 83,569
Contributions in relation to contractually required contribution	<u>(93,331)</u>	<u>(81,916)</u>	<u>(78,641)</u>	<u>(83,569)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Bayard's covered payroll	\$ 660,868	\$ 658,616	\$ 657,079	\$ 669,166
Contributions as a percentage of covered payroll	14.12%	12.44%	11.97%	12.49%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Bayard Housing Authority will present information for those years for which information is available.

City of Bayard
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
PERA FUND DIVISION MUNICIPAL POLICE
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION)(PERA) PLAN
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Bayard's proportion of the net pension liability	.0988%	.0932%	.1013%	0.928%
City of Bayard's proportionate share of the net pension liability	\$ 548,899	\$ 687,657	\$ 487,107	\$ 320,121
City of Bayard's covered payroll	\$ 208,632	\$ 211,105	\$ 185,182	\$ 189,369
City of Bayard's proportionate share of the net pension liability as a percentage of its covered payroll	263%	326%	263%	169%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69%	77%	81%

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

City of Bayard
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS-PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION (PERA) PLAN-PERA FUND DIVISION MUNICIPAL POLICE
***LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 29,464	\$ 42,151	\$ 39,629	\$ 42,349
Contributions in relation to contractually required contribution	<u>(29,464)</u>	<u>(42,151)</u>	<u>(39,629)</u>	<u>(42,349)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
City of Bayard's covered payroll	\$ 208,632	\$ 211,105	\$ 185,182	\$ 198,169
Contributions as a percentage of covered payroll	14.12%	19.97%	21.40%	21.37%

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

City of Bayard
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

Change in benefit terms – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY17 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2017.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202017.pdf).

Changes of valuation – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2017 report is available at:

http://www.pera.state.nm.us/pdf/Investment/RetirementFundValuationReports/6-30-2017%20PERA%20Valuation%20Report_FINAL.pdf.

The Summary of Financial Information for the PERA Fund states the return on the actuarial value of assets was 11.1% compared to the expected return of 7.48%. The report indicates the total decrease to the unfunded actuarial accrued liability is \$890,154,980 and results in an increase to the funded ratio from 69.18%% to 73.74%. For details about the actuarial assumptions, see the actuarial section of the report.

City of Bayard
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2018

	Special Revenue Funds			
	Fire Protection	Law Enforcement	Corrections	EMS
Assets				
Cash and investments	\$ 34,252	\$ 90,684	\$ 19,039	\$ 4,825
Taxes receivable				
Interfund receivable				
Due from other governments				
Total assets	\$ 34,252	\$ 90,684	\$ 19,039	\$ 4,825
Liabilities				
Accounts payable	\$ 596	\$ -	\$ -	\$ -
Interfund payable				
Total liabilities	\$ 596	\$ -	\$ -	\$ -
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	\$ -	\$ -	\$ -	\$ -
Fund balances:				
Restricted:				
Public safety	\$ 33,656	\$ 90,684	\$ 19,039	\$ 4,825
Culture and recreation				
Public works				
Health and Welfare				
Debt service				
Capital Projects				
Unassigned				
Total fund balance	\$ 33,656	\$ 90,684	\$ 19,039	\$ 4,825
Total liabilities, deferred inflows of resources and fund balances	\$ 34,252	\$ 90,684	\$ 19,039	\$ 4,825

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

<u>Capital Projects Fund</u>	
<u>CDBG</u>	<u>Total</u>
\$ 847	\$ 149,647
	-
	-
	-
<u>\$ 847</u>	<u>\$ 149,647</u>
\$ -	\$ 596
	-
<u>\$ -</u>	<u>\$ 596</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 148,204
	-
	-
	-
	-
847	847
	-
<u>\$ 847</u>	<u>\$ 149,051</u>
<u>\$ 847</u>	<u>\$ 149,647</u>

City of Bayard
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2018

	Special Revenue Funds			
	Fire Protection	Law Enforcement	Corrections	EMS
Revenues:				
GRT Taxes	\$ -	\$ -	\$ -	\$ -
Gas taxes				
Charges for services				
State sources	83,433	23,600		5,873
Federal sources				
Fines, licenses and permits				
Miscellaneous	1,120	4,242	110	
Total revenues	<u>\$ 84,553</u>	<u>\$ 27,842</u>	<u>\$ 110</u>	<u>\$ 5,873</u>
Expenditures:				
Current:				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	65,823	6,694	11,847	
Public works				
Health and welfare				4,400
Culture recreation				
Debt service:				
Principal				
Interest				
Loan issue costs		438		
Capital outlay				
Total expenditures	<u>\$ 65,823</u>	<u>\$ 7,132</u>	<u>\$ 11,847</u>	<u>\$ 4,400</u>
Revenues over (under) expenditures	\$ 18,730	\$ 20,710	\$ (11,737)	\$ 1,473
Other financing sources (uses):				
Transfer in		-	5,701	
Transfer out				
Loan proceeds		58,439		
Net change in fund balance	\$ 18,730	\$ 79,149	\$ (6,036)	\$ 1,473
Fund balance, July 1, 2017	<u>14,926</u>	<u>11,535</u>	<u>25,075</u>	<u>3,352</u>
Fund balance, June 30, 2018	<u>\$ 33,656</u>	<u>\$ 90,684</u>	<u>\$ 19,039</u>	<u>\$ 4,825</u>

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

<u>Capital Projects Fund</u>	
<u>CDBG</u>	<u>Total</u>
\$ -	\$ -
	-
	112,906
	-
	-
	<u>5,472</u>
<u>\$ -</u>	<u>\$ 118,378</u>
\$ -	\$ -
	84,364
121	121
	4,400
	-
	-
	-
	438
	-
<u>\$ 121</u>	<u>\$ 89,323</u>
\$ (121)	\$ 29,055
	5,701
	-
	<u>58,439</u>
\$ (121)	\$ 93,195
<u>968</u>	<u>55,856</u>
<u>\$ 847</u>	<u>\$ 149,051</u>

City of Bayard
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Motor Vehicle Department				
Cash and investments	\$ 1,208	\$ 73,044	\$ 73,298	\$ 954
Receivables				
Total assets	<u>\$ 1,208</u>	<u>\$ 73,044</u>	<u>\$ 73,298</u>	<u>\$ 954</u>
Liabilities				
Due to others	<u>\$ 1,208</u>	<u>\$ 73,044</u>	<u>\$ 73,298</u>	<u>\$ 954</u>

City of Bayard
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2018

	First American	Total
Checking and CD's	\$ 4,329,381	\$ 4,329,381
Less: FDIC insurance	(250,000)	(250,000)
Total uninsured public funds	\$ 4,079,381	\$ 4,079,381
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 2,039,691	\$ 2,039,691
Pledged Securities:		
FHLB Torrance ETC SD#8 NM 19 Cusip 891400NF6 5/15/19	\$ 400,848	\$ 400,848
FHLB Torrance ETC SD#8 NM 20 Cusip 891400NG4 5/15/20	201,148	201,148
FHLB Clovis SD 1-SCH BLDG NM 20 Cusip 189414JK2 8/1/20	301,317	301,317
FHLB Clovis SD 1-SCH BLDG NM 21 Cusip 189414JL0 8/1/21	401,052	401,052
FHLB Clovis Muni SD #1-B NM 26 Cusip 189414KG9 8/1/26	725,942	725,942
FHLB FHLMC 15YR Cusip 3128MDKM4 11/1/27	345,376	345,376
Total Pledged Securities	\$ 2,375,683	\$ 2,375,683
Pledged securities over (under) requirement	\$ (335,993)	\$ (335,993)

Securities pledged are held by First American Bank, Artesia, NM.
Safekeeping receipts are held by the City.

City of Bayard
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2018

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>First American</u>			
General	Checking	\$ 2,851,186	\$ 2,744,857
CDBG	Checking	847	847
MVD	Checking	954	954
Library Trust	Checking	3,544	3,544
Historical & Tourism	Checking	18,538	18,538
EMS	Checking	5,825	4,825
Bayard Community	Checking	1,653	1,653
Water/Sewer Acquisition & Reserve	CD	62,969	62,969
Water Meter Deposit	CD	61,564	61,564
Mater Meter Deposit	CD	25,187	25,187
City of Bayard	CD	188,988	188,988
Joint Wastewater Project	CD	502,771	502,771
City of Bayard	CD	370,631	370,631
Solid Waste	CD	94,605	94,605
City of Bayard	CD	121,228	121,228
Local Government	CD	18,891	18,891
CD	CD		
Total First American		<u>\$ 4,329,381</u>	<u>\$ 4,222,052</u>
<u>NMFA</u>			
Cash on deposit with paying agent	NMFA	<u>\$ 58,001</u>	<u>\$ 58,001</u>
Cash on hand			<u>\$ -</u>
Total cash and investments		<u>\$ 4,387,382</u>	<u>\$ 4,280,053</u>

City of Bayard
SCHEDULE OF JOINT POWERS AGREEMENTS
For the Fiscal Year Ended June 30, 2018

Joint Wastewater Plant Agreement

Participants	Village of Santa Clara City of Bayard Fort Bayard Special District Town of Hurley
Responsible party	City of Bayard
Description	Operation and maintenance of joint use sewer system
Dates of agreement	Agreement began September 11, 1963 and remains in effect until cancelled by the participating governments
Amount of project	Varies
Audit responsibility	City of Bayard
Fiscal agent	City of Bayard

City of Bayard
SCHEDULE OF LEGISLATIVE ALLOCATIONS
 June 30, 2018

	Cemetary Improvements 15-0778	Recreation Improvements 16-A2436
	<u> </u>	<u> </u>
Original appropriation	\$ 100,000	\$ 100,000
Additions/Deletions	<u> </u>	<u> -</u>
Amended appropriation	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Expended through June 30, 2018	\$ 100,000	\$ 43,828
Encumbrances	<u> </u>	<u>56,172</u>
Total committed	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Project expiration date	Completed	6/30/2020

City of Bayard
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2018

Findings – Financial Statement Audit

Current Status

None



MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
KELLEY WYATT, C.P.A.

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REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, State Auditor
And
Mayor and Town 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, and the budgetary comparisons for the general fund and major special revenue funds of City of Bayard as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Bayard's basic financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Bayard'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 City of Bayard'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 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 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 City of Bayard'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.

Stone, McGee & Co., CPAs

Silver City, New Mexico
December 12, 2018

Stone, McGee & Co.
Certified Public Accountants

City of Bayard
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2018

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of City of Bayard.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements of City of Bayard, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. City of Bayard expended less than \$750,000 in federal funds.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s. However, the management of City of Bayard has acknowledged its responsibility for the financial statements and has taken responsibility for them.

EXIT CONFERENCES

The contents of this report were discussed December 10 and 12, 2018. Present at these exit conferences were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Chon Fierro	Mayor	City of Bayard
Kristina Ortiz	Clerk/Treasurer	City of Bayard
Brenda Davis	Commissioner	Bayard Housing Authority
Jolene Ortiz	Executive Director	Bayard Housing Authority
Kathy Carrillo	Housing Assistant	Bayard Housing Authority
Mike Stone, CPA	Shareholder	Stone, McGee & Co., CPAs
Kay Stone, CPA	Shareholder	Stone, McGee & Co., CPAs