

State of New Mexico

**CITY OF BAYARD  
FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS'  
REPORT THEREON**

For The Fiscal Year Ended June 30, 2008

City of Bayard  
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City of Bayard  
**DIRECTORY OF OFFICIALS**  
June 30, 2008

**ELECTED OFFICIALS**

Rodolpho Martinez	Mayor
Jovita Gonzales	Mayor Pro-Tem
Jose L. Diaz	Councilor
Armando Arzola	Councilor
A.C. Rodriguez	Councilor
Jose Sandoval	Municipal Judge

**DEPARTMENT HEADS**

Kristina V. Ortiz	Clerk-Treasurer
Eddie S. Sedillos	Maintenance Supervisor
Wessam "Sam" Charbagi	Police Chief
Eddie Arrey	Fire Chief

**HOUSING AUTHORITY**

Jim Cook	Chairperson
Rosemary Alvarado	Vice-Chairperson
Leslie Alexander	Commissioner
Nelda Huffman	Resident Member
Jolene Padilla	Executive Director

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

RYAN MONTOYA, C.P.A.

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### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bayard as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental, enterprise, fiduciary, and component unit funds presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the City of Bayard's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed below, 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The component unit, Bayard, Housing Authority, has not maintained detailed capital asset records. As a result, we were unable to satisfy ourselves as to the carrying value of capital assets as presented in the Statement of Net Assets, nor were we able to satisfy ourselves as to the depreciation expense presented in the Statement of Activities.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the capital asset records of the component unit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bayard as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and

the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City of Bayard as of June 30, 2008, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the nonmajor special revenue funds, the debt service funds, the capital projects funds, the enterprise funds, the agency funds and the component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2009, on our consideration of the 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 agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City has not presented management's discussion and analysis that is required by accounting principles generally accepted in the United States of America to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements and on the combining, individual fund and budgetary comparisons statements presented as other supplementary information. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the City. In addition, the accompanying financial information listed as other supplemental data in the table of contents is also presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards and the other supplemental data have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Stone, McGee & Co CPAs

April 19, 2009

City of Bayard  
**STATEMENT OF NET ASSETS**  
June 30, 2008

<b>ASSETS</b>	Governmental Activities	Business- Type Activities	Total Primary Government	Component Unit
<b>Current:</b>				
Cash and investments	\$ 1,094,568	\$ 2,721,658	\$ 3,816,226	\$ 187,411
Prepays	16,800		16,800	13,884
Receivables, net	257,264	249,332	506,596	777
Inventory			-	3,158
Interfund receivable	80,546			
<b>Total current assets</b>	<b>\$ 1,449,178</b>	<b>\$ 2,970,990</b>	<b>\$ 4,420,168</b>	<b>\$ 205,230</b>
<b>Noncurrent assets:</b>				
<b>Restricted:</b>				
Cash and investments	\$ -	\$ 112,097	\$ 112,097	\$ 13,949
Capital assets, net	14,701,741	4,656,309	19,358,050	450,051
<b>Total noncurrent assets</b>	<b>\$ 14,701,741</b>	<b>\$ 4,768,406</b>	<b>\$ 19,470,147</b>	<b>\$ 464,000</b>
<b>Total assets</b>	<b>\$ 16,150,919</b>	<b>\$ 7,739,396</b>	<b>\$ 23,890,315</b>	<b>\$ 669,230</b>
<b>LIABILITIES</b>				
<b>Current:</b>				
Accounts payable	\$ 31,472	\$ 30,972	\$ 62,444	\$ 12,750
Accrued liabilities	12,876	32,905	45,781	422
Interfund payable		80,546		
Deferred revenue		1,089	1,089	
Current maturities of long-term debt	40,065	57,143	97,208	
<b>Total current liabilities</b>	<b>\$ 84,413</b>	<b>\$ 202,655</b>	<b>\$ 287,068</b>	<b>\$ 13,172</b>
<b>Noncurrent:</b>				
<b>Payable from restricted assets:</b>				
Customer deposits	\$ -	\$ 83,778	\$ 83,778	\$ 13,949
Notes payable	281,606	759,083	1,040,689	





City of Bayard  
**STATEMENT OF NET ASSETS (concluded)**  
June 30, 2008

	Governmental Activities	Business- Type Activities	Total Primary Government	Component Unit
Compensated absences	10,141	13,079	23,220	2,969
Total noncurrent liabilities	\$ 291,747	\$ 855,940	\$ 1,147,687	\$ 16,918
Total liabilities	\$ 376,160	\$ 1,058,595	\$ 1,434,755	\$ 30,090
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 14,380,070	\$ 3,840,083	\$ 18,220,153	\$ 450,051
Restricted for:				
Capital projects	180,855		180,855	
Other purposes	559,827		559,827	
Unrestricted	654,007	2,840,718	3,494,725	189,089
Total net assets	\$ 15,774,759	\$ 6,680,801	\$ 22,455,560	\$ 639,140

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



City of Bayard  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2008

		Program Revenues	
Expenses	Charges for Services	Operating Grants and Contributions	
<u>Functions/Programs</u>			
Governmental activities:			
General government	\$ 393,447	\$ 10,325	\$ 129,277
Public safety	460,762	56,890	109,252
Public works	184,822	6,365	25,916
Health and welfare	6,890	954	
Culture-recreation	113,086	14,540	85,699
Unallocated interest expense	6,707		
Total governmental activities	\$ 1,165,714	\$ 89,074	\$ 350,144
Business-type activities:			
Solid Waste	\$ 320,257	\$ 392,070	\$ -
Water/Sewer	624,422	551,991	
Joint Wastewater	80,957	471,665	
Total business-type activities	\$ 1,025,636	\$ 1,415,726	\$ -
Total primary government	\$ 2,191,350	\$ 1,504,800	\$ 350,144
Component Unit:			
Housing Authority	\$ 314,132	\$ 173,159	\$ 204,529

General revenues:  
Property taxes  
Gross receipts taxes  
Gas taxes  
Motor vehicle taxes  
Franchise taxes  
Other taxes  
Interest and investment earnings  
Miscellaneous  
Transfers

Total general revenues

Change in net assets

Net assets - beginning, as originally stated

Restatement (Note 15 )

Net assets - beginning, as restated

Change in net assets

Net assets - ending

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

Net (Expenses) Revenue  
and Changes in Net Assets

Capital Grants and Contributions	Governmental Activities	Business -Type Activities	Total	Component Unit
\$ -	\$ (253,845)	\$ -	\$ (253,845)	\$ -
	(294,620)		(294,620)	
5,482,617	5,330,076		5,330,076	
	(5,936)		(5,936)	
	(12,847)		(12,847)	
	(6,707)		(6,707)	
<u>\$ 5,482,617</u>	<u>\$ 4,756,121</u>	<u>\$ -</u>	<u>\$ 4,756,121</u>	<u>\$ -</u>
\$ -	\$ -	\$ 71,813	\$ 71,813	\$ -
		(72,431)	(72,431)	-
		390,708	390,708	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 390,090</u>	<u>\$ 390,090</u>	<u>\$ -</u>
<u>\$ 5,482,617</u>	<u>\$ 4,756,121</u>	<u>\$ 390,090</u>	<u>\$ 5,146,211</u>	<u>\$ -</u>
<u>\$ -</u>				\$ 63,556
	\$ 23,557	\$ -	\$ 23,557	-
	496,692	167,949	664,641	
	50,768		50,768	
	54,077		54,077	
	66,970		66,970	
	8,499		8,499	
	40,760	102,516	143,276	1,377
	43,768	48,754	92,522	4,767
	(1,001,035)	1,001,035	-	
	<u>\$ (215,944)</u>	<u>\$ 1,320,254</u>	<u>\$ 1,104,310</u>	<u>\$ 6,144</u>
	<u>\$ 4,540,177</u>	<u>\$ 1,710,344</u>	<u>\$ 6,250,521</u>	<u>\$ 69,700</u>
	\$ 9,200,109	\$ 6,776,125	\$ 15,976,234	\$ 569,440
	2,034,473	(1,805,668)	228,805	
	<u>\$ 11,234,582</u>	<u>\$ 4,970,457</u>	<u>\$ 16,205,039</u>	<u>\$ 569,440</u>
	<u>4,540,177</u>	<u>1,710,344</u>	<u>6,250,521</u>	<u>69,700</u>
	<u>\$ 15,774,759</u>	<u>\$ 6,680,801</u>	<u>\$ 22,455,560</u>	<u>\$ 639,140</u>

City of Bayard  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2008

	General Fund	RUS Phase I	Regional Wastewater
<b>Assets</b>			
Cash and investments	\$ 548,527	\$ 5	\$ 256
Taxes receivable	117,703		
Prepays	16,800		
Interfund receivable	13,775		\$ 80,546
Due from other governments		3,201	96,833
Total assets	\$ 696,805	\$ 3,206	\$ 177,635
 <b>Liabilities and Fund Balance</b>			
Accounts payable	\$ 20,928	\$ 3,201	\$ 5,185
Salaries payable	11,729		
Interfund payable			
Deferred revenue	5,979		
Total liabilities	\$ 38,636	\$ 3,201	\$ 5,185
Fund balance:			
Reserved for capital projects	\$ -	\$ 5	\$ 172,450
Unreserved reported in:			
General fund	658,169		
Special revenue funds			
Total fund balance	\$ 658,169	\$ 5	\$ 172,450
Total liabilities and fund balance	\$ 696,805	\$ 3,206	\$ 177,635

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

<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 545,780	\$ 1,094,568
25,752	143,455
	16,800
	94,321
13,775	113,809
\$ 585,307	\$ 1,462,953

\$ 2,158	\$ 31,472
558	12,287
13,775	13,775
13,775	19,754
\$ 30,266	\$ 77,288

\$ (5,375)	167,080
	658,169
560,416	560,416
\$ 555,041	\$ 1,385,665
\$ 585,307	\$ 1,462,953

City of Bayard  
**RECONCILIATION OF TOTAL GOVERNMENTAL  
 FUND BALANCE TO NET ASSETS OF  
 GOVERNMENTAL ACTIVITIES**

Total governmental fund balances	\$	1,385,665
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
<i>assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,701,741
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		19,754
Long-term liabilities, including compensated absences are not reported in the funds.		<u>(332,401)</u>
<i>Net assets of governmental activities</i>	<u>\$</u>	<u>15,774,759</u>



City of Bayard  
**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-GOVERNMENTAL FUNDS**  
For The Fiscal Year Ended June 30, 2008

	General Fund	RUS Phase I	Regional Wastewater
Revenues:			
Property taxes	\$ 22,578	\$ -	\$ -
Franchise taxes	66,970		
Gas taxes	29,742		
Gross receipts taxes	421,245		
MVD taxes	17,978		
Other taxes	5,659		
Intergovernmental	168,961	754,585	4,306,475
Fines, licenses and permits	61,833		
Charges for services	21,196		
Miscellaneous	59,035		
<b>Total revenues</b>	<b>\$ 875,197</b>	<b>\$ 754,585</b>	<b>\$ 4,306,475</b>
Expenditures:			
Current:			
General government	\$ 353,122	\$ -	\$ -
Public safety	311,682		
Public works			
Health and welfare	991		
Culture recreation	42,709		
Debt service:			
Principle			
Interest			
Capital outlay	39,501	759,026	4,310,971
<b>Total expenditures</b>	<b>\$ 748,005</b>	<b>\$ 759,026</b>	<b>\$ 4,310,971</b>
Net change in fund balance	\$ 127,192	\$ (4,441)	\$ (4,496)
Other financing sources (uses):			
Loan proceeds			
Transfer out	(69,217)		
Transfer in	38,694	3,716	
Net change in fund balance after other financing sources (uses)	\$ 96,669	\$ (725)	\$ (4,496)
Fund balance, July 1, 2007	561,500	730	176,946
Fund balance, June 30, 2008	<u>\$ 658,169</u>	<u>\$ 5</u>	<u>\$ 172,450</u>

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

<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 22,578
	66,970
21,026	50,768
75,447	496,692
36,099	54,077
2,840	8,499
588,965	5,818,986
	61,833
6,045	27,241
25,493	84,528
<u>\$ 755,915</u>	<u>\$ 6,692,172</u>
\$ -	\$ 353,122
74,000	385,682
102,918	102,918
5,899	6,890
38,525	81,234
37,109	37,109
6,118	6,118
582,040	5,691,538
<u>\$ 846,609</u>	<u>\$ 6,664,611</u>
\$ (90,694)	\$ 27,561
100,000	100,000
(29,168)	(98,385)
65,501	107,911
<u>\$ 45,639</u>	<u>\$ 137,087</u>
509,402	1,248,578
<u>\$ 555,041</u>	<u>\$ 1,385,665</u>

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

Net changes in fund balances - total governmental funds	\$ 137,087
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
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. This is the amount by which capital outlay exceeded depreciation in the current year.	5,464,024
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	14,754
Bond and loan proceeds are reported as financing sources in the funds, In the Statement of Activities, however, issuing debt increased long term liabilities	(100,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	37,109
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.	(589)
Transfers of capital assets to enterprise funds are not reported in the fund statements, because there has been no flow of current financial resources. In the Statement of Activities, however, the event is recorded as a transfer to the enterprise fund.	(1,010,561)
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.	<u>(1,647)</u>
 <i>Change in Net Assets of Governmental Activities</i>	 <u><u>\$ 4,540,177</u></u>

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, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 396,313	\$ 396,313	\$ 518,166	\$ 121,853
Intergovernmental	367,976	367,976	187,332	(180,644)
Fines, licenses and permits	43,650	43,650	61,833	18,183
Charges for services	6,400	6,400	21,196	14,796
Miscellaneous	12,600	12,600	62,979	50,379
<b>Total revenues</b>	<b>\$ 826,939</b>	<b>\$ 826,939</b>	<b>\$ 851,506</b>	<b>\$ 24,567</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	\$ 350,897	\$ 341,567	\$ 364,929	\$ (23,362)
Public safety	312,870	322,950	307,126	15,824
Public works	-	-	-	-
Health and welfare	111,600	111,600	1,003	110,597
Culture recreation	44,565	51,865	42,481	9,384
Principle	-	-	-	-
Interest	-	-	-	-
Capital outlay	204,611	187,811	56,301	131,510
<b>Total expenditures</b>	<b>\$ 1,024,543</b>	<b>\$ 1,015,793</b>	<b>\$ 771,840</b>	<b>\$ 243,953</b>
Revenues over (under) expenditures	\$ (197,604)	\$ (188,854)	\$ 79,666	\$ 268,520
<b>Other financing sources (uses):</b>				
Transfer in	52,832	61,636	61,077	(559)
Transfer out	(62,676)	(62,676)	(68,882)	(6,206)
Loan proceeds	-	-	-	-
<b>Net change in fund balance</b>	<b>\$ (207,448)</b>	<b>\$ (189,894)</b>	<b>\$ 71,861</b>	<b>\$ 261,755</b>
Fund balance, July 1, 2007	476,666	476,666	476,666	-
<b>Fund balance, June 30, 2008</b>	<b>\$ 269,218</b>	<b>\$ 286,772</b>	<b>\$ 548,527</b>	<b>\$ 261,755</b>

The accompanying notes are an integral part of these financial statements

City of Bayard  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2008

<b>Assets</b>	<u>Solid Waste</u>	<u>Water/ Sewer</u>	<u>Joint Wastewater</u>	<u>Total</u>
<b>Current:</b>				
Cash and investments	\$ 429,375	\$ 692,709	\$ 1,599,574	\$ 2,721,658
Accounts receivable (net)	13,091	20,677	2,788	36,556
Taxes receivable	3,097	31,311		34,408
Unbilled receivables (net)	48,757	76,336	53,275	178,368
<b>Total current assets</b>	<u>\$ 494,320</u>	<u>\$ 821,033</u>	<u>\$ 1,655,637</u>	<u>\$ 2,970,990</u>
<b>Noncurrent assets:</b>				
Restricted cash and investments	\$ -	\$ 112,097	\$ -	\$ 112,097
Capital assets net of accumulated depreciation		4,398,531	257,778	4,656,309
<b>Total noncurrent assets</b>	<u>\$ -</u>	<u>\$ 4,510,628</u>	<u>\$ 257,778</u>	<u>\$ 4,768,406</u>
<b>Total assets</b>	<u>\$ 494,320</u>	<u>\$ 5,331,661</u>	<u>\$ 1,913,415</u>	<u>\$ 7,739,396</u>
<b>Liabilities</b>				
<b>Current:</b>				
Accounts payable	\$ 20,093	\$ 6,342	\$ 4,537	\$ 30,972
Salaries payable	1,736	6,314	2,787	10,837
Interest payable		22,068		22,068
Deferred revenue			1,089	1,089
Interfund payables			80,546	80,546
Current portion of long-term debt		57,143		57,143
<b>Total current liabilities</b>	<u>\$ 21,829</u>	<u>\$ 91,867</u>	<u>\$ 88,959</u>	<u>\$ 202,655</u>
<b>Noncurrent liabilities:</b>				
Customer deposits	-	\$ 83,778	\$ -	83,778
Compensated absences	1,089	11,116	874	13,079
Notes payable net of current portion		759,083		759,083
<b>Total liabilities</b>	<u>\$ 22,918</u>	<u>\$ 945,844</u>	<u>\$ 89,833</u>	<u>\$ 1,058,595</u>

City of Bayard  
**STATEMENT OF NET ASSETS (concluded)**  
**PROPRIETARY FUNDS**  
June 30, 2008

	<u>Solid Waste</u>	<u>Water/ Sewer</u>	<u>Joint Wastewater</u>	<u>Total</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ -	\$ 3,582,305	\$ 257,778	\$ 3,840,083
Unrestricted	<u>471,402</u>	<u>803,512</u>	<u>1,565,804</u>	<u>2,840,718</u>
Total net assets	<u><u>\$ 471,402</u></u>	<u><u>\$ 4,385,817</u></u>	<u><u>\$ 1,823,582</u></u>	<u><u>\$ 6,680,801</u></u>

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

City of Bayard  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**

For The Fiscal Year Ended June 30, 2008

	<u>Solid Waste</u>	<u>Water/ Sewer</u>	<u>Joint Wastewater</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 392,070	\$ 551,991	\$ 471,665	\$ 1,415,726
Operating expenses:				
Personnel	\$ 52,359	\$ 267,542	\$ 29,450	\$ 349,351
Operating	267,898	246,828	44,591	559,317
Depreciation		90,922	6,916	97,838
Amortization		10,000		10,000
Total operating expenses	\$ 320,257	\$ 615,292	\$ 80,957	\$ 1,016,506
Net operating income	\$ 71,813	\$ (63,301)	\$ 390,708	\$ 399,220
Non-operating revenue (expense):				
Investment income	\$ 4,209	\$ 31,817	\$ 66,490	\$ 102,516
Dedicated tax receipts	15,115	152,834		167,949
Miscellaneous	5,382	32,937	10,435	48,754
Interest expense		(9,130)		(9,130)
Total non-operating revenue (expense)	\$ 24,706	\$ 208,458	\$ 76,925	\$ 310,089
Income before contributions and operating transfers	\$ 96,519	\$ 145,157	\$ 467,633	\$ 709,309
Capital contributions		1,010,561		1,010,561
Transfers out	(5,604)	(54,950)	(16,500)	(77,054)
Transfers in		33,564	33,964	67,528
Change in net assets	<u>\$ 90,915</u>	<u>\$ 1,134,332</u>	<u>\$ 485,097</u>	<u>\$ 1,710,344</u>
Net assets, beginning, as originally stated	\$ 380,487	\$ 3,251,485	\$ 3,144,153	\$ 6,776,125
Restatement (Note 15 )			(1,805,668)	(1,805,668)
Net assets, beginning, as restated	\$ 380,487	\$ 3,251,485	\$ 1,338,485	\$ 4,970,457
Change in net assets	<u>90,915</u>	<u>1,134,332</u>	<u>485,097</u>	<u>1,710,344</u>
Net assets, ending	<u>\$ 471,402</u>	<u>\$ 4,385,817</u>	<u>\$ 1,823,582</u>	<u>\$ 6,680,801</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, 2008

	<u>Solid Waste</u>	<u>Water/ Sewer</u>	<u>Joint Wastewater</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers	\$ 365,152	\$ 530,062	\$ 415,602	\$ 1,310,816
Payments to suppliers	(267,905)	(242,358)	(254,731)	(764,994)
Payments to employees	<u>(51,966)</u>	<u>(262,714)</u>	<u>(25,789)</u>	<u>(340,469)</u>
Net cash provided (used) by operating activities	<u>\$ 45,281</u>	<u>\$ 24,990</u>	<u>\$ 135,082</u>	<u>\$ 205,353</u>
Cash flows from noncapital financing activities:				
Dedicated tax receipts	\$ 14,370	\$ 145,297	\$ -	\$ 159,667
Intergovernmental grants			2,180,928	2,180,928
Transfers to other funds	(5,604)	(54,950)	(16,500)	(77,054)
Transfers from other funds		<u>33,564</u>	<u>33,964</u>	<u>67,528</u>
Net cash provided (used) by noncapital financing activities	<u>\$ 8,766</u>	<u>\$ 123,911</u>	<u>\$ 2,198,392</u>	<u>\$ 2,331,069</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	\$ -	\$ (22,994)	\$ (1,901,839)	\$ (1,924,833)
Miscellaneous receipts	5,382	32,937	10,435	48,754
Principal paid on capital debt		(55,478)		(55,478)
Interest paid on capital debt		<u>(26,151)</u>		<u>(26,151)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ 5,382</u>	<u>\$ (71,686)</u>	<u>\$ (1,891,404)</u>	<u>\$ (1,957,708)</u>
Cash flows from investing activities:				
Earnings on investments	<u>\$ 4,209</u>	<u>\$ 32,036</u>	<u>\$ 66,975</u>	<u>\$ 103,220</u>
Net increase (decrease) in cash and cash equivalents	\$ 63,638	\$ 109,251	\$ 509,045	\$ 681,934
Cash and equivalents, beginning of year	<u>365,737</u>	<u>695,555</u>	<u>1,090,529</u>	<u>2,151,821</u>
Cash and equivalents, end of year	<u><u>\$ 429,375</u></u>	<u><u>\$ 804,806</u></u>	<u><u>\$ 1,599,574</u></u>	<u><u>\$ 2,833,755</u></u>



City of Bayard  
**STATEMENT OF CASH FLOWS (concluded)**  
**PROPRIETARY FUNDS**  
For The Fiscal Year Ended June 30, 2008

	<u>Solid Waste</u>	<u>Water/ Sewer</u>	<u>Joint Wastewater</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 71,813	\$ (63,301)	\$ 390,708	\$ 399,220
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense		90,922	6,916	97,838
Amortization expense		10,000		10,000
Changes in assets and liabilities:				
Receivables, net	(26,918)	(28,777)	(56,063)	(111,758)
Accounts payable	(7)	4,470	(210,140)	(205,677)
Customer deposits		6,848		6,848
Salaries payable	812	2,692	2,787	6,291
Compensated absences	(419)	2,136	874	2,591
Net cash provided (used) by operating activities	<u>\$ 45,281</u>	<u>\$ 24,990</u>	<u>\$ 135,082</u>	<u>\$ 205,353</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, 2008

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and investments	<u>\$ -</u>
Total assets	<u><u>\$ -</u></u>
 <b>Liabilities and Fund Equity</b>	
Deposits held for others	<u>\$ -</u>
Total liabilities	<u><u>\$ -</u></u>

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

City of Bayard  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008

Note 1 Summary of Significant Accounting Policies

**A. GENERAL**

The City of Bayard, a political subdivision of the State of New Mexico, operates under the council-manager 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 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement No.'s 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2003, the City implemented the new financial reporting requirements of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented.

**B. FINANCIAL REPORTING ENTITY**

The City's basic financial statements include the accounts of all City operations. The criteria for including 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 Bayard Housing Authority. The financial statements are included in the City's financial audit as a discretely presented component unit. Separately issued financial statements may be obtained from the

Housing Authority's administrative office as follows: Executive Director, Bayard Housing Authority, 100 Runnels Drive, P.O. Box 768, Bayard, New Mexico 88023.

### C. BASIS OF PRESENTATION

#### Governmental-wide Financial Statements

The Statement of Net Assets 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 nonexchange 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 such as water use or garbage collection, licenses and permits and other amounts charged to directly service recipients, 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 or 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 Fund*

The Capital Project Fund is 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.

## **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 (Not 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 two agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

### *Major Funds*

The funds classified as major are as follows:

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

RUS Phase I – Accounts for the federal revenues and expenditures for Phase I utility system improvements within the City. The creation of this fund was authorized by the City Council. This is a Capital Project Fund.

Regional Wastewater – Accounts for the federal grant revenues and expenditures for the construction of a regional wastewater treatment plant within the City limits. This is a Capital Project Fund.

Proprietary:

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 and the Ft. Bayard special district to provide wastewater disposal for all three governments.

### *Nonmajor 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 Assets 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 and liabilities 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 assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- 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 Assets 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, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Derived tax revenues, such as gross receipts taxes and motor vehicle taxes, are recognized when the underlying exchange has occurred. Voluntary non-exchange transactions, such as governmental grants, are recognized when all eligibility requirements have been 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. 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, Debt Service, Capital Projects, and Enterprise Funds are prepared by management and approved by the local council 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 reappropriated 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 Assets, “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 or short-term investments with an original maturity of six months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

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 treasurers 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. Premiums (discounts) on investments are amortized by the interest method, or methods approximating the interest method.

## **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 interfund loans are reported as “due to and from other funds”. Interfund receivables and payables between funds within governmental activities and between funds within business-type activities are eliminated in the Statement of Net Assets. All interfund receivables and payables are eliminated in the total primary government column in the Statement of Net Assets.

## **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 the 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. Nonexchange 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, fixed 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.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. The City elected to utilize the infrastructure transition option in the implementation of GASB Statement No. 34, and since fiscal year 2003 has capitalized infrastructure assets. Infrastructure assets acquired prior to July 1, 2002 have been measured and evaluated and are capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the 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               | 50 years   |
| • Improvements            | 50 years   |
| • Machinery and Equipment | 5-10 years |
| • Utility System          | 20 years   |
| • Infrastructure          | 20 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. RESTRICTED ASSETS**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to utility meter deposits.

**K. LONG-TERM DEBT**

The accounting treatment of long-term debt 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.

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 fund 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 assets and displayed in three components:

- a. Invested in capital assets, net of related debt- 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 assets - Consists of net assets 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 assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

### *Fund Statements*

Equity is classified as fund balance and displayed in two components:

- a. Reserved – Consists of governmental fund balances that are not appropriable, legally segregated for specific usage, or commitments to outside third parties.
- b. Unreserved – Consists of designations of amounts representing tentative management plans for governmental fund balances, but subject to change (designated), and undesignated, for which no restrictions or designations exist.

## **N. REVENUES, EXPENDITURES, AND EXPENSES**

### *Gross Receipts Tax*

The City levies a .7125% 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 the Water and Sewer Fund and the Sanitation Fund, 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 "Due from Other Governments."

### *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,



**Q. INVENTORIES**

Inventories are stated at cost, measured by the first-in first-out method, and consist mainly of consumable supplies.

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 government does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2008, \$1,409,555 of the government's bank balance of \$3,974,555 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized \$ 1,409,555

The cash on deposit with NMFA is, in effect, loan payments made by the City but not yet disbursed. Such deposits are subject to the collateral requirements of NMFA. Such deposits total \$18,281.

Note 3 Receivables

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accounts receivable:		
Services (net) of allowance for doubtful accounts of \$11,312	<u>\$ -0-</u>	<u>\$ 214,924</u>
	<u>\$ -0-</u>	<u>\$ 214,924</u>
Due from other governments Intergovernmental grants	<u>\$ 113,809</u>	<u>\$ -0-</u>
Taxes receivable:		
Property taxes	\$ 7,331	\$
Gross receipts tax	102,484	34,408
Motor Vehicle Taxes	8,254	
Gasoline taxes	7,609	
Cigarette tax	1,294	
Franchise taxes	<u>16,483</u>	
	<u>\$ 143,455</u>	<u>\$ 34,408</u>
Total	<u>\$ 257,264</u>	<u>\$ 249,332</u>

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Adjustments	Increases	Decreases	Balance June 30, 2008
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 59,308	\$ -0-	\$	\$	\$ 59,308
Construction in progress	<u>2,460,820</u>	<u>2,034,473</u>	<u>5,667,813</u>	<u>1,418,355</u>	<u>8,744,751</u>
Total capital assets not being depreciated	<u>\$ 2,520,128</u>	<u>\$ 2,034,473</u>	<u>\$ 5,667,813</u>	<u>\$ 1,418,355</u>	<u>\$ 8,804,059</u>
Other capital assets:					
Buildings	\$ 1,777,008	\$	\$	\$	\$ 1,777,008
Infrastructure	5,005,371		407,794		5,413,165
Equipment	<u>1,184,268</u>		<u>23,729</u>	<u>9,700</u>	<u>1,198,297</u>
Total other assets at historical cost	<u>\$ 7,966,647</u>	<u>\$ -0-</u>	<u>\$ 431,523</u>	<u>\$ 9,700</u>	<u>\$ 8,388,470</u>
Less accumulated depreciation for:					
Buildings	\$ (417,441)		\$ (37,151)		\$ (454,592)
Infrastructure	(1,322,441)		(72,176)		(1,394,617)
Equipment	<u>(533,090)</u>		<u>(118,189)</u>	<u>9,700</u>	<u>(641,579)</u>
Total accumulated depreciation	<u>\$ (2,272,972)</u>	<u>\$ -0-</u>	<u>\$ (227,516)</u>	<u>\$ 9,700</u>	<u>\$ (2,490,788)</u>
Other capital assets (net)	<u>\$ 5,693,675</u>	<u>\$ -0-</u>	<u>\$ 204,007</u>	<u>\$ -0-</u>	<u>\$ 5,897,682</u>
Governmental activities, capital assets, net	<u>\$ 8,213,803</u>	<u>\$ 2,034,473</u>	<u>\$ 5,871,820</u>	<u>\$ 1,418,355</u>	<u>\$ 14,701,741</u>

Business type activities:

Capital assets not being depreciated:

Land	\$ 48,839	\$ -0-	\$ -0-	\$ -0-	\$ 48,839
Construction in progress	<u>2,025,463</u>	<u>(2,025,463)</u>			
	\$ 2,074,302	\$ (2,025,463)	\$ -0-	\$ -0-	\$ 48,839
Other capital assets:					
Buildings	\$ 427,412	\$ -0-	\$ -0-	\$ -0-	\$ 427,412
Utility plant	3,389,156		1,026,628		4,415,784
Equipment	<u>281,336</u>		<u>22,994</u>		<u>304,330</u>
Total other capital assets at historical cost	\$ 4,097,904	\$ -0-	\$ 1,049,622	\$ -0-	\$ 5,147,526
Less accumulated depreciation for:					
Buildings	\$ (146,374)	\$ (8,507)	\$ (8,507)	\$ (8,507)	\$ (154,881)
Utility plant	(1,140,353)		(60,968)		(1,201,321)
Equipment	<u>(267,991)</u>		<u>(28,363)</u>		<u>(296,354)</u>
Total accumulated depreciation	\$ (1,554,718)	\$ -0-	\$ (97,838)	\$ -0-	\$ (1,652,556)
Other capital assets, net	\$ 2,543,186	\$ -0-	\$ 951,784	\$ -0-	\$ 3,494,970
Water rights	\$ 1,200,000	\$ -0-	\$ -0-	\$ -0-	\$ 1,200,000
Accumulated amortization	<u>(77,500)</u>	<u>-0-</u>	<u>(10,000)</u>	<u>-0-</u>	<u>(87,500)</u>
	\$ 1,122,500	\$ -0-	\$ (10,000)	\$ -0-	\$ 1,112,500
Business-type activities capital assets, net	\$ 5,739,988	\$ (2,025,463)	\$ 941,784	\$ -0-	\$ 4,656,309

The City has various construction projects ongoing with future commitments totaling approximately \$3,500,000. The adjustments are reclassifications of prior year's construction in progress. (See Note 15).

Depreciation was charged to the Governmental Activities as follows:

General Government	\$ 38,678
Public Safety	75,080
Culture-Recreation	31,852
Public Works	<u>81,906</u>
	\$ 227,516

Note 5 Accrued Liabilities

Accrued liabilities consisted of the following at June 30, 2008:

	Governmental Activities	Business Type Activities
Accrued salaries	\$ 12,287	\$ 10,837
Accrued interest	<u>589</u>	<u>22,068</u>
	<u>\$ 12,876</u>	<u>\$ 32,905</u>

Note 6 Long-Term Debt

Changes in long-term debt were as follows during the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Due Within One Year
Governmental Activities:					
NMFA #1	\$ 33,454	\$	\$ 11,124	\$ 22,330	\$ 11,151
NMFA #2	175,000		13,451	161,549	16,348
NMFA #3	50,326		12,534	37,792	12,566
Phase II and III	<u>-0-</u>	<u>100,000</u>	<u>-0-</u>	<u>100,000</u>	<u>-0-</u>
	\$ 258,780	\$ 100,000	\$ 37,109	\$ 321,671	\$ 40,065
Compensated absences	<u>8,494</u>	<u>14,612</u>	<u>12,965</u>	<u>10,141</u>	<u>-0-</u>
	<u>\$ 267,274</u>	<u>\$ 114,612</u>	<u>\$ 50,074</u>	<u>\$ 331,812</u>	<u>\$ 40,065</u>
Business-Type Activities:					
RIP 91-10	\$ 111,775	\$	\$ 11,002	\$ 100,773	\$ 11,332
NMED 99-03	380,237		22,254	357,983	22,922
NMED 2000-02	<u>379,692</u>		<u>22,222</u>	<u>357,470</u>	<u>22,889</u>
	\$ 871,704	\$ -0-	\$ 55,478	\$ 816,226	\$ 57,143
Compensated absences	<u>10,487</u>	<u>16,547</u>	<u>13,955</u>	<u>13,079</u>	<u>-0-</u>
	<u>\$ 882,191</u>	<u>\$ 16,547</u>	<u>\$ 69,433</u>	<u>\$ 829,305</u>	<u>\$ 57,143</u>



Note Payable – New Mexico Finance Authority #1

The City entered into an agreement with the New Mexico Finance Authority to borrow \$40,000 in order to acquire a street sweeper for the municipal street department. The loan is to be repaid from pledged gross receipts revenues. The note does not accrue interest charges. The first payment on the note was paid during the 2007 fiscal year. The remaining annual principal payment varies from \$11,124 to \$11,179. The Finance Authority is charging a .25% administrative fee.

Note Payable – New Mexico Finance Authority #2

The City entered into an agreement with the New Mexico Finance Authority to borrow \$175,000 in order to acquire a fire pumper truck for the fire department. The loan is to be repaid from pledged fire allotment revenues. The note does accrue interest charges. The interest rate varies from 3.280% to 3.870%. The annual principal payment varies from \$12,771 to \$19,763. The Finance Authority is charging a .25% administrative fee.

Note Payable – New Mexico Finance Authority #3

The City entered into an agreement with the New Mexico Finance Authority to borrow \$50,326 in order to acquire police vehicles for the police department. The loan is to be repaid from pledged law enforcement allotment revenues. The note does not accrue interest charges. The annual principal payment varies from \$12,534 to \$12,629. The Finance Authority is charging a .25% administrative fee.

Note Payable – Phase II and III

The City entered into an agreement with rural utility service for funding of a new wastewater treatment plant. This is an interim loan to fund preliminary expenses and will be satisfied, with interest at 5.75%, when funding of the project is complete.

Note Payable RIP 91-10

The proceeds from another note, due to the New Mexico Department of Finance and Administration (DFA), were used to construct a new water tank. This note, with a face amount of \$206,395, was drawn-down as needed to fund the construction project. This note carries interest at 5% per annum; payments commenced on September 15, 1996, and extend for a period of twenty (20) years. In August 2002, the City refinanced this note. The refinanced interest rate is 3%, and the note will mature in September 2015. Due to the refinancing of this note, the City anticipates interest savings of \$25,777 over the remaining life of the note. Retirements are to be made from revenues of the water and sewer fund.

Note Payable #3 and #4 – New Mexico Environment Department

The City of Bayard has obligations due to the New Mexico Environment Department. The proceeds of these two obligations, RIP 99-03 and RIP 2000-02, each with a face amount of \$500,000 were used to purchase water rights. These notes bear interest at 5% and mature August 2020. Retirement of principal and interest are to be made from revenues of the water and sewer fund.

In August 2002, the City refinanced notes 99-03 and 2000-02. The refinanced interest rate for both notes is 3%, with the notes maturing in August 2020. The City anticipates interest savings of \$110,241 for note 99-03, and \$110,406 for note 2000-02. The combined interest saved by the City, due to the refinancing is \$220,647.

Compensated Absences

The amount of compensated absences due within the next year is not estimable. The liabilities will be paid from the fund which is charged with the employee as a direct cost, and the liability will be paid with funds available. Typically the general and water and sewer funds bear the majority of the compensated absences cost.

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2008 is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 40,065	\$ 9,361	\$ 57,143	\$ 24,486
2010	140,480	3,217	58,856	22,772
2011	29,706	2,886	60,623	21,007
2012	17,468	2,539	62,441	19,188
2013	17,879	2,173	64,314	17,315
2014-18	76,073	4,602	322,556	56,885
2019-23	<u>-0-</u>	<u>-0-</u>	<u>190,293</u>	<u>11,528</u>
	<u>\$ 321,671</u>	<u>\$ 24,778</u>	<u>\$ 816,226</u>	<u>\$ 173,181</u>

Note 7 Restricted Net Assets

The net assets "Restricted for Other Purposes" in the Statement of Net Assets consist of the special revenue fund balances, which are restricted to each fund's specific purpose, as follows:

Municipal Street	\$ 458,392
Fire Protection	32,694
Correction Fees	32,657
Other Special Revenue Funds	<u>36,084</u>
	<u>\$ 559,827</u>

Note 8 Retirement Plan

*Plan Description*

Substantially all of the City of Bayard's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan

members and beneficiaries . PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

#### *Funding Policy*

Plan members are required to contribute 9.15% of their gross salary. The City of Bayard is required to contribute 18.50% of the gross covered salary. The contribution requirements of plan members and the City of Bayard are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City of Bayard's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$114,352, \$105,499, and \$103,190, respectively, which equal the amount of the required contributions for each year.

#### Note 9 Post-Employment Benefits – State Retiree Health Care Plan

The City of Bayard has elected not to participate in the post-employment health insurance plan.

#### Note 10 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 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 municipalities 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.

#### Note 12 Budgetary Reconciliations

The Statements of Revenues, Expenditures and Changes in Fund Balance Budget (NON-GAAP Budgetary Basis) and Actual present comparisons of legally adopted budgets with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity

with generally accepted accounting principles, a reconciliation of changes in fund balance for the General Fund for the year ended June 30, 2008 is as follows:

	<u>General</u>
Changes in fund balance (GAAP Basis)	\$ 96,669
Revenue accruals	(23,691)
Expenditure accruals	(23,835)
Transfer accruals	<u>22,718</u>
Changes in fund balance (NON-GAAP) Budgetary Basis	<u>\$ 71,861</u>

Note 13 Deficit Fund Balances

The City had the following deficit fund balances at June 30, 2008:

RUS Phase II and III	<u>\$ (5,375)</u>
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This fund balance deficit was caused by either the application of the 60 day revenue accrual period required by the modified accrual basis of accounting or the timing of transfers to be made from the General Fund. As the revenue is collected and/or the transfers are made, the deficits will be eliminated.

Note 14 Interfund Activity

Interfund balances at June 30, 2008, consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 13,775	\$
Regional Wastewater	80,546	
Joint Wastewater		80,546
All Other Funds	<u>          </u>	<u>13,775</u>
Total	<u>\$ 94,321</u>	<u>\$ 94,321</u>

These amounts are expected to be repaid within one year, and the advances were made to meet operating expenses.

Interfund transfers were as follows during the year ended June 30, 2008:

	<u>Transfers From</u>					<u>Total</u>
	<u>General</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Joint Wastewater</u>	<u>All Other Funds</u>	
<u>Transfers To</u>						
General	\$	\$ 20,986	\$ 5,604	\$ 6,500	\$ 5,604	\$ 38,694
RVS Phase I	3,716					3,716
Water/Sewer				10,000	23,564	33,564
Joint Wastewater		33,964				33,964
All Other Funds	<u>65,501</u>					<u>65,501</u>
Total	<u>\$ 69,217</u>	<u>\$ 54,950</u>	<u>\$ 5,604</u>	<u>\$ 16,500</u>	<u>\$ 29,168</u>	<u>\$ 175,439</u>

The transfers were made to fund debt service payments, fund construction projects and provide operating funds, and are consistent with the funds purpose.

Note 15 Restatements

During the year ended June 30, 2008, the City, in accordance with generally accepted accounting principles, reclassified and restated capital outlay expenditures from business-type activities to the appropriate governmental capital project fund, and recorded construction in progress not previously recognized. These restatements are as follows:

Governmental activities	<u>\$ 2,034,473</u>
Business-type activities	<u>\$(1,805,668)</u>

Prior year net assets have been restated to show the effects of the change where necessary.

## ***Note Disclosures Relating to The City of Bayard's Component Unit***

### **Note 16 Summary of Significant Accounting Policies**

The Public Housing Authority (the Authority) of the City of Bayard was established in 1972. Five commissioners who are selected by the Bayard City Council govern it. For financial reporting purposes only, the Authority is a discretely presented component unit of the City of Bayard. The Authority was created to provide a conduit for housing funds for disadvantaged citizens.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

#### **A. Reporting Entity**

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The most primary standard for including or excluding a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units.

#### **B. Basis of Presentation and Accounting**

The Authority's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The Authority applies Government Accounting Standards Board (GASB) pronouncements, as well as all relevant pronouncements of the Financial Accounting Standards Board (FASB), The Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB Pronouncements.

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an Enterprise Fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net assets, revenues and expenses.

Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this limitation. The Authority has elected not to follow subsequent private-sector guidance.

These financial statements include the implementation of GASB Statement No. 34, *Basis Financial Statements*, for state and local governments and related standards. This new standard provides for significant changes in terminology; recognition of contributions in the statement of revenues, expenses and changes in net assets; inclusion of a management and analysis and supplementary information; and other changes.

Enterprise Funds account for activities: (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs, such as depreciation or debt service, be recovered with fees and charges rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs, such as depreciation or debt service. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's on-going operation. The principal operating revenues are governmental grants, rental income and charges for services. Operating expenses include cost of rental operations, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Grants and entitlements revenues are recognized in the period when all requirements have been met. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and unrestricted resources as they are needed.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets such as total assets net of total liabilities, are segregated into invested in capital assets, net of related debt; restrict; and unrestricted components. The Authority's operating statements present increases (revenues) and decreases (expenses) in net total assets.

### C. Budgets

The Authority follows these procedures in establishing the budgetary process:

1. The executive director and the fee accountant prepare the budget in accordance with the U.S. Department of Housing and Urban Development (HUD) guidelines.
2. HUD reviews the proposed budget and makes corrections, revisions, and amendments as necessary.
3. The executive director submits the budget to the Authority's Board of Commissioners for approval.
4. The Board of Commissioner's approves the budget.

This budget is a guideline to operation but is not a legally enforceable document. The Authority's level of budgetary control is at the total fund level and the total Capital Project Fund level.

D. Cash and Investments

Cash includes amounts in demand deposits and certificates of deposit.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, direct obligations of the United States of America or the State of New Mexico and its 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 uninsured public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority. The pledged securities remain in the name of the financial institution.

E. Inventory

Inventory is valued at cost and consists of repair and maintenance supplies held for consumption.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items.

H. Capital Assets

Capital Assets, which include property, plant, equipment, computer hardware and software, furniture, fixtures, and vehicles are valued and reported at cost where historical records are available and at an estimated historical cost where no historical records exist.

Donated capital assets are valued at their estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Major outlay for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Prior to June 17, 2005, the Authority defined capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Effective June 17,



2005, in accordance with state statutes the Authority changed its capitalization threshold to include only assets with a cost of \$5,000 or more. All assets capitalized prior to June 17, 2005 that are property of the Authority remain on the financial and accounting records of the Authority.

Property, plant, equipment, and vehicles is depreciated using the straight-line method over the estimated useful lives as follows:

Buildings	40 years
Equipment, computer hardware and software furniture, and fixtures	5 years
Building improvements	40 years
Vehicles	10 years

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources, is reflected as a liability of the Authority. In accordance with the provisions of Government Accounting Standards Board, Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Annual leave is earned according to the following schedule:

<u>Length of Employment</u>	<u>Regular Full-Time</u>	<u>Regular Part-Time</u>
3 months to 5 years	8 hrs/pay period	4 hrs/pay period
5 years to 10 years	9 hrs/pay period	4.5 hrs/pay period
10.1 years to 15 years	10 hrs/pay period	5 hrs/pay period
15.1 years to 20 years	11 hrs/pay period	5.5 hrs/pay period
20.1 years to 25 years	12 hrs/pay period	6 hrs/pay period
25 years +	13 hrs/pay period	6.5 hrs/pay period

Regular full-time and regular part-time employees cannot carry more than seven hundred twenty (720) hours into subsequent years. Upon termination, any unused annual leave, equal to or less than four hundred (400) hours shall be paid.

J. Deferred Revenues

The Authority reports deferred revenue on its statement of net assets, when applicable. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the Authority receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.

K. Net Assets

Net assets comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes on other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant, unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints imposed by creditors, such as through debt covenants; grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of *restricted* or *invested in capital assets, net of related debt*.

L. Cash Flows

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

M. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 17 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 Authority does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2008, \$.00 of the Authority's bank balance of \$212,581 was exposed to custodial credit risk.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk		
Category:		
Insured	\$ 111,522	\$ 111,522
Collateral held by the pledging bank's agent in Authority's name	<u>101,059</u>	<u>89,838</u>
	<u>\$ 212,581</u>	<u>\$ 201,360</u>

Note 18 Tenants' Receivable

Tenants' receivable at June 30, 2008 consisted of the following:

Rental income	\$ 777
	777
Less allowances for doubtful accounts	<u>-0-</u>
Net receivables	<u>\$ 777</u>

The Authority's policy is to provide for uncollectible accounts based upon expected defaults.

Note 19 Capital Assets

Capital assets for the fiscal year ended June 30, 2008:

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008
Business Activities:				
Capital assets, not being depreciated:				
Land	\$ 276,311	\$ _____	\$ _____	\$ 276,311
Other capital assets, being depreciated				
Buildings	\$ 1,743,243	\$ _____	\$ _____	\$ 1,743,243
Building improvements	612,414			612,414
Other improvements	169,140	4,767	2,699	171,208
Equipment and furniture	23,197			23,197
Vehicles	<u>40,257</u>	_____	_____	<u>40,257</u>
Total other capital assets, being depreciated	<u>\$ 2,588,251</u>	<u>\$ 4,767</u>	<u>\$ 2,699</u>	<u>\$ 2,590,319</u>
Less accumulated depreciation for:				
Building	\$(1,743,243)	\$ _____	\$ _____	\$(1,743,243)
Building improvements	(468,648)	(61,049)	(18,646)	(529,697)
Other improvements	(70,299)	(18,646)		(88,945)
Equipment and furniture	(11,317)	(3,435)	315	(14,437)
Vehicles	<u>(35,145)</u>	<u>(5,112)</u>	_____	<u>(40,257)</u>
Total accumulated depreciation	<u>\$(2,328,652)</u>	<u>\$ (88,242)</u>	<u>\$ 315</u>	<u>\$(2,416,579)</u>

Other capital assets, net	\$ 259,599	\$ (83,475)	\$ 2,384	\$ 173,740
Total capital assets, net	<u>\$ 535,910</u>	<u>\$ (83,475)</u>	<u>\$ 2,384</u>	<u>\$ 450,051</u>

Note 20 Accrued Compensated Absences

Changes in accrued compensated absences during the year ended June 30, 2008, were as follows:

	Balance			Balance	Amounts
	June 30, 2007	Additions	Deletions	June 30, 2008	Due Within
					One Year
Accrued compensated absences	\$ 1,195	\$ 7,425	\$ 5,651	\$ 2,969	\$ -0-

Note 21 Retirement Plan

*Plan Description*

All of the full-time employees of the Authority, participates in a defined benefit contributory retirement plan through the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978) of the State of New Mexico, a cost-sharing multiple employer public employee retirement system. The Public Employees Retirement Association (PERA) is the administrator of the plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

*Funding Policy*

For covered employees, participants were required to contribute 7 percent of their gross salary to the plan. The Authority contributes a required matching contribution of 7 percent of each participant's gross salary.

Contribution requirements for the years ended:

	<u>Authority</u>	<u>Employee</u>	<u>Total</u>
June 30, 2008	\$ 6,475	\$ 6,475	\$ 12,950
June 30, 2007	7,148	7,148	14,296
June 30, 2006	10,979	10,979	21,958

Note 22 Post-Employment Benefits

The Retiree Health Care Act, Chapter IV, Article 7C, NMSA 1978 provides a comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Authority has elected not to participate in the post-employment health insurance plan.

Note 23 Contingent Liabilities

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

Note 24 Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority has purchased commercial insurance to provide for these contingencies. The Authority pays an annual premium for its general insurance coverage and risk of loss is transferred.

Note 25 Financial Data Schedule

The financial data schedule is financial data required by the U.S. Department of Housing and Urban Development (HUD). The schedule is not available for inclusion in the audit report as of this time. When the information is available, a separate report will be issued.

## **SPECIAL REVENUE FUNDS**

**Fire Protection** – to account for proceeds of the State fire allotment, and the expenditures for public safety therefrom. State law requires these funds to be used to help maintain the fire department. The authority for this fund is given by the Fire Protection Fund Act, 59A-53-1, NMSA 1978.

**Juvenile Recreation** – to account for receipts, such as the cigarette tax revenue, which is restricted for use in recreational areas only. Funding source is one-third of the cigarette tax. (Section 7-12-1 through 7-12-17, NMSA, 1978).

**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 29-13-4.A, NMSA, 1978).

**Corrections** - to account for the fees collected by the municipal judge, which are legally restricted to expenditure for jail related costs. (Section 35-14-11, NMSA, 1978).

**Library** - to account for the State grants-in-aid to public libraries, to be utilized for the acquisition of library materials. (NMSL Rule 92-1).

**Municipal Street** – to account for gross receipts taxes levied upon taxpayers to be used for maintenance of municipal streets. The authority for the fund is given by Section 7-1-6.27, 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.

## **CAPITAL PROJECTS FUNDS**

**CDBG Grant Fund** – to account for federal revenues and expenditures for street and utility improvements within the City. The creation of this fund was authorized by the City Council.

**RUS Phase II and III** – to account for the federal revenues and expenditures for the Phase II and III utility system improvements within the City. The creation of this fund was authorized by the City Council.

## **ENTERPRISE FUNDS**

**Water and Sewer Fund** – to account for the provisions 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 Fund** – 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 Fund** – 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 and the Ft. Bayard special district to provide wastewater disposal for all three governments.

## **AGENCY FUNDS**

The agency fund is used to account for assets held by the City in an agency capacity for the New Mexico Taxation and Revenue.

City of Bayard  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2008

	Special Revenue Funds			
	Fire	Juvenile Recreation	Law Enforcement	Correction Fees
<b>Assets</b>				
Cash and investments	\$ 33,210	\$ 17,945	\$ 568	\$ 32,657
Taxes receivable		432		
Due from other governments				
<b>Total assets</b>	<b>\$ 33,210</b>	<b>\$ 18,377</b>	<b>\$ 568</b>	<b>\$ 32,657</b>
<b>Liabilities and Fund Balance</b>				
Accounts payable	\$ 356	\$ -	\$ -	\$ -
Salaries payable	160			
Interfund payable				
Deferred revenue				
<b>Total liabilities</b>	<b>\$ 516</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Fund balances:				
Reserved for capital projects	\$ -	\$ -	\$ -	\$ -
Unreserved	32,694	18,377	568	32,657
<b>Total fund balances</b>	<b>\$ 32,694</b>	<b>\$ 18,377</b>	<b>\$ 568</b>	<b>\$ 32,657</b>
<b>Total liabilities and fund balances</b>	<b>\$ 33,210</b>	<b>\$ 18,377</b>	<b>\$ 568</b>	<b>\$ 32,657</b>

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



Special Revenue Funds			Capital Projects Funds		Total
Library	Municipal Streets	EMS	CDBG Grant	RUS Phase II & III	
\$ 16,637	\$ 434,792 25,320	\$ 1,571	\$ -	\$ 8,400	\$ 545,780 25,752 13,775
<u>\$ 16,637</u>	<u>\$ 460,112</u>	<u>\$ 1,571</u>	<u>\$ -</u>	<u>\$ 22,175</u>	<u>\$ 585,307</u>
\$ 82 398	\$ 1,720	\$ -	\$ -	\$ -	\$ 2,158 558 13,775 13,775
<u>\$ 480</u>	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,550</u>	<u>\$ 30,266</u>
\$ - 16,157	\$ - 458,392	\$ - 1,571	\$ -	\$ (5,375)	\$ (5,375) 560,416
<u>\$ 16,157</u>	<u>\$ 458,392</u>	<u>\$ 1,571</u>	<u>\$ -</u>	<u>\$ (5,375)</u>	<u>\$ 555,041</u>
<u>\$ 16,637</u>	<u>\$ 460,112</u>	<u>\$ 1,571</u>	<u>\$ -</u>	<u>\$ 22,175</u>	<u>\$ 585,307</u>

City of Bayard  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
For The Fiscal Year Ended June 30, 2008

	Special Revenue Funds			
	Fire	Juvenile Recreation	Law Enforcement	Correction Fees
Revenues:				
Gross receipts taxes	\$ -	\$ -	\$ -	\$ -
MVD taxes				
Gas taxes				
Other taxes		2,840		
Charges for services				
Intergovernmental	65,438		25,200	
Miscellaneous	1,309	500	6,454	803
<b>Total revenues</b>	<b>\$ 66,747</b>	<b>\$ 3,340</b>	<b>\$ 31,654</b>	<b>\$ 803</b>
Expenditures:				
Current:				
Public safety	\$ 43,116	\$ -	\$ 22,571	\$ 8,313
Public works				
Health and welfare				
Culture-recreation		7,656		
Debt service:				
Principle	13,451		12,534	
Interest	6,118			
Capital Outlay			7,325	
<b>Total expenditures</b>	<b>\$ 62,685</b>	<b>\$ 7,656</b>	<b>\$ 42,430</b>	<b>\$ 8,313</b>
Net change in fund balance	\$ 4,062	\$ (4,316)	\$ (10,776)	\$ (7,510)
Other financing sources (uses):				
Loan proceeds				
Transfer out				
Transfer in	7,117			14,435
Net change in fund balance after other financing sources (uses)	\$ 11,179	\$ (4,316)	\$ (10,776)	\$ 6,925
Fund balance, July 1, 2007	21,515	22,693	11,344	25,732
Fund balance, June 30, 2008	<u>\$ 32,694</u>	<u>\$ 18,377</u>	<u>\$ 568</u>	<u>\$ 32,657</u>

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

Special Revenue Funds			Capital Projects Funds		Total
Library	Municipal Streets	EMS	CDBG Grant	RUS Phase II & III	
	\$ 75,447	\$ -	\$ -	\$ -	\$ 75,447
	36,099				36,099
	21,026				21,026
	6,045				2,840
85,699	25,916	6,871	379,841		6,045
5,874	10,553				588,965
					25,493
<u>\$ 91,573</u>	<u>\$ 175,086</u>	<u>\$ 6,871</u>	<u>\$ 379,841</u>	<u>\$ -</u>	<u>\$ 755,915</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,000
	102,918				102,918
		5,899			5,899
30,869					38,525
	11,124				37,109
80,555			388,785	105,375	6,118
<u>\$ 111,424</u>	<u>\$ 114,042</u>	<u>\$ 5,899</u>	<u>\$ 388,785</u>	<u>\$ 105,375</u>	<u>\$ 846,609</u>
\$ (19,851)	\$ 61,044	\$ 972	\$ (8,944)	\$ (105,375)	\$ (90,694)
	(29,168)			100,000	100,000
24,947	11,208		7,794		(29,168)
					65,501
\$ 5,096	\$ 43,084	\$ 972	\$ (1,150)	\$ (5,375)	45,639
11,061	415,308	599	1,150	-	509,402
<u>\$ 16,157</u>	<u>\$ 458,392</u>	<u>\$ 1,571</u>	<u>\$ -</u>	<u>\$ (5,375)</u>	<u>\$ 555,041</u>

City of Bayard  
**SPECIAL REVENUE FUND - FIRE PROTECTION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 38,000	\$ 38,000	\$ 45,161	\$ 7,161
Miscellaneous	-	-	540	540
Total revenues	\$ 38,000	\$ 38,000	\$ 45,701	\$ 7,701
Expenditures:				
Current:				
Public safety	\$ 40,976	\$ 50,376	\$ 42,105	\$ 8,271
Capital outlay	12,400	3,000		3,000
Total expenditures	\$ 53,376	\$ 53,376	\$ 42,105	\$ 11,271
Revenues over (under) expenditures	\$ (15,376)	\$ (15,376)	\$ 3,596	\$ 18,972
Other financing sources (uses):				
Transfer in	7,676	7,676	7,117	(559)
Transfer out				-
Loan proceeds				-
Net change in fund balance	\$ (7,700)	\$ (7,700)	\$ 10,713	\$ 18,413
Fund balance, July 1, 2007	22,049	22,049	18,179	(3,870)
Fund balance, June 30, 2008	\$ 14,349	\$ 14,349	\$ 28,892	\$ 14,543
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 11,179
Revenue accruals (net)				(21,046)
Expenditure accruals (net)				20,580
Net change in fund balance, NON-GAAP budgetary basis				\$ 10,713

The accompanying notes are an integral part of these financial statements

City of Bayard  
**SPECIAL REVENUE FUND - JUVENILE RECREATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,600	\$ 1,600	\$ 2,784	\$ 1,184
Miscellaneous	-	-	500	500
Total revenues	<u>\$ 1,600</u>	<u>\$ 1,600</u>	<u>\$ 3,284</u>	<u>\$ 1,684</u>
Expenditures:				
Current:				
Culture and recreation	\$ 8,000	\$ 8,000	\$ 7,656	\$ 344
Capital outlay	5,000	5,000		5,000
Total expenditures	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 7,656</u>	<u>\$ 5,344</u>
Net change in fund balance	\$ (11,400)	\$ (11,400)	\$ (4,372)	\$ 7,028
Fund balance, July 1, 2007	<u>17,945</u>	<u>17,945</u>	<u>22,317</u>	<u>4,372</u>
Fund balance, June 30, 2008	<u><u>\$ 6,545</u></u>	<u><u>\$ 6,545</u></u>	<u><u>\$ 17,945</u></u>	<u><u>\$ 11,400</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (4,316)	
Revenue accruals (net)			(56)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (4,372)</u></u>	

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

City of Bayard  
**SPECIAL REVENUE FUND - EMS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 6,915	\$ 6,915	\$ 6,871	\$ (44)
Miscellaneous	-	-	-	-
Total revenues	<u>\$ 6,915</u>	<u>\$ 6,915</u>	<u>\$ 6,871</u>	<u>\$ (44)</u>
Expenditures:				
Current:				
Public safety	\$ 6,915	\$ 6,915	\$ 6,086	\$ 829
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 6,915</u>	<u>\$ 6,915</u>	<u>\$ 6,086</u>	<u>\$ 829</u>
Net change in fund balance	\$ -	\$ -	\$ 785	\$ 785
Fund balance, July 1, 2007	-	-	786	786
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,571</u>	<u>\$ 1,571</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 972	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>(187)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 785</u>	

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

City of Bayard  
**SPECIAL REVENUE FUND - CORRECTIONS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Miscellaneous	500	500	803	303
Total revenues	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 803</u>	<u>\$ 303</u>
Expenditures:				
Current:				
Public safety	\$ 3,000	\$ 10,500	\$ 10,476	\$ 24
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 3,000</u>	<u>\$ 10,500</u>	<u>\$ 10,476</u>	<u>\$ 24</u>
Revenues over (under) expenditures	\$ (2,500)	\$ (10,000)	\$ (9,673)	\$ 327
Other financing sources (uses):				
Transfer in	10,000	10,000	14,435	4,435
Transfer out	-	-	-	-
Loan proceeds	-	-	-	-
Net change in fund balance	\$ 7,500	\$ -	\$ 4,762	\$ 4,762
Fund balance, July 1, 2007	<u>27,895</u>	<u>27,895</u>	<u>27,895</u>	<u>-</u>
Fund balance, June 30, 2008	<u><u>\$ 35,395</u></u>	<u><u>\$ 27,895</u></u>	<u><u>\$ 32,657</u></u>	<u><u>\$ 4,762</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 6,925
Revenue accruals (net)				-
Expenditure accruals (net)				<u>(2,163)</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ 4,762</u></u>

The accompanying notes are an integral part of these financial statements





City of Bayard  
**SPECIAL REVENUE FUND - LAW ENFORCEMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 23,000	\$ 30,000	\$ 12,520	\$ (17,480)
Miscellaneous	-	-	6,000	6,000
Total revenues	\$ 23,000	\$ 30,000	\$ 18,520	\$ (11,480)
Expenditures:				
Current:				
Public safety	\$ 3,000	\$ 4,000	\$ 3,959	\$ 41
Capital outlay	20,000	26,000	25,804	196
Total expenditures	\$ 23,000	\$ 30,000	\$ 29,763	\$ 237
Revenues over (under) expenditures	\$ -	\$ -	\$ (11,243)	\$ (11,243)
Other financing sources (uses):				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Loan proceeds	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ (11,243)	\$ (11,243)
Fund balance, July 1, 2007	11,344	11,344	11,344	-
Fund balance, June 30, 2008	\$ 11,344	\$ 11,344	\$ 101	\$ (11,243)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (10,776)
Revenue accruals (net)				(13,134)
Expenditure accruals (net)				12,667
Net change in fund balance, NON-GAAP budgetary basis				\$ (11,243)

The accompanying notes are an integral part of these financial statements

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, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 236,910	\$ 236,910	\$ 85,699	\$ (151,211)
Miscellaneous	-	-	5,874	5,874
Total revenues	\$ 236,910	\$ 236,910	\$ 91,573	\$ (145,337)
Expenditures:				
Current:				
Culture and recreation	\$ 29,029	\$ 29,029	\$ 32,397	\$ (3,368)
Capital outlay	236,910	236,910	80,555	156,355
Total expenditures	\$ 265,939	\$ 265,939	\$ 112,952	\$ 152,987
Revenues over (under) expenditures	\$ (29,029)	\$ (29,029)	\$ (21,379)	\$ 7,650
Other financing sources (uses):				
Transfer in	30,000	30,000	24,947	(5,053)
Transfer out	-	-	-	-
Loan proceeds	-	-	-	-
Net change in fund balance	\$ 971	\$ 971	\$ 3,568	\$ 2,597
Fund balance, July 1, 2007	13,069	13,069	13,069	-
Fund balance, June 30, 2008	\$ 14,040	\$ 14,040	\$ 16,637	\$ 2,597
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 5,096
Revenue accruals (net)				-
Expenditure accruals (net)				(1,528)
Net change in fund balance, NON-GAAP budgetary basis				\$ 3,568

The accompanying notes are an integral part of these financial statements

City of Bayard  
**SPECIAL REVENUE FUND - MUNICIPAL STREETS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 94,000	\$ 94,000	\$ 125,524	\$ 31,524
Intergovernmental	43,000	43,000	25,916	(17,084)
Miscellaneous	7,000	7,000	16,478	9,478
Total revenues	\$ 144,000	\$ 144,000	\$ 167,918	\$ 23,918
Expenditures:				
Current:				
Public works	\$ 114,000	\$ 114,000	\$ 101,235	\$ 12,765
Principle	-	-		-
Interest	-	-		-
Capital outlay	-	-		-
Total expenditures	\$ 114,000	\$ 114,000	\$ 101,235	\$ 12,765
Revenues over (under) expenditures	\$ 30,000	\$ 30,000	\$ 66,683	\$ 36,683
Other financing sources (uses):				
Transfer in	-	-	-	-
Transfer out	(25,977)	(29,197)	(29,168)	29
Loan proceeds	-	-	-	-
Net change in fund balance	\$ 4,023	\$ 803	\$ 37,515	\$ 36,712
Fund balance, July 1, 2007	396,967	396,967	392,181	(4,786)
Fund balance, June 30, 2008	\$ 400,990	\$ 397,770	\$ 429,696	\$ 31,926
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 43,084
Revenue accruals (net)				(7,168)
Expenditure accruals (net)				12,807
Transfer accruals (net)				(11,208)
Net change in fund balance, NON-GAAP budgetary basis				\$ 37,515

The accompanying notes are an integral part of these financial statements

City of Bayard  
**CAPITAL PROJECTS FUND - CDBG COLONIAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 380,991	\$ 380,991	\$ 379,841	\$ (1,150)
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 380,991</u>	<u>\$ 380,991</u>	<u>\$ 379,841</u>	<u>\$ (1,150)</u>
Expenditures:				
Current:				
Public works	\$ -	\$ -	\$ -	\$ -
Capital outlay	<u>380,991</u>	<u>380,991</u>	<u>380,991</u>	<u>-</u>
Total expenditures	<u>\$ 380,991</u>	<u>\$ 380,991</u>	<u>\$ 380,991</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (1,150)	\$ (1,150)
Fund balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>1,150</u>	<u>1,150</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (1,150)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (1,150)</u></u>	

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

City of Bayard  
**CAPITAL PROJECTS FUND - RUS PHASE I**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 888,577	\$ 888,577	\$ 843,018	\$ (45,559)
Miscellaneous	-	-	-	-
Total revenues	<u>\$ 888,577</u>	<u>\$ 888,577</u>	<u>\$ 843,018</u>	<u>\$ (45,559)</u>
Expenditures:				
Current:				
Public works	\$ -	\$ -	\$ -	\$ -
Capital outlay	888,577	888,577	843,743	44,834
Total expenditures	<u>\$ 888,577</u>	<u>\$ 888,577</u>	<u>\$ 843,743</u>	<u>\$ 44,834</u>
Net change in fund balance	\$ -	\$ -	\$ (725)	\$ (725)
Fund balance, July 1, 2007	-	-	730	730
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 5</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (725)	
Revenue accruals (net)			88,433	
Expenditure accruals (net)			(84,717)	
Transfer accruals (net)			<u>(3,716)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (725)</u>	

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

City of Bayard  
**CAPITAL PROJECTS FUND - REGIONAL WASTEWATER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 5,520,059	\$ 5,520,059	\$ 1,748,509	\$ (3,771,550)
Miscellaneous	-	-	-	-
Total revenues	<u>\$ 5,520,059</u>	<u>\$ 5,520,059</u>	<u>\$ 1,748,509</u>	<u>\$ (3,771,550)</u>
Expenditures:				
Current:				
Public works	\$ -	\$ -	\$ -	\$ -
Capital outlay	5,520,059	5,520,059	1,925,199	3,594,860
Total expenditures	<u>\$ 5,520,059</u>	<u>\$ 5,520,059</u>	<u>\$ 1,925,199</u>	<u>\$ 3,594,860</u>
Net change in fund balance	\$ -	\$ -	\$ (176,690)	\$ (176,690)
Fund balance, July 1, 2007	-	-	176,946	176,946
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256</u>	<u>\$ 256</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (4,496)	
Revenue accruals (net)			(2,557,966)	
Expenditure accruals (net)			<u>2,385,772</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (176,690)</u>	

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

City of Bayard  
**ENTERPRISE FUND - WATER/SEWER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 84,000	\$ 84,000	\$ 145,297	\$ 61,297
Charges for services	427,025	427,025	530,062	103,037
Miscellaneous	42,000	42,000	64,973	22,973
<b>Total revenues</b>	<b>\$ 553,025</b>	<b>\$ 553,025</b>	<b>\$ 740,332</b>	<b>\$ 187,307</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Personnel	\$ 329,598	\$ 318,598	\$ 262,714	\$ 55,884
Operating	151,497	217,697	242,358	(24,661)
Principle	58,300	58,300	55,478	2,822
Interest	31,700	31,700	26,151	5,549
Capital outlay	64,300	24,300	22,994	1,306
<b>Total expenditures</b>	<b>\$ 635,395</b>	<b>\$ 650,595</b>	<b>\$ 609,695</b>	<b>\$ 40,900</b>
Revenues over (under) expenditures	\$ (82,370)	\$ (97,570)	\$ 130,637	\$ 228,207
<b>Other financing sources (uses):</b>				
Transfer in	35,977	35,977	33,564	(2,413)
Transfer out	(58,979)	(58,979)	(54,950)	4,029
Loan proceeds	-	-	-	-
Net change in fund balance	\$ (105,372)	\$ (120,572)	\$ 109,251	\$ 229,823
Fund balance, July 1, 2007	695,555	695,555	695,555	-
Fund balance, June 30, 2008	<u>\$ 590,183</u>	<u>\$ 574,983</u>	<u>\$ 804,806</u>	<u>\$ 229,823</u>
<b>Budgetary reconciliation:</b>				
Net change in fund balance, GAAP basis				\$ 1,134,332
Revenue accruals (net)				(29,247)
Expenditure accruals (net)				14,727
Other financing sources (net)				<u>(1,010,561)</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ 109,251</u>

The accompanying notes are an integral part of these financial statements

City of Bayard  
**ENTERPRISE FUND - SOLID WASTE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 7,500	\$ 7,500	\$ 14,370	\$ 6,870
Charges for services	294,000	294,000	365,152	71,152
Miscellaneous	5,600	5,600	9,591	3,991
Total revenues	\$ 307,100	\$ 307,100	\$ 389,113	\$ 82,013
Expenditures:				
Current:				
Personnel	\$ 49,926	\$ 51,931	\$ 51,966	\$ (35)
Operating	285,000	277,391	267,905	9,486
Capital outlay	-	-	-	-
Total expenditures	\$ 334,926	\$ 329,322	\$ 319,871	\$ 9,451
Revenues over (under) expenditures	\$ (27,826)	\$ (22,222)	\$ 69,242	\$ 91,464
Other financing sources (uses):				
Transfer in	-	-	-	-
Transfer out	-	(5,604)	(5,604)	-
Loan proceeds	-	-	-	-
Net change in fund balance	\$ (27,826)	\$ (27,826)	\$ 63,638	\$ 91,464
Fund balance, July 1, 2007	365,737	365,737	365,737	-
Fund balance, June 30, 2008	\$ 337,911	\$ 337,911	\$ 429,375	\$ 91,464
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 90,915
Revenue accruals (net)				(27,663)
Expenditure accruals (net)				386
Transfer accruals (net)				-
Net change in fund balance, NON-GAAP budgetary basis				\$ 63,638

The accompanying notes are an integral part of these financial statements



City of Bayard  
**ENTERPRISE FUND - JOINT WASTEWATER PROJECT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 2,218,500	\$ 2,180,928	\$ (37,572)
Charges for services	280,000	280,000	415,602	135,602
Miscellaneous	35,000	35,000	77,410	42,410
<b>Total revenues</b>	<b>\$ 315,000</b>	<b>\$ 2,533,500</b>	<b>\$ 2,673,940</b>	<b>\$ 140,440</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Personnel	\$ -	\$ 25,870	\$ 25,789	\$ 81
Operating	68,500	2,141,700	2,140,503	1,197
Capital outlay	-	16,100	16,067	33
<b>Total expenditures</b>	<b>\$ 68,500</b>	<b>\$ 2,183,670</b>	<b>\$ 2,182,359</b>	<b>\$ 1,311</b>
Revenues over (under) expenditures	\$ 246,500	\$ 349,830	\$ 491,581	\$ 141,751
<b>Other financing sources (uses):</b>				
Transfer in	37,650	37,650	33,964	(3,686)
Transfer out	(416,500)	(416,500)	(16,500)	400,000
Loan proceeds	-	-	-	-
Net change in fund balance	\$ (132,350)	\$ (29,020)	\$ 509,045	\$ 538,065
Fund balance, July 1, 2007	1,090,529	1,090,529	1,090,529	-
Fund balance, June 30, 2008	<u>\$ 958,179</u>	<u>\$ 1,061,509</u>	<u>\$ 1,599,574</u>	<u>\$ 538,065</u>
<b>Budgetary reconciliation:</b>				
Net change in fund balance, GAAP basis				\$ 485,097
Revenue accruals (net)				2,125,350
Expenditure accruals (net)				(2,101,402)
Transfer accruals (net)				<u>-</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ 509,045</u>

The accompanying notes are an integral part of these financial statements

City of Bayard  
**AGENCY FUND - MOTOR VEHICLE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
Receipts	\$ 200	\$ 170,780	\$ 158,856	\$ (11,924)
Total revenues	<u>\$ 200</u>	<u>\$ 170,780</u>	<u>\$ 158,856</u>	<u>\$ (11,924)</u>
Expenditures:				
Current:				
Disbursements	\$ 200	\$ 170,780	\$ 170,780	\$ -
Total expenditures	<u>\$ 200</u>	<u>\$ 170,780</u>	<u>\$ 170,780</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (11,924)	\$ (11,924)
Fund balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>11,924</u>	<u>11,924</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (11,924)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (11,924)</u></u>	

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

City of Bayard  
Bayard Housing Authority -- Component Unit  
**STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Operating revenues:				
Tenant rent	\$ 118,610	\$ 118,610	\$ 161,251	
Other tenant revenue	<u>30,500</u>	<u>30,500</u>	<u>12,170</u>	
Total operating revenues	<u>\$ 149,110</u>	<u>\$ 149,110</u>	<u>\$ 173,421</u>	-
Operating expenses:				
Personnel services	\$ 98,110	\$ 98,110	\$ 95,228	
Employee benefits	50,000	50,000	12,520	
Other administrative	42,710	42,710	27,503	
Utilities	54,500	54,500	55,668	
Repairs and maintenance	52,500	52,500	14,992	
Insurance	25,000	25,000	14,432	
Other general	2,000	2,000	1,945	
Depreciation	<u>          </u>	<u>          </u>	<u>88,242</u>	
Total operating expenses	<u>\$ 324,820</u>	<u>\$ 324,820</u>	<u>\$ 310,530</u>	-
Operating income (loss)	<u>\$ (175,710)</u>	<u>\$ (175,710)</u>	<u>\$ (137,109)</u>	-
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 122,980	\$ 122,980	\$ 204,529	
Other nonoperating revenue			6,497	
Gain (loss) on disposition of assets	<u>          </u>	<u>          </u>	<u>          </u>	
Total nonoperating revenues (expenses)	<u>\$ 122,980</u>	<u>\$ 122,980</u>	<u>\$ 211,026</u>	-
Income (loss) before capital contributions	\$ (52,730)	\$ (52,730)	\$ 73,917	-
Capital contributions	<u>64,964</u>	<u>64,964</u>	<u>          </u>	-
Change in net assets	<u><u>\$ 12,234</u></u>	<u><u>\$ 12,234</u></u>	<u><u>\$ 73,917</u></u>	-

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

Variance  
Favorable  
(Unfavorable)

\$ 42,641  
(18,330)

\$ 24,311

\$ 2,882  
37,480  
15,207  
(1,168)  
37,508  
10,568  
55  
(88,242)

\$ 14,290

\$ 38,601

\$ 81,549  
6,497  
-

\$ 88,046

\$ 126,647  
(64,964)

\$ 61,683

City of Bayard  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
For the Fiscal Year Ended June 30, 2008

	<u>Balance July 1, 2007</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>Balance June 30, 2008</u>
<b>Assets</b>				
Cash and investments:				
Teen Court	<u>\$ 11,924</u>	<u>\$ 158,856</u>	<u>\$ 170,780</u>	<u>\$ -</u>
Total assets	<u><u>\$ 11,924</u></u>	<u><u>\$ 158,856</u></u>	<u><u>\$ 170,780</u></u>	<u><u>\$ -</u></u>
<b>Liabilities</b>				
Deposits held for others:				
Teen Court	<u>\$ 11,924</u>	<u>\$ 158,856</u>	<u>\$ 170,780</u>	<u>\$ -</u>
Total liabilities	<u><u>\$ 11,924</u></u>	<u><u>\$ 158,856</u></u>	<u><u>\$ 170,780</u></u>	<u><u>\$ -</u></u>

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

City of Bayard  
**SCHEDULE OF DEPOSITORY COLLATERAL**  
June 30, 2008

	Ambank	Total
Checking and CD's	\$ 3,974,555	\$ 3,974,555
Less: FDIC insurance	200,000	200,000
Total uninsured public funds	\$ 3,774,555	\$ 3,774,555
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 1,887,278	\$ 1,887,278
Pledged Securities:		
Dulce NM 264430GQ6 6-1-14	\$ 200,000	\$ 200,000
Gadsden NM 362550JT3 8-15-11	100,000	100,000
Grant County 387766AX6 9-1-10	215,000	215,000
Luna County 550340DN0 8-1-18	200,000	200,000
Roswell NM 778550FQ1 8-1-16	200,000	200,000
FNMA 3136F8M77 2-7-18	500,000	500,000
Bernallilo NM 085279MA2 8-1-09	100,000	100,000
Carlsbad NM 142735CJ6 8-1-10	150,000	150,000
Grants/Cibola NM 388240CV3 10-1-12	125,000	125,000
Los Lunas NM 545562MA5 7-15-12	175,000	175,000
NMMI Roswell 647183BB7 6-1-10	200,000	200,000
Rio Rancho NM 767171FG1 8-1-08	200,000	200,000
Total pledged securities	\$ 2,365,000	\$ 2,365,000
Pledged securities over (under) requirement	\$ 477,723	\$ 477,723

The securities are held by the Federal Home Loan Bank in Dallas, Texas. Safekeeping receipts are held by the City.

City of Bayard  
**SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS**  
 June 30, 2008

	Type of Account	Bank Balance	Reconciled Balance
<u>Ambank</u>			
General	Checking	\$ 2,341,124	\$ 2,277,058
2004 Colonias	Checking	-	-
Bayard Community	Checking	2,708	2,733
EMS	Checking	1,961	1,571
Regional Wastewater	Checking	256	256
Historical	Checking	7,158	7,075
RUS Improvements	Checking	5	5
Solid Waste	CD	87,187	87,187
Joint Wastewater	CD	174,207	174,207
Joint Wastewater	CD	462,367	462,368
Joint Wastewater	CD	115,263	115,263
Joint Wastewater	CD	342,429	342,429
Water/Sewer Acquisition	CD	58,005	58,005
Municipal Streets	CD	113,705	113,705
Municipal Streets	CD	87,008	87,008
Municipal Streets	CD	83,684	83,684
Water Meter Deposits	CD	23,202	23,202
Water Meter Deposits	CD	56,884	56,884
Corrections	CD	17,402	17,402
		<u>\$ 3,974,555</u>	<u>\$ 3,910,042</u>
<u>NMFA</u>			
Cash on deposit with paying agent	NMFA	\$ 18,281	\$ 18,281
		<u>\$ 3,992,836</u>	<u>\$ 3,928,323</u>

City of Bayard  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 For The Fiscal Year Ended June 30, 2008

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>
 <b>Expended by the Primary Government</b>		
 <b><u>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>		
Passed through the New Mexico Dept of Finance and Admin: Community Development Block Grant - States Program	14.228	06-C-R-S-I-1-G-39
 <b><u>US DEPARTMENT OF AGRICULTURE RURAL UTILITY SERVICES</u></b>		
Direct: Water and Waste Disposal for Rural Communities	10.760	N/A
 <b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>		
Direct: Public Assistance Grants	97.036	FEMA-1659-DR-NM
 Total Expenditures of Federal Awards by the Primary Government		
 <b>Expended by the Component Unit</b>		
 <b><u>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>		
Direct: Operating subsidy	14.850	N/A
Capital Fund Program	14.872	N/A
 Total Department of Housing and Urban Development		
 Total Expenditures of Federal Awards		

See the accompanying notes to Schedule of Expenditures of Federal Awards.





Federal  
Expenditures

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\$ 380,991

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\$ 2,985,731

---

\$ 6,871

---

\$ 3,373,593

---

\$ 204,529  
122,754

---

\$ 327,283

---

\$ 3,700,876

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City of Bayard  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 For The Fiscal Year Ended June 30, 2008

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Bayard, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 Insurance

The City had the following insurance coverages during the year ended June 30, 2008:

Worker's Compensation	Unlimited
Employer's Liability	\$1,050,000
Personal Injury:	
Per person	\$ 400,000
Per occurrence	\$ 750,000
Per Occurrence Property Damage	\$ 100,000
Auto Liability	Limits
Auto Physical Damage	Per Auto

City of Bayard  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Fiscal Year Ended June 30, 2008

**Findings - Financial Statement Audit**

	<u>Current Year Status</u>
2007-01 Financial statements prepared by auditors	Resolved
2007-02 Audit report submitted late	Repeated
2007-03 Expenditures made in excess of budgetary authority	Resolved
Findings related to the component unit:	
2006-01 Detailed capital asset records not maintained	Repeated
2006-02 General ledger not maintained	Repeated
2006-04 Cash disbursement not appropriately documented	Resolved
2006-08 Employee payroll files not complete	Resolved
2007-01 Tenant files not complete	Resolved
2007-02 Board appointments not correct	Resolved

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bayard as of and for the year ended June 30, 2008, which collectively comprise the City of Bayard's basic financial statements and have issued our report thereon dated April 19, 2009. We have also audited the financial statements of each of the City's non-major governmental funds and the budgetary comparisons for the nonmajor governmental funds, the enterprise funds, the fiduciary funds and the component unit presented as other supplementary information as of and for the year ended June 30, 2008, and have issued our report thereon dated April 19, 2009. In our report, our opinion was qualified due to a lack of detailed capital asset records by the component unit. Except for our inability to audit the detailed capital asset records of the component unit, 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Bayard's internal control over financial reporting as a basis for designing our auditing procedures 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 of Bayard's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Bayard's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Bayard's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Bayard's financial statements that is more than inconsequential will not be prevented or detected by the City of Bayard's internal control. We consider deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. The findings are identified in the accompanying schedule of findings and questioned costs as findings 2007-2 for the primary government, and findings 2006-1, 2006-2, and 2008-1 for the component unit.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Bayard's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the deficiencies described above, we consider items 2006-1 and 2006-2 to be material weaknesses.

#### Compliance And Other Matters

As part of obtaining reasonable assurance about whether the 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 grants 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*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2008 Revision* paragraph s 5.14 and 5.16 and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as finding 2008-1 for the primary government.

The City of Bayard's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Bayard's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor and City Council, management, others within the organization, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stone, McGee & Co CPAs

April 19, 2009

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of the City of Bayard with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Bayard's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Bayard's management. Our responsibility is to express an opinion on the City of Bayard's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bayard's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Bayard's compliance with those requirements.

In our opinion, City of Bayard complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-1 for the primary government.



## Internal Control Over Compliance

The management of the City of Bayard is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Bayard's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bayard's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

The City of Bayard's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, others within the organization, the New Mexico State Auditor, the New Mexico Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Stone, McGee & Co CPA's*

April 19, 2009

City of Bayard  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For The Fiscal Year Ended June 30, 2008

**Summary of Auditor's Results**

1. The Auditors' report expresses a qualified opinion on the financial statements of the City of Bayard.
2. Four significant deficiencies disclosed during the audit of the financial statements are reported in the "Findings – Financial Statement Audit" section of this report. Three of these conditions relate to the component unit, and two of those are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of the City of Bayard, which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the *Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular a-133*.
5. The auditor's report on compliance for the major federal awards programs for the City expresses an unqualified opinion on all major programs.
6. No findings required to be reported in accordance with Section 510(a) of OMB Circular A-133 were noted.
7. The programs tested as major programs included: Water and Waste Disposal for Rural Communities, CFDA No. 10.760.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. The City of Bayard did not qualify as a low-risk auditee.

**Findings – Financial Statement Audit**

**SIGNIFICANT DEFICIENCIES**

2007-2 Late Audit Report

**Condition** – The City's audit report was submitted to the New Mexico State Auditor by common carrier on April 22, 2009.

**Criteria** – Section 2.2.2.9(A)(1) of the New Mexico State Auditor's 2008 Rule requires submission of the report by December 1, 2008.

**Cause** – The City was unable to submit its report timely due to a delay in its component units financial statements, caused by the component unit’s inability to access the REAC on-line system for financial statement submission.

**Effect** – The late submission is a violation of the New Mexico State Auditor’s Rule 2.2.2.9 NMAC, and prevents the City from obtaining outside assurances on financial reporting for planning and budgeting purposes. In addition, it prevents the City from responding promptly to any findings and recommendations which might occur as the result of the audit.

**Recommendation** – We recommend compliance with the New Mexico State Auditor’s imposed deadlines in future audits.

**Agency Response** – The City believes this was an isolated occurrence caused by the U.S. Department of Housing and Urban Development’s REAC system unavailability. It is expected that future reports will be timely.

#### FINDINGS RELATED TO THE COMPONENT UNIT

##### 2006-01 CAPITAL ASSET RECORDS

**Condition** – The Authority does not maintain detailed subsidiary ledger records of capital assets which are reconcilable to the general ledger amounts.

**Criteria** – Section 12-6-10 NMSA 1978 requires that detailed records of capital assets be maintained. In addition, sound accounting policies require the maintenance of subsidiary journals which tie to general ledger amounts.

**Cause** – The Authority has not continued maintenance of records in the past several years, due to personnel turnover and a breakdown of assigned duties.

**Effect** – The Authority is unable to justify its capital asset general ledger amounts. In addition, the internal controls established by maintenance of detailed records of assets have been compromised, increasing the risk of asset conversion without collusion.

**Recommendation** – We recommend that the Authority rebuild its detailed capital asset listing, and reconcile this list to general ledger amounts.

**Agency response** – The Authority is in the process of rebuilding its fixed asset records, and believes it will be completed during the 2008-2009 fiscal year.

##### 2006-02 FINANCIAL REPORTING SYSTEM

**Condition** – The Authority does not maintain a complete general ledger system in – house. The Authority utilizes a fee accountant, and detailed general ledger transactions are maintained solely at the fee accountant’s location.

**Criteria** – Sound financial controls require that a financial accounting system be maintained in-house, and available to Authority personnel as necessary for research and presentation.

**Cause** – The Authority’s fee accountant was unable to provide in-house details to the Authority, so dual records were not maintained.

**Effect** – Detailed records are unavailable for research and audit, increasing the likelihood of misstatements in the financial statements.

**Recommendation** – We recommend that the Authority maintain its general ledger system in-house, or, in the alternative, have the fee accountant provide complete electronic copies to the Authority for review and research.

**Agency Response** – The Authority has changed fee accountants, and full financial records will be available in the future.

#### 2008-1 Late Audit Report

**Condition** – The Authority’s audit report was submitted to the New Mexico State Auditor by common carrier on April 21, 2009.

**Criteria** – Section 2.2.2.9(A)(1) of the New Mexico State Auditor’s 2008 Rule requires submission of the report by December 1, 2008.

**Cause** – The Authority was unable to comply with the mandated deadline because the on-line report submission system for housing authorities, the Real Estate Assessment Center (REAC) was not available to accept submissions.

**Effect** – The late submission is a violation of the New Mexico State Auditor’s Rule 2.2.2.9 NMAC, and prevents the Authority from obtaining outside assurances on financial reporting for planning and budgeting purposes. In addition, it prevents the Authority from responding promptly to any findings and recommendations which might occur as the result of the audit.

**Recommendation** – We recommend compliance with the New Mexico State Auditor’s imposed deadlines in future audits.

**Agency Response** – The Authority is required to submit, as a part of the audit, the Financial Data Schedule. This Schedule was unavailable due to REAC’s inability to accept submissions. The Authority was not notified until January, 2009, that the audit was to be filed without the financial data schedule. This caused an unavoidable delay in production of the audit report. We expect the REAC system to be operational in the future, so this delay should not happen again.

### Findings and Question Costs – Major Federal Award Programs

2008-1 Water and Waste Disposal for Rural Communities CFDA No. 10.760

**Condition** – The Data Collection Form was not filed by March 31, 2008.

**Criteria** - Section 320 of OMB Circular A-133 requires the filing of the Data Collection Form within nine months of year-end.

**Cause** – The audit was not completed by the required deadline, as detailed in finding 2007-2 above.

**Effect** – Data used by the federal government to manage grants was not available, and Federal regulations have been violated.

**Recommendation** – We recommend that the Data Collection form be filed timely, if required.

**Agency Response** – The recommendation will be adopted.

#### **Other - Financial Statement Preparation**

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s, with substantial assistance from City personnel.

#### **Exit Conference**

The contents of this report were discussed on November 21, 2008 and April 13, 2009. Attendance at these exit conferences was as follows:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Rudolfo Martinez	Mayor	City of Bayard
Kristina Ortiz	Clerk/Treasurer	City of Bayard
Jim Cook	Chairman	Bayard Housing Authority
Jolene Padilla	Executive Director	Bayard Housing Authority
Kay Stone	Principal	Stone, McGee & Co., C.P.A.'s
Mike Stone	Principal	Stone, McGee & Co., C.P.A.'s