

**STATE OF NEW MEXICO
CITY OF BAYARD**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2009

STATE OF NEW MEXICO
CITY OF BAYARD
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STATE OF NEW MEXICO
CITY OF BAYARD
Directory of Officials
June 30, 2009

ELECTED OFFICIALS

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

DEPARTMENT HEADS

Kristina V. Ortiz	Clerk-Treasurer
Anna M. Binder	Deputy Clerk-Treasurer
Wessam “Sam” Charbagi.....	Police Chief
Eddie Arrey	Fire Chief
David Chavez.....	Wastewater Plant Superintendent
Eddie S. Sedillos.....	Maintenance Supervisor

HOUSING AUTHORITY

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

Ed Fierro, CPA • Rose Fierro, CPA

527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.com

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, the aggregate remaining fund information, of the City of Bayard as of and for the year ended June 30, 2009, 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 funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, 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 of these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bayard as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, 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 financial position of each nonmajor governmental fund of the City of Bayard, as of June 30, 2009, and respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Additionally, in our opinion, the general fund, municipal street fund, the major enterprise funds and the non-major governmental funds referred to above present fairly, in all material respects, the budgetary comparison for each fund of the City of Bayard for the year ended June 30, 2009, in conformity with the budgetary basis of accounting more fully described in Note 1D, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 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, 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 or on 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.

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

Our audit was performed for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and the budgetary comparison statements. The additional schedules listed as supplemental financial information in the table of contents and the financial data schedule are presented for purposes of additional analysis and are not a required part of the financial statements, and other opinion units listed above. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and other opinion units listed above and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, and other opinion units listed above taken as a whole.

A handwritten signature in black ink that reads "Fierro + Fierro, P.A." in a cursive, slightly stylized font.

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

November 27, 2009

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	\$ 1,317,590	\$ 3,193,244	\$ 4,510,834	\$ 305,031
Receivables, net of allowance for doubtful accounts:				
Accounts	-	190,666	190,666	1,012
Taxes	62,220	11,163	73,383	-
Intergovernmental	88,971	-	88,971	-
Interest	8	635	643	-
Inventory	-	-	-	1,460
Prepaid expenses	1,829	1,829	3,658	11,443
Restricted:				
Cash	-	75,347	75,347	14,600
Investment held by fiscal agent	1,661	-	1,661	-
Capital assets:				
Capital assets, not being depreciated	59,308	86,167	145,475	15,695
Other capital assets, net of amortization and depreciation	6,333,289	13,727,261	20,060,550	949,897
Total capital assets	<u>6,392,597</u>	<u>13,813,428</u>	<u>20,206,025</u>	<u>965,592</u>
Total assets	<u>7,864,876</u>	<u>17,286,312</u>	<u>25,151,188</u>	<u>1,299,138</u>
LIABILITIES				
Accounts payable	45,653	166,487	212,140	6,777
Accrued salaries	10,391	9,116	19,507	798
Accrued interest payable	897	30,689	31,586	359
Customer deposits	-	75,347	75,347	-
Tenant deposits	-	-	-	14,600
Deferred revenues	90,476	31,430	121,906	-
Long-term liabilities:				
Due within one year	150,593	132,584	283,177	2,354
Due in more than one year	143,496	1,970,277	2,113,773	589
Total liabilities	<u>441,506</u>	<u>2,415,930</u>	<u>2,857,436</u>	<u>25,477</u>
NET ASSETS				
Invested in capital assets, net of related debt	6,351,991	11,727,394	18,079,385	965,592
Restricted for debt service	1,661	-	1,661	-
Unrestricted	1,069,718	3,142,988	4,212,706	308,069
Total net assets	<u>\$ 7,423,370</u>	<u>\$ 14,870,382</u>	<u>\$ 22,293,752</u>	<u>\$ 1,273,661</u>

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

**STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 369,666	\$ 31,207	\$ 231,932	\$ -	\$ (106,527)		\$ (106,527)	
Public safety	448,242	58,116	130,544	-	(259,582)		(259,582)	
Public works	256,639	240	139,600	52,496	(64,303)		(64,303)	
Culture and recreation	107,264	6,076	270,957	83,431	253,200		253,200	
Health and welfare	13,715	-	2,929	-	(10,786)		(10,786)	
Interest on long-term debt	13,332	-	-	-	(13,332)		(13,332)	
Total governmental activities	1,208,858	95,639	775,962	135,927	(201,330)		(201,330)	
Business-type activities:								
Water	263,137	284,664	-	-		\$ 21,527	21,527	
Solid waste	344,346	383,883	-	-		39,537	39,537	
Wastewater	755,489	727,684	-	65,345		37,540	37,540	
Total business-type activities	1,362,972	1,396,231	-	65,345		98,604	98,604	
Total primary government	\$ 2,571,830	\$ 1,491,870	\$ 775,962	\$ 201,272	(201,330)	98,604	(102,726)	
Component Unit:								
Housing Authority	\$ 302,300	\$ 171,133	\$ 169,822	\$ 130,878				\$ 169,533
General Revenues:								
Property taxes, levied for general purposes					30,676	-	30,676	-
Franchise taxes					60,838	-	60,838	-
Gross receipts taxes					384,517	135,906	520,423	-
State shared taxes					78,461	-	78,461	-
Interest income					15,233	56,970	72,203	1,201
Donations					9,675	-	9,675	-
Gain on disposal of assets					2,980	-	2,980	-
Miscellaneous income					-	-	-	3,858
Total general revenues					582,380	192,876	775,256	5,059
Transfers, net					(84,224)	84,224	-	-
Change in net assets					296,826	375,704	672,530	174,592
Net assets, beginning of year					15,774,759	6,680,801	22,455,560	639,140
Restatements					(8,648,215)	7,813,877	(834,338)	459,929
Net assets, beginning of year, restated					7,126,544	14,494,678	21,621,222	1,099,069
Net assets, end of year					\$ 7,423,370	\$ 14,870,382	\$ 22,293,752	\$ 1,273,661

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF BAYARD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General Fund	Municipal Streets Fund	Total Non-Major Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 684,937	\$ 481,887	\$ 150,766	\$ 1,317,590
Receivables, net of allowance for doubtful accounts:				
Taxes	51,470	10,660	90	62,220
Intergovernmental	49,902	-	39,069	88,971
Interest	-	8	-	8
Prepaid expenses	-	1,829	-	1,829
Restricted:				
Investment held by fiscal agent	-	1,319	342	1,661
Internal balance	13,775	-	-	13,775
	<u>13,775</u>	<u>-</u>	<u>-</u>	<u>13,775</u>
Total assets	<u>\$ 800,084</u>	<u>\$ 495,703</u>	<u>\$ 190,267</u>	<u>\$ 1,486,054</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 16,750	\$ 3,385	\$ 25,518	45,653
Accrued salaries	9,845	-	546	10,391
Deferred revenues	89,345	14,286	-	103,631
Internal balance	-	-	13,775	13,775
	<u>-</u>	<u>-</u>	<u>13,775</u>	<u>13,775</u>
Total liabilities	115,940	17,671	39,839	173,450
Fund Balances:				
Reserved:				
Debt service	-	1,319	-	1,319
Debt service reported in nonmajor:				
Special revenue funds	-	-	342	342
Subsequent year's expenditures	70,232	135,937	-	206,169
Subsequent year's expenditures reported in nonmajor:				
Special revenue funds	-	-	8,500	8,500
Capital projects funds	-	-	39,255	39,255
Unreserved	613,912	340,776	-	954,688
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	116,101	116,101
Capital projects funds	-	-	(13,770)	(13,770)
	<u>684,144</u>	<u>478,032</u>	<u>150,428</u>	<u>1,312,604</u>
Total fund balances	<u>684,144</u>	<u>478,032</u>	<u>150,428</u>	<u>1,312,604</u>
Total liabilities and fund balances	<u>\$ 800,084</u>	<u>\$ 495,703</u>	<u>\$ 190,267</u>	<u>\$ 1,486,054</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

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

Total fund balance governmental funds (page six)	\$	1,312,604
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		6,392,597
Recognition of property tax revenue is reflected on full accrual basis within the statement of net assets. Governmental funds recognize property tax on the modified accrual basis.		13,155
Certain accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(897)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(294,089)</u>
Net assets of governmental activities (page four)	\$	<u><u>7,423,370</u></u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Municipal Streets Fund	Total Non-Major Funds	Total Governmental Funds
Revenues:				
Local effort taxes	\$ 84,338	\$ -	\$ -	\$ 84,338
State shared taxes	351,886	108,687	2,405	462,978
Intergovernmental	536,992	133,099	242,323	912,414
Charges for service	36,948	240	-	37,188
Licenses and permits	5,724	-	-	5,724
Fines and forfeitures	47,536	-	-	47,536
Interest	14,051	499	683	15,233
Miscellaneous	7,964	5,520	17,612	31,096
Total revenues	1,085,439	248,045	263,023	1,596,507
Expenditures:				
Current:				
General government	333,152	-	-	333,152
Public safety	305,866	-	56,895	362,761
Public works	-	189,793	10	189,803
Culture and recreation	37,911	-	30,353	68,264
Health and welfare	726	-	7,868	8,594
Capital outlay	364,094	-	99,862	463,956
Debt service:				
Principal	-	11,151	28,914	40,065
Interest	-	7	12,428	12,435
Total expenditures	1,041,749	200,951	236,330	1,479,030
Excess of revenues over expenditures	43,690	47,094	26,693	117,477
Other Financing Sources (Uses):				
Transfer in	39,578	-	57,293	96,871
Transfer (out)	(57,293)	(29,642)	(94,160)	(181,095)
Total other financing sources (uses)	(17,715)	(29,642)	(36,867)	(84,224)
Net change in fund balance	25,975	17,452	(10,174)	33,253
Fund balance, beginning of year	658,169	458,392	269,104	1,385,665
Restatements	-	2,188	(108,502)	(106,314)
Fund balance, beginning of year restated	658,169	460,580	160,602	1,279,351
Fund balance, end of year	<u>\$ 684,144</u>	<u>\$ 478,032</u>	<u>\$ 150,428</u>	<u>\$ 1,312,604</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

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

Net change in fund balances total governmental fund (page eight)	\$	33,253
<p>Governmental funds report capital outlay as expenditures in the amount of \$463,956, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of \$230,610. The net adjustment for between the amounts is \$233,346.</p>		
		233,346
<p>Some of the City's real estate taxes will be collected after year-end but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as deferred revenue in the governmental funds.</p>		
		7,176
<p>Prior year intergovernmental revenues deferred in the governmental funds were recognized as revenue in the statement of activities in the prior year.</p>		
		(13,775)
<p>Accrued interest expense not due within the thirty days after year end is not considered in the current period and is not reported in the governmental funds.</p>		
		(897)
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		40,065
<p>Increase in compensated absences liability is reflected as an expense within the statement of activities and the expenses do not require the use of current financial resources and are not recorded in the governmental fund statement.</p>		
		<u>(2,342)</u>
Net change in net assets - statement of activities (page five)	\$	<u><u>296,826</u></u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 87,640	\$ 91,440	\$ 87,058	\$ (4,382)
State shared taxes	366,500	501,800	498,202	(3,598)
Licenses and permits	5,100	5,790	5,724	(66)
Intergovernmental	678,751	810,451	487,090	(323,361)
Charges for services	24,800	32,090	37,511	5,421
Fines and forfeitures	35,300	47,560	47,536	(24)
Interest income	10,000	14,100	14,051	(49)
Miscellaneous	11,200	48,800	21,764	(27,036)
Total revenues	1,219,291	1,552,031	1,198,936	(353,095)
Expenditures:				
Current:				
General government	410,180	437,481	334,993	102,488
Public safety	320,963	412,663	307,154	105,509
Culture and recreation	71,755	75,205	37,911	37,294
Health and welfare	1,600	1,600	659	941
Capital outlay	560,155	560,134	364,094	196,040
Total expenditures	1,364,653	1,487,083	1,044,811	442,272
Excess (deficiency) of revenues over expenditures	(145,362)	64,948	154,125	89,177
Other Financing Sources (Uses):				
Transfers in	59,569	70,389	39,578	(30,811)
Transfers (out)	(78,419)	(92,929)	(57,293)	35,636
Total other financing sources (uses)	(18,850)	(22,540)	(17,715)	4,825
Net change in cash balances	(164,212)	42,408	136,410	94,002
Cash balance, beginning of year	548,527	548,527	548,527	-
Cash balance, end of year	\$ 384,315	\$ 590,935	\$ 684,937	\$ 94,002

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

STATE OF NEW MEXICO
CITY OF BAYARD
MUNICIPAL STREETS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 94,000	\$ 129,000	\$ 127,359	\$ (1,641)
Intergovernmental	938,150	1,006,209	133,099	(873,110)
Charges for services	-	240	240	-
Interest income	7,000	7,000	476	(6,524)
Miscellaneous	-	8,500	5,520	(2,980)
Total revenues	1,039,150	1,150,949	266,694	(884,255)
Expenditures:				
Current:				
Public works	1,148,950	1,214,779	189,957	1,024,822
Excess (deficiency) of revenues over expenditures	(109,800)	(63,830)	76,737	140,567
Other Financing Sources (Uses):				
Transfer (out)	(25,061)	(29,661)	(29,642)	19
Net change in cash balance	(134,861)	(93,491)	47,095	140,586
Cash balance, beginning of year	434,792	434,792	434,792	-
Cash balance, end of year	\$ 299,931	\$ 341,301	\$ 481,887	\$ 140,586

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

BUSINESS-TYPE ACTIVITIES FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009**

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
Assets:				
Current assets:				
Cash	\$ 915,483	\$ 491,396	\$ 1,786,365	\$ 3,193,244
Receivables (net of allowance):				
Accounts	79,209	53,540	57,917	190,666
Taxes	7,166	3,997	-	11,163
Interest	-	12	623	635
Prepaid expenses	1,829	-	-	1,829
Restricted assets:				
Cash	75,347	-	-	75,347
Noncurrent assets:				
Land	35,359	-	13,480	48,839
Construction in progress	-	-	37,328	37,328
Water rights	1,200,000	-	-	1,200,000
Buildings	425,362	-	302,050	727,412
Utility system and facilities	4,342,910	-	5,846,332	10,189,242
Equipment	304,330	-	3,200,000	3,504,330
Less accumulated depreciation and amortization	(1,676,592)	-	(217,131)	(1,893,723)
Total capital assets, net	4,631,369	-	9,182,059	13,813,428
Total assets	5,710,403	548,945	11,026,964	17,286,312
Liabilities:				
Current liabilities:				
Accounts payable	\$ 139,412	\$ 20,915	\$ 6,160	\$ 166,487
Accrued salaries	5,207	1,417	2,492	9,116
Accrued interest payable	23,502	-	7,187	30,689
Deferred revenues	28,573	2,857	-	31,430
Customer deposits	75,347	-	-	75,347
Current maturities of:				
Notes payable	58,857	-	60,264	119,121
Compensated absences	9,610	685	3,168	13,463
Total current liabilities	340,508	25,874	79,271	445,653
Non-Current liabilities:				
Notes payable	700,225	-	1,266,688	1,966,913
Compensated absences	2,400	171	793	3,364
Total non-current liabilities	702,625	171	1,267,481	1,970,277
Total liabilities	1,043,133	26,045	1,346,752	2,415,930
Net assets:				
Invested in capital assets, net of related debt	3,872,287	-	7,855,107	11,727,394
Unrestricted	794,983	522,900	1,825,105	3,142,988
Total net assets	\$ 4,667,270	\$ 522,900	\$ 9,680,212	\$ 14,870,382

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

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
Operating Revenues:				
Charges for services	\$ 569,327	\$ 383,883	\$ 443,021	\$ 1,396,231
Operating Expenses:				
Personnel services	265,462	61,981	113,120	440,563
General operating	178,731	282,365	268,673	729,769
Depreciation and amortization	56,161	-	97,506	153,667
Total operating expenses	<u>500,354</u>	<u>344,346</u>	<u>479,299</u>	<u>1,323,999</u>
Operating income (loss)	68,973	39,537	(36,278)	72,232
Non-Operating Revenues (Expenses):				
State shared taxes	120,712	15,194	-	135,906
Intergovernmental	-	-	65,345	65,345
Interest income	16,611	2,371	37,988	56,970
Interest expense	<u>(25,919)</u>	<u>-</u>	<u>(13,054)</u>	<u>(38,973)</u>
Total non-operating revenues (expenses)	<u>111,404</u>	<u>17,565</u>	<u>90,279</u>	<u>219,248</u>
Income before transfers	180,377	57,102	54,001	291,480
Transfers:				
Transfers in	61,363	-	110,627	171,990
Transfers (out)	<u>(65,662)</u>	<u>(5,604)</u>	<u>(16,500)</u>	<u>(87,766)</u>
Total transfers	<u>(4,299)</u>	<u>(5,604)</u>	<u>94,127</u>	<u>84,224</u>
Change in net assets	176,078	51,498	148,128	375,704
Net assets, beginning of year	4,385,817	471,402	1,823,582	6,680,801
Restatements	<u>105,375</u>	<u>-</u>	<u>7,708,502</u>	<u>7,813,877</u>
Net assets, beginning of year, restated	<u>4,491,192</u>	<u>471,402</u>	<u>9,532,084</u>	<u>14,494,678</u>
Net assets, end of year	<u>\$ 4,667,270</u>	<u>\$ 522,900</u>	<u>\$ 9,680,212</u>	<u>\$ 14,870,382</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
Cash Flows From Operating Activities:				
Cash received from customers	\$ 566,967	\$ 383,973	\$ 443,720	\$ 1,394,660
Cash payments to suppliers for goods and services	(162,325)	(273,325)	(271,399)	(707,049)
Cash payments to employees for services	(265,675)	(62,533)	(112,899)	(441,107)
Net cash provided by operating activities	138,967	48,115	59,422	246,504
Cash Flows From Non-Capital Financing Activities:				
Cash received from state shared taxes	173,429	17,151	-	190,580
Cash received from intergovernmental sources	27,325	-	64,256	91,581
Net change in customer deposits	(8,431)	-	-	(8,431)
Net transfers in (out)	(31,624)	(5,604)	94,127	56,899
Net cash provided by non-capital and related financing activities	160,699	11,547	158,383	330,629
Cash Flows for Capital and Financing Activities:				
Acquisition of capital assets	(48,624)	-	(580,305)	(628,929)
Loan proceeds	-	-	517,793	517,793
Principal paid on note maturities	(57,142)	-	-	(57,142)
Interest on debt	(24,487)	-	(5,867)	(30,354)
Net cash (used) by capital and related financing activities	(130,253)	-	(68,379)	(198,632)
Cash Flows From Investing Activities:				
Interest income	16,611	350	12,714	29,675
Purchase of certificates of deposit	(140,652)	(87,537)	(1,097,289)	(1,325,478)
Net cash (used) by investing activities	(124,041)	(87,187)	(1,084,575)	(1,295,803)
Net increase (decrease) in cash	45,372	(27,525)	(935,149)	(917,302)
Cash and cash equivalents, beginning of year	804,806	429,375	1,599,574	2,833,755
Cash and cash equivalents, end of year	<u>\$ 850,178</u>	<u>\$ 401,850</u>	<u>\$ 664,425</u>	<u>\$ 1,916,453</u>
Displayed as:				
Cash	\$ 915,483	\$ 491,396	\$ 1,786,365	\$ 3,193,244
Restricted cash	75,347	-	-	75,347
Time deposits not considered cash equivalents	(140,652)	(89,546)	(1,121,940)	(1,352,138)
	<u>\$ 850,178</u>	<u>\$ 401,850</u>	<u>\$ 664,425</u>	<u>\$ 1,916,453</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
(CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Joint Waste Water Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 68,974	\$ 39,537	\$ (36,278)	\$ 72,233
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and amortization	56,161	-	97,506	153,667
Bad debts	15,662	8,218	(2,538)	21,342
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	2,142	90	684	2,916
(Increase) decrease in prepaid expenses	(1,829)	-	-	(1,829)
Increase (decrease) in accounts payable	(1,930)	822	(2,744)	(3,852)
Increase (decrease) in accrued salaries	(1,107)	(319)	(295)	(1,721)
Increase (decrease) in compensated absences	894	(233)	3,087	3,748
Total adjustments	<u>69,993</u>	<u>8,578</u>	<u>95,700</u>	<u>174,271</u>
Net cash provided by operating activities	<u>\$ 138,967</u>	<u>\$ 48,115</u>	<u>\$ 59,422</u>	<u>\$ 246,504</u>

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bayard (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Bayard, a political subdivision of the state of New Mexico, operates under the council-treasurer form of government. The City provides the following authorized services: public safety, public works, sanitation, health and welfare, culture-recreation, public improvements, planning and zoning, and general administrative services. The City's basic financial statements include all activities and accounts of the City's "financial reporting entity." The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The financial statements of the Bayard Housing Authority have been included in the City's financial statements as a "discretely presented" component unit. The Housing Authority is reported as a proprietary fund type. The City appoints the Housing Authority's board of commissioners.

Separately issued financial statements may be obtained directly 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. There are no other component units during the fiscal year ended June 30, 2009.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function of business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. For the current fiscal year, the City does not have any fiduciary funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund and the municipal street fund. The water and sewer, solid waste, and joint wastewater funds are the major enterprise funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Derived tax revenues are recognized in the period when the exchange transaction on the tax is imposed. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues (liabilities) until the period of the exchange is completed.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Ad valorem, franchise and sales tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. The City recognizes assets from derived tax revenue transactions in the period when the exchange transaction on which the tax is imposed occurs on when the resources are received, whichever occurs first. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus and the full accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and wastewater, and sanitary landfill funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *municipal street fund* accounts for gross receipts levied upon taxpayers to be used for maintenance of municipal streets. The fund is considered a special revenue fund. The authority for the fund is given by section 7-1-6.27, NMSA 1978.

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

The *fire protection fund* accounts for proceeds of the state fire allotment, and the expenditures for public safety there from. Stat 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.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

B. and Financial Statement Presentation (continued)

The *juvenile recreation fund* accounts for receipts, such as the cigarette tax revenue, which is restricted use in recreational areas only. Funding source is one-third of the cigarette tax. (Section 7-12-1 through 7-12-17, NMSA, 1978).

The *law enforcement protection fund* accounts for the state grant to be used for the repair and/or replacement of law enforcement equipment, according to state law. (Section 29-13-4.A, NMSA, 1978.)

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

The *library fund* accounts for the state grants-in-aid to public libraries, to be utilized for the acquisition of library materials. (NMSL Rule 92-1.)

The *emergency medical services fund* accounts for the state emergency medical services grant, to be used for specific medical services provided through fire department activities. This state grant comes through the New Mexico Department of Health per EMS Regulation DOH 94-11.

The *RUS Improvement Phase I fund* accounts for construction revenues and expenditures for the wastewater facilities.

The *RUS Improvement Phase II & III fund* accounts for construction revenues and expenditures for the wastewater facilities.

The *CDBG grant fund* accounts for federal revenues received for construction projects.

The City reports the following major business-type funds:

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

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

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

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets

Budgets for all funds are prepared by management and approved by the City Council and the New Mexico Department of Finance and Administration. The Clerk-Treasurer is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the City Council for approval by resolution.

The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is, therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local Council approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from the Department of Finance and Administration. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Investments in the City's cash and certificates of deposit are stated at cost, which approximates fair value. State statutes authorize the City to invest in certificates of deposit, obligations of the state and the U.S. government, and the New Mexico State Treasurer's investment pool. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as internal balance. Long-term advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain long-term assets in the proprietary funds are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as customer deposits.

5. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund balance as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

6. Capital Assets

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated cost. Contributed capital assets are recorded at estimated fair market value at the time received. The City does not capitalize library books as the cost of the library books are generally under the capitalization threshold. Purchased computer software is recorded at historical cost.

Infrastructure capital assets consisting of roads, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. The City defines capital assets as assets with an estimated useful life in excess of one year and costing greater than \$5,000.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

6. Capital Assets (continued)

Prior to June 17, 2005, the City 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 City 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 City remain on the financial and accounting records of the City.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed when material.

Property, plant, equipment, and infrastructure of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20-75
Buildings and other improvements	50
Machinery and equipment, including computer software	5-30

7. Compensated Absences

City employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements.

City employees do not accumulate sick leave that is paid upon termination or retirement.

8. Deferred Revenues

Within the government-wide financial statements, deferred revenues represent unearned revenues advanced to the City. Such advances are reported as deferred revenue until the earnings process is complete. Deferred revenues may include grant awards reflected as receivable but not recognized as revenues since all criteria have not been met.

Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred revenues and reflected as a liability on the balance sheet.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

9. Short-Term Obligations

No short-term debt occurred during the current fiscal year.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities within a statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Net Assets

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net assets – This category reflects the portion of net assets that have third party limitations on their use.

Unrestricted net assets – This category reflects net assets of the City, not restricted for any project or other purpose.

12. Fund Equity Reservation and Designations

In the fund financial statements, governmental funds reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted. Fund equity was reserved for:

Reserved for debt service – Represents the amounts that are required to be used for future retirement of long-term debt.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

12. Fund Equity Reservation and Designations (continued)

Reserved for subsequent years' expenditures – Represents the amounts, other than carryover expenditures, which are required to be designated for subsequent years' expenditures.

Unreserved, undesignated – Amounts that have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the City.

13. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts are presented as a reduction of the face amount of bonds proceeds whereas issuance costs are recorded as expenditures.

14. Presentation

Certain reclassifications of prior year information have been made to conform to current year presentation.

15. Cash Flows

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

16. Use of Estimates

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

2. CASH

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

2. CASH (continued)

Cash (continued)

The rate of interest in non-demand interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

The City maintains cash in one financial institution within Bayard, New Mexico. The City's deposits are carried at cost.

Cash Deposited With Financial Institutions

As of June 30, 2009, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
AmBank	\$ 4,637,039	\$ (50,858)	\$ 4,586,181

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

Statement of Net Assets:	
Cash	\$ 4,510,834
Restricted cash	75,347
Total cash reported on financial statements	\$ 4,586,181

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the City. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the City carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2. CASH (continued)

Cash Deposited With Financial Institutions (continued)

	AmBank
Total deposits in bank	\$ 4,637,039
Less FDIC coverage	(500,000)
Uninsured public funds	4,137,039
Pledged collateral held by pledging bank's trust but not in the City's name	(2,379,220)
Uninsured and uncollateralized	\$ 1,757,819
50% pledged collateral requirement per State Statute	\$ 2,068,520
Total pledged collateral	(2,379,220)
Pledged collateral (over) the requirement	\$ (310,700)

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2009, \$4,137,039 of the City's bank balance of \$4,637,039 was exposed to custodial credit risk as follows:

	AmBank
Uninsured and collateral held by pledging banks' trust dept. or agent not in the City's name	\$ 4,137,039

3. INVESTMENTS HELD BY FISCAL AGENT

The city borrowed money from the New Mexico Finance Authority (NMFA) for a street sweeper and public safety vehicles. As part of the note agreements, NMFA has retained \$1,661 and deposited the funds with the New Mexico State Treasurer. The state treasurer has placed the funds in the local government investment pool. New Mexico State Statutes authorize the state treasurer to pool monies received from local public bodies for investment purposes with other public monies under his control.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

3. INVESTMENTS HELD BY FISCAL AGENT (continued)

As of June 30, 2009, the combined balance of the City's debt service accounts deposited within the local government investment pool was \$1,661. The cost basis and the fair market basis of the deposit are equal to \$1,661 (amount of investment).

The investments are valued at fair value based on quoted market prices as of the valuation date. The state treasurer's Local Government Investment Pool is not SEC registered. The fund is rated AAA_m by Standards and Poors. Section 6-10-10.1, NMSA 1978, empowers the state treasurer, with the advice and consent of the state Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The Local Government Investment Pool does not have unit shares. Per section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the state treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Local Government Investment Pool is voluntary. The average yield at June 30, 2009, was 2.85%.

Interest Rate Risk – Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The portfolio's weighted average maturity is 43-day WAM.

The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009, consisted of the following:

	Governmental Activities	Business-Type Activities
Charges for services	\$ -	\$ 223,320
Less allowances for doubtful accounts	-	(32,654)
Net receivables	\$ -	\$ 190,666

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

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

5. INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments at June 30, 2009, consisted of the following, which are considered full collectible:

	Governmental Activities	Business-Type Activities
State of NM Legislative Grants	\$ 88,971	\$ -

6. TAXES RECEIVABLE

Amounts due from local effort and state shared taxes at June 30, 2009, consisted of the following, which are considered fully collectible:

	Governmental Activities	Business-Type Activities
Property taxes	\$ 13,797	\$ -
Franchise taxes	14,473	-
State shared gross receipt taxes	22,105	11,163
Other state shared taxes	11,845	-
Net taxes receivable	\$ 62,220	\$ 11,163

7. PROPERTY TAX

Property taxes attached as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Grant County Assessor to develop the property tax schedule by October 1st. Tax notices are sent by the Grant County Treasurer to property owners by November 1st of each year.

Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year. Thirty days later the bill becomes delinquent and the county treasurer assesses penalties and interest. Taxes are collected on behalf of the City by the County Treasurer, and are remitted to the City in the month following collection. The Grant County Treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the Grant County Treasurer's office.

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City. At the present time, the City does not have any bonds that would be retired through the collection of real estate taxes. The City's total tax rate to finance general government services for the year 2008, was \$2.225 per \$1,000 for non-residential and \$1.268 for residential property.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

8. CAPITAL ASSETS

The City has restated its beginning of year construction in progress. The City completed construction of a new wastewater facility. During the construction phase, the City placed the revenues and associated expenditures within a governmental capital projects fund. The capital outlay expenditures were capitalized as governmental activities. Management has reevaluated the capitalization and has determined that the facility should be capitalized as a business-type capital asset.

	Balance 06/30/08	Corrections	Restated Balance 06/30/09
Governmental Capital Assets:			
Land	\$ 59,308	\$ -	\$ 59,308
Construction in progress	8,744,751	(8,542,490)	202,261
Buildings	1,777,008	-	1,777,008
Infrastructure	5,413,165	-	5,413,165
Equipment	1,198,297	-	1,198,297
Accumulated Depreciation:			
Buildings	(454,592)	-	(454,592)
Equipment	(1,394,617)	-	(1,394,617)
Infrastructure	(641,579)	-	(641,579)
Net governmental activities assets	<u>\$ 14,701,741</u>	<u>\$ (8,542,490)</u>	<u>\$ 6,159,251</u>
Business-Type Assets:			
Land	\$ 48,839	\$ -	\$ 48,839
Construction in progress	-	8,542,490	8,542,490
Water rights	1,200,000	-	1,200,000
Buildings	427,412	-	427,412
Utility system	4,415,784	-	4,415,784
Equipment	304,330	-	304,330
Accumulated Depreciation:			
Water rights	(87,500)	-	(87,500)
Buildings	(154,881)	-	(154,881)
Utility system	(1,201,321)	-	(1,201,321)
Equipment	(296,354)	-	(296,354)
Net business-type activities assets	<u>\$ 4,656,309</u>	<u>\$ 8,542,490</u>	<u>\$ 13,198,799</u>

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

8. CAPITAL ASSETS (continued)

Capital assets for the fiscal year ended June 30, 2009:

	Restated Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 59,308	\$ -	\$ -	\$ 59,308
Construction in progress	202,261	-	202,261	-
Total other capital assets, not being depreciated	261,569	-	202,261	59,308
Other capital assets, being depreciated:				
Buildings	1,777,008	251,348	-	2,028,356
Equipment	5,413,165	386,573	-	5,799,738
Infrastructure	1,198,297	28,296	25,236	1,201,357
Total other capital assets, being depreciated	8,388,470	666,217	25,236	9,029,451
Less accumulated depreciation for:				
Buildings	(454,592)	(37,913)	-	(492,505)
Equipment	(1,394,617)	(81,840)	-	(1,476,457)
Infrastructure	(641,579)	(110,857)	25,236	(727,200)
Total accumulated depreciation	(2,490,788)	(230,610)	25,236	(2,696,162)
Other capital assets, net	5,897,682	435,607	-	6,333,289
Total capital assets, net	<u>\$ 6,159,251</u>	<u>\$ 435,607</u>	<u>\$ 202,261</u>	<u>\$ 6,392,597</u>

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

Governmental Activities:	
General government	\$ 37,086
Public safety	87,688
Public works	66,836
Culture and recreation	39,000
	<u>\$ 230,610</u>

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

8. CAPITAL ASSETS (continued)

The following is a summary of proprietary fund assets:

	Restated Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 48,839	\$ -	\$ -	\$ 48,839
Construction in progress	8,542,490	37,328	(8,542,490)	37,328
Total capital assets, not being depreciated	8,591,329	37,328	(8,542,490)	86,167
Other capital assets, being amortized and depreciated:				
Water rights	1,200,000	-	-	1,200,000
Buildings	427,412	300,000	-	727,412
Utility system	4,415,784	5,773,458	-	10,189,242
Equipment	304,330	3,200,000	-	3,504,330
Total other capital assets, being depreciated	6,347,526	9,273,458	-	15,620,984
Less accumulated amortization and depreciation for:				
Water rights	(87,500)	(10,000)	-	(97,500)
Buildings	(154,881)	(11,508)	-	(166,389)
Utility system	(1,201,321)	(78,826)	-	(1,280,147)
Equipment	(296,354)	(53,333)	-	(349,687)
Total accumulated amortization and depreciation	(1,740,056)	(153,667)	-	(1,893,723)
Other capital assets, net	4,607,470	9,119,791	-	13,727,261
Total capital assets, net	\$ 13,198,799	\$ 9,157,119	\$ (8,542,490)	\$ 13,813,428

9. LONG-TERM OBLIGATIONS

Governmental Activities Debt

Changes in governmental activities long-term debt during the year ended June 30, 2009, were as follows:

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

9. LONG-TERM OBLIGATIONS (continued)

Governmental Activities Debt (continued)

	Balance 06/30/08	Additions	Deletions	Balance 06/30/09	Amounts Due Within One Year
General Long-Term Debt:					
Notes payable	\$ 321,671	\$ -	\$ 40,065	\$ 281,606	\$ 140,606
Compensated absences	10,141	18,770	16,428	12,483	9,987
Total	<u>\$ 331,812</u>	<u>\$ 18,770</u>	<u>\$ 56,493</u>	<u>\$ 294,089</u>	<u>\$ 150,593</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 remaining principal payment of \$11,179 is due on May 1, 2010. 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 interest rate varies from 3.280% to 3.870%. The annual principal payment varies from \$16,830 to \$19,272. The Finance Authority is charging a .25% administrative fee. Annual debt service requirement for the note is as follows:

Due in year ending June 30:

	Principal	Interest	Total
2010	\$ 16,830	\$ 3,440	\$ 20,270
2011	17,188	3,082	20,270
2012	17,562	2,710	20,272
2013	17,953	2,320	20,273
2014	18,367	1,908	20,275
2015-2017	57,301	2,988	60,289
	<u>\$ 145,201</u>	<u>\$ 16,448</u>	<u>\$ 161,649</u>

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.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

9. LONG-TERM OBLIGATIONS (continued)

Note Payable – New Mexico Finance Authority #3 (continued)

The Finance Authority is charging a .25% administrative fee. Annual debt service requirement for the note is as follows:

Due in year ending June 30:

	Principal
2010	\$ 12,597
2011	12,629
	\$ 25,226

Note Payable – Rural Community Assistance Corporation

The City borrowed \$100,000 from the Rural Community Assistance Corporation to finance preliminary expenses for the construction of a new wastewater facility. The note accrues interest at a rate of 5.75%. The note was paid on August 6, 2009 with accrued interest and administrative charges of \$603.

Compensated Absences

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

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

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

In the past, approximately 95% has been paid by the general fund and 5% by the library fund.

Business-Type Activities Debt

During the current year, the City discovered that a note payable to the New Mexico Environment Department has been omitted from the prior year's financial statements. The beginning balance of the notes has been restated to reflect the loan.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

9. LONG-TERM OBLIGATIONS (continued)

Business-Type Activities Debt (continued)

	Balance 06/30/08	Restatement	Restated Balance 06/30/08
Notes payable	\$ 816,226	\$ 809,159	\$ 1,625,385
Compensated absences	13,079	-	13,079
	<u>\$ 829,305</u>	<u>\$ 809,159</u>	<u>\$ 1,638,464</u>

Changes in business-type activities loan activity during the fiscal year ended June 30, 2009 is as follows:

	Restated Balance 06/30/08	Additions	Deletions	Balance 06/30/09	Amounts Due Within One Year
Notes payable	\$ 1,625,385	\$ 517,793	\$ 57,144	\$ 2,086,034	\$ 119,121
Compensated absences	13,079	21,142	17,394	16,827	13,463
	<u>\$ 1,638,464</u>	<u>\$ 538,935</u>	<u>\$ 74,538</u>	<u>\$ 2,102,861</u>	<u>\$ 132,584</u>

Note Payable – NM Environment Department

The City has borrowed \$290,000 for improvements to the water and sewer system. The note bears interest at a rate of \$3.00% per annum. The note matures on September 15, 2015. Principal and interest payments are made from the water and sewer fund. Annual debt service requirements to maturity are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2010	\$ 11,673	\$ 2,683	\$ 14,356
2011	12,023	2,333	14,356
2012	12,383	1,972	14,355
2013	12,755	1,601	14,356
2014	13,137	1,218	14,355
2015-2016	27,468	1,242	28,710
	<u>\$ 89,439</u>	<u>\$ 11,049</u>	<u>\$ 100,488</u>

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

9. LONG-TERM OBLIGATIONS (continued)

Notes Payable – NM Environment Department

The City has two separate loan agreements due to the New Mexico Environment Department. The proceeds of the obligations, each with a face amount of \$500,000 were used to purchase water rights. These notes bear interest at 3% and mature on August 3, 2020. Principal and interest payments are made from the water and sewer fund. Annual debt service requirements, to maturity for both notes payable are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 47,184	\$ 20,089	\$ 67,273
2011	48,600	18,674	67,274
2012	50,058	17,216	67,274
2013	51,559	15,714	67,273
2014	53,106	14,168	67,274
2015-2019	290,409	45,961	336,370
2020-2021	<u>128,727</u>	<u>5,821</u>	<u>134,548</u>
	<u>\$ 669,643</u>	<u>\$ 137,643</u>	<u>\$ 807,286</u>

The City has borrowed \$1,326,952 to aid in the completion of a new wastewater facility. The note bears interest of 1.00% per annum. The note matures on December 17, 2028. Principal and interest payments are made from the joint wastewater fund. Annual debt service requirements to maturity are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 60,264	\$ 13,269	\$ 73,533
2011	60,867	12,667	73,534
2012	61,475	12,058	73,533
2013	62,090	11,443	73,533
2014	62,711	10,823	73,534
2015-2019	323,087	44,579	367,666
2020-2024	339,569	28,100	367,669
2025-2029	<u>356,889</u>	<u>10,778</u>	<u>367,667</u>
Total	<u>\$ 1,326,952</u>	<u>\$ 143,717</u>	<u>\$ 1,470,669</u>

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

10. INTERNAL BALANCES

The general fund has advanced \$13,775 to the non-major RUS Improvement Phase II and III capital projects fund to pay for preliminary engineer costs regarding additional construction to the wastewater facility. The capital projects fund will repay the general fund during the upcoming year.

11. INTERFUND TRANSFERS

	Transfers In				Total
	General Fund	Water and Sewer Fund	Joint Wastewater Fund	Non-Major Funds	
Transfer (out)					
General Fund	\$ -	\$ -	\$ -	\$ 57,293	\$ 57,293
Municipal Streets Fund	5,604	24,038	-	-	29,642
Water and Sewer Fund	21,870	-	43,792	-	65,662
Solid Waste Fund	5,604	-	-	-	5,604
Joint Wastewater Fund	6,500	10,000	-	-	16,500
Non-Major Funds	-	27,325	66,835	-	94,160
	<u>\$ 39,578</u>	<u>\$ 61,363</u>	<u>\$ 110,627</u>	<u>\$ 57,293</u>	<u>\$ 268,861</u>

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

12. RESTATEMENT OF NET ASSETS

During the fiscal year ended June 30, 2009, the City discovered the need to make changes to amounts reported within the financial statements ended June 30, 2008. A description and the effect of the errors is as follows:

	Government-Wide		
	Governmental Activities	Business-Type Activities	Individual Funds
Government-Wide Financial Statements:			
Restated governmental activities capital assets due to business assets capitalized as governmental activities.	\$ (8,542,490)		
Unexplained difference between the June 30, 2008 governmental activities and the governmental fund financial statements.		589	
<i>Major Funds</i>			
Municipal Streets Fund:			
Beginning of year investments held by fiscal agent omitted from financial statements.	2,188		<u>\$ 2,188</u>

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

12. RESTATEMENT OF NET ASSETS (continued)

	Government-Wide		Individual Funds
	Governmental Activities	Business-Type Activities	
Water and Sewer Fund:			
Restate capital assets within the fund. Transfer of construction in progress from the governmental activities statement of net assets.		\$ 105,375	\$ <u>105,375</u>
Joint Wastewater Fund:			
In the prior year, the fund incorrectly reflected an interanal balance due to another fund as \$80,546.		80,546	\$ 80,546
The City failed to report debt of \$809,159.		(809,159)	(809,159)
The fund is restating capital assets. Construction in progress reported as a governmental activities in the prior year. Assets have been transferred to the fund.		8,437,115	<u>8,437,115</u>
Total Joint Wastewater Fund			<u>\$ 7,708,502</u>
 <i>Non-Major Funds</i>			
Fire Protection Fund:			
Beginning of year cash overstated at the end of the fiscal year.	(4,318)		\$ (4,318)
Beginning of year investments held by fiscal agent omitted from financial statements.	645		<u>645</u>
Total Fire Protection Fund			<u>\$ (3,673)</u>
Law Enforcement Fund:			
Beginning of year investments held by fiscal agent omitted from financial statements.	467		<u>\$ 467</u>
Regional Wastewater Plant Fund:			
Intergovernmental receivables at the beginning of the fiscal year were overstated by \$13,648.	(13,648)		\$ (13,648)
Internal balance due from another fund was overstated by \$96,833.	(96,833)		(96,833)
Accounts payable at the end of the previous fiscal year was overstated by \$5,185.	5,185		<u>5,185</u>
Total Regional Wastewater Fund			<u>\$ (105,296)</u>
Total Government-Wide Financial Statements	<u>\$ (8,648,215)</u>	<u>\$ 7,813,877</u>	

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

13. TAXES

Local effort and state shared taxes as of June 30, 2009:

	General Fund	Regional Wastewater Fund	Non-Major Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Local effort taxes:				
Property taxes	\$ 23,500	\$ -	\$ -	\$ 23,500
Franchise taxes	60,838	-	-	60,838
Total local effort taxes	<u>\$ 84,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,338</u>
State shared taxes:				
Gross receipts taxes	\$ 314,887	\$ 69,630	\$ -	\$ 384,517
Motor vehicle registrations	6,487	21,934	-	28,421
Cigarette taxes	25,719	17,123	-	42,842
Gasoline taxes	4,793	-	2,405	7,198
Total state shared taxes	<u>\$ 351,886</u>	<u>\$ 108,687</u>	<u>\$ 2,405</u>	<u>\$ 462,978</u>

14. BUDGET RECONCILIATIONS

The City prepares its budget utilizing the cash basis of accounting. The City presents the following information that reconciles the general fund and municipal streets fund budgetary comparison statement with the statement of revenues, expenditures, and changes in fund balances. The reconciliation of the remaining funds follows the budgetary comparison statements of the general fund.

	General Fund	Municipal Street Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ 1,198,936	\$ 266,694
Differences - Budget to GAAP:		
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	(16,331)	(14,652)
Real estate taxes collected after year end but not soon enough to pay for current period expenditures are deferred revenues for financial reporting purposes.	(7,176)	-
In the prior fiscal year, the City placed funds in escrow to purchase real estate. The transaction was not completed and the City received a refund that was reflected as miscellaneous revenue for the budgetary basis of accounting. For financial reporting purposes, the receipt was reflected as a reduction of prepaid expenses.	(13,800)	-

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

14. BUDGET RECONCILIATIONS (continued)

	<u>General Fund</u>	<u>Municipal Street Fund</u>
During the fiscal year, a portion of the City's gross receipts taxes were withheld to service debt requirements. For budgetary purposes, the City does not recognize the revenues withheld. For financial reporting purposes, the revenue is recorded.	-	10,274
Interest income earned from cash held by the fiscal agent to service debt is not recorded on the budgetary basis. For financial reporting purposes, the interest income is recorded.	-	15
During the fiscal year, the New Mexico Department of Taxation & Revenue overpaid the City their share of gross receipts taxes. For budgetary purposes, the City considers the receipts as revenue for the current year. For financial reporting purposes, the City has reflected the amount as deferred revenues as the amount will be repaid during the next fiscal year.	<u>(76,190)</u>	<u>(14,286)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 1,085,439</u>	<u>\$ 248,045</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 1,044,811	\$ 189,957
Differences - Budget to GAAP:		
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(4,178)	1,665
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	(1,884)	-
The payment of a yearly service contract that affects a portion of the upcoming fiscal year, is considered a prepaid expense for financial reporting.	-	(1,829)
In the prior fiscal year, the City reported prepaid expenses for financial reporting purposes as \$16,800. During the year, the City received a refund of \$13,800 and recorded an additional expense of \$3,000 in order to reduce the prepaid expense account to zero.	3,000	-

**STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

14. BUDGET RECONCILIATIONS (continued)

	<u>General Fund</u>	<u>Municipal Street Fund</u>
During the fiscal year, the fiscal agent of the City remits payment on principal and interest for debt. The payment of the debt service is not recorded on the City's accounting records and thus not reported on the budgetary basis of accounting.	-	11,158
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 1,041,749</u>	<u>\$ 200,951</u>
Other Sources (Uses) of Resources:		
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ (17,715)	\$ (29,642)
Differences - Budget to GAAP:		
None.	-	-
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ (17,715)</u>	<u>\$ (29,642)</u>

15. RETIREMENT PLAN

Plan Description - Substantially all of the City'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 benefits, 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, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy – Municipal general members are required to contribute 8.15% while municipal police contribute 11.35% (ranges from 4.78% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute 10.15% for municipal general employees and 19.50% for municipal police (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$75,198, \$60,950, and \$58,198 respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
CITY OF BAYARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

16. POST-EMPLOYMENT BENEFITS

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

17. DEFICIT AND FUND BALANCE

At year end, the non-major RUS Improvement Phase II & III capital project fund had a deficit fund balance of \$13,775. The expended preliminary engineering costs for a construction project that will be reimbursed in the subsequent fiscal year.

18. RISK MANAGEMENT

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

19. CONTINGENT LIABILITES

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

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF BAYARD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	Special Revenue Funds						Capital Projects Funds				
	Fire Protection Fund	Juvenile Recreation Fund	Law Enforcement Fund	Corrections Fund	Library Fund	Emergency Medical Services Fund	Total Special Revenue Funds	RUS Improvement Phase I Fund	RUS Improvement Phase II & III Fund	Regional Wastewater Plant Fund	CDBG Grant Fund
ASSETS											
Cash	\$ 22,931	\$ 17,718	\$ 4,323	\$ 41,135	\$ 25,195	\$ 204	\$ 111,506	\$ 5	\$ -	\$ 319	\$ 38,936
Receivables, net of allowances for doubtful accounts:											
Taxes	-	90	-	-	-	-	90	-	-	-	-
Intergovernmental	-	-	-	-	39,069	-	39,069	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-
Restricted:											
Investment held by fiscal agent	195	-	147	-	-	-	342	-	-	-	-
Total assets	<u>\$ 23,126</u>	<u>\$ 17,808</u>	<u>\$ 4,470</u>	<u>\$ 41,135</u>	<u>\$ 64,264</u>	<u>\$ 204</u>	<u>\$ 151,007</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 319</u>	<u>\$ 38,936</u>
LIABILITIES AND FUND BALANCE											
Liabilities:											
Accounts payable	\$ 350	\$ -	\$ 81	\$ -	\$ 25,087	\$ -	\$ 25,518	\$ -	\$ -	\$ -	\$ -
Accrued salaries	185	-	-	-	361	-	546	-	-	-	-
Deferred revenues	-	-	-	-	-	-	-	-	-	-	-
Internal balance	-	-	-	-	-	-	-	-	13,775	-	-
Total liabilities	535	-	81	-	25,448	-	26,064	-	13,775	-	-
Fund Balances:											
Reserved for debt service	195	-	147	-	-	-	342	-	-	-	-
Reserved designated for subsequent year's expenditures	-	8,500	-	-	-	-	8,500	-	-	319	38,936
Unreserved	22,396	9,308	4,242	41,135	38,816	204	116,101	5	(13,775)	-	-
Total fund balances	<u>22,591</u>	<u>17,808</u>	<u>4,389</u>	<u>41,135</u>	<u>38,816</u>	<u>204</u>	<u>124,943</u>	<u>5</u>	<u>(13,775)</u>	<u>319</u>	<u>38,936</u>
Total liabilities and fund balances	<u>\$ 23,126</u>	<u>\$ 17,808</u>	<u>\$ 4,470</u>	<u>\$ 41,135</u>	<u>\$ 64,264</u>	<u>\$ 204</u>	<u>\$ 151,007</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 319</u>	<u>\$ 38,936</u>

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

**STATE OF NEW MEXICO
CITY OF BAYARD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	Total Capital Projects Funds	Total Non-Major Funds
<u>ASSETS</u>		
Cash	\$ 39,260	\$ 150,766
Receivables, net of allowances of doubtful accounts:		
Taxes	-	90
Intergovernmental	-	39,069
Prepaid expenses	-	-
Restricted:		
Investment held by fiscal agent	-	342
Total assets	\$ 39,260	\$ 190,267
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ -	\$ 25,518
Accrued salaries	-	546
Deferred revenues	-	-
Internal balance	13,775	13,775
Total liabilities	13,775	39,839
Fund Balances:		
Reserved for debt service	-	342
Reserved designated for subsequent year's expenditures	39,255	47,755
Unreserved	(13,770)	102,331
Total fund balances	25,485	150,428
Total liabilities and fund balances	\$ 39,260	\$ 190,267

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

STATE OF NEW MEXICO
CITY OF BAYARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Special Revenue Funds						Capital Projects Funds				
	Fire Protection Fund	Juvenile Recreation Fund	Law Enforcement Fund	Corrections Fund	Library Fund	Emergency Medical Services Fund	Total Special Revenue Funds	RUS Improvement Phase I Fund	RUS Improvement Phase II & III Fund	Regional Wastewater Plant Fund	CDBG Grant Fund
Revenues:											
State shared taxes	\$ -	\$ 2,405	\$ -	\$ -	\$ -	\$ -	\$ 2,405	\$ -	\$ -	\$ -	\$ -
Intergovernmental	63,945	-	30,925	-	74,681	6,501	176,052	-	-	-	66,271
Interest income	194	-	145	344	-	-	683	-	-	-	-
Miscellaneous	8,786	-	-	-	8,826	-	17,612	-	-	-	-
Total revenues	72,925	2,405	31,070	344	83,507	6,501	196,752	-	-	-	66,271
Expenditures:											
Current:											
Public safety	37,465	-	15,056	4,374	-	-	56,895	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-	-	10
Culture and recreation	-	2,974	-	-	27,379	-	30,353	-	-	-	-
Health and welfare	-	-	-	-	-	7,868	7,868	-	-	-	-
Capital outlay	28,296	-	-	-	71,566	-	99,862	-	-	-	-
Debt service:											
Principal	16,348	-	12,566	-	-	-	28,914	-	-	-	-
Interest and other charges	3,934	-	94	-	-	-	4,028	-	8,400	-	-
Total expenditures	86,043	2,974	27,716	4,374	98,945	7,868	227,920	-	8,400	-	10
Excess (deficiency) of revenues over expenditures	(13,118)	(569)	3,354	(4,030)	(15,438)	(1,367)	(31,168)	-	(8,400)	-	66,261
Other Financing Sources (Uses):											
Transfer in	6,688	-	-	12,508	38,097	-	57,293	-	-	-	-
Transfer (out)	-	-	-	-	-	-	-	-	(66,835)	(27,325)	-
Total other financing sources (uses)	6,688	-	-	12,508	38,097	-	57,293	-	-	(66,835)	(27,325)
Net change in fund balance	(6,430)	(569)	3,354	8,478	22,659	(1,367)	26,125	-	(8,400)	(66,835)	38,936
Fund balance, beginning of year	32,694	18,377	568	32,657	16,157	1,571	102,024	5	(5,375)	172,450	-
Restatements	(3,673)	-	467	-	-	-	(3,206)	-	-	(105,296)	-
Restated fund balance, beginning of year	29,021	18,377	1,035	32,657	16,157	1,571	98,818	5	(5,375)	67,154	-
Fund balance, end of year	\$ 22,591	\$ 17,808	\$ 4,389	\$ 41,135	\$ 38,816	\$ 204	\$ 124,943	\$ 5	\$ (13,775)	\$ 319	\$ 38,936

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

STATE OF NEW MEXICO
CITY OF BAYARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Total Capital Projects Funds	Total Non-Major Funds
Revenues:		
State shared taxes	\$ -	\$ 2,405
Intergovernmental	66,271	242,323
Interest income	-	683
Miscellaneous	-	17,612
	66,271	263,023
Total revenues		
Expenditures:		
Current:		
Public safety	-	56,895
Public works	10	10
Culture and recreation	-	30,353
Health and welfare	-	7,868
Capital outlay	-	99,862
Debt service:		
Principal	-	28,914
Interest and other charges	8,400	12,428
	8,410	236,330
Total expenditures		
Excess (deficiency) of revenues over expenditures	57,861	26,693
Other Financing Sources (Uses):		
Transfer in	-	57,293
Transfer (out)	(94,160)	(94,160)
	(94,160)	(36,867)
Total other financing sources (uses)		
Net change in fund balance	(36,299)	(10,174)
Fund balance, beginning of year	167,080	269,104
Restatements	(105,296)	(108,502)
Restated fund balance, beginning of year	61,784	160,602
Fund balance, end of year	\$ 25,485	\$ 150,428

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

STATE OF NEW MEXICO
CITY OF BAYARD
FIRE PROTECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 44,307	\$ 44,307	\$ 44,307	\$ -
Miscellaneous	-	9,050	8,786	(264)
Total revenues	44,307	53,357	53,093	(264)
Expenditures:				
Current:				
Public safety	50,611	38,911	37,446	1,465
Capital outlay	-	29,100	28,296	804
Total expenditures	50,611	68,011	65,742	2,269
(Deficiency) of revenues over expenditures	(6,304)	(14,654)	(12,649)	2,005
Other Financing Sources (Uses):				
Transfers in	7,811	7,811	6,688	(1,123)
Net change in fund balance	1,507	(6,843)	(5,961)	882
Cash balance, beginning of year	33,210	33,210	33,210	-
Restatement	(4,318)	(4,318)	(4,318)	-
Restated cash balance, beginning of year	28,892	28,892	28,892	-
Cash balance, end of year	<u>\$ 30,399</u>	<u>\$ 22,049</u>	<u>\$ 22,931</u>	<u>\$ 882</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
 JUVENILE RECREATION SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 1,600	\$ 2,800	\$ 2,747	\$ (53)
Expenditures:				
Current:				
Culture and recreation	13,000	11,000	1,780	9,220
Capital outlay	-	2,000	1,194	806
Total expenditures	<u>13,000</u>	<u>13,000</u>	<u>2,974</u>	<u>10,026</u>
Net change in fund balance	(11,400)	(10,200)	(227)	9,973
Cash balance, beginning of year	<u>17,945</u>	<u>17,945</u>	<u>17,945</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 6,545</u></u>	<u><u>\$ 7,745</u></u>	<u><u>\$ 17,718</u></u>	<u><u>\$ 9,973</u></u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
LAW ENFORCEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 12,000	\$ 12,000	\$ 11,405	\$ (595)
Miscellaneous	-	7,600	7,133	(467)
Total revenues	12,000	19,600	18,538	(1,062)
Expenditures:				
Current:				
Public safety	3,000	3,900	14,783	(10,883)
Capital outlay	9,000	11,000	-	11,000
Total expenditures	12,000	14,900	14,783	117
Net change in fund balance	-	4,700	3,755	(945)
Cash balance, beginning of year	568	568	568	-
Cash balance, end of year	\$ 568	\$ 5,268	\$ 4,323	\$ (945)

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

STATE OF NEW MEXICO
CITY OF BAYARD
CORRECTIONS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Interest income	\$ 500	\$ 500	\$ 344	\$ (156)
Expenditures:				
Current:				
Public safety	3,000	4,500	4,374	126
Excess (deficiency) of revenues over expenditures	(2,500)	(4,000)	(4,030)	(30)
Other Financing Sources (Uses):				
Transfer in	10,000	12,500	12,508	8
Net change in fund balance	7,500	8,500	8,478	(22)
Cash balance, beginning of year	32,657	32,657	32,657	-
Cash balance, end of year	<u>\$ 40,157</u>	<u>\$ 41,157</u>	<u>\$ 41,135</u>	<u>\$ (22)</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
LIBRARY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 265,646	\$ 266,146	\$ 35,612	\$ (230,534)
Miscellaneous	-	10,850	8,826	(2,024)
Total revenues	265,646	276,996	44,438	(232,558)
Expenditures:				
Current:				
Culture and recreation	276,054	276,054	27,307	248,747
Capital outlay	-	-	46,670	(46,670)
Total expenditures	276,054	276,054	73,977	202,077
Excess (deficiency) of revenues over expenditures	(10,408)	942	(29,539)	(30,481)
Other Financing Sources (Uses):				
Transfer in	29,853	41,853	38,097	(3,756)
Net change in fund balance	19,445	42,795	8,558	(34,237)
Cash balance, beginning of year	16,637	16,637	16,637	-
Cash balance, end of year	\$ 36,082	\$ 59,432	\$ 25,195	\$ (34,237)

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

STATE OF NEW MEXICO
CITY OF BAYARD
EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 6,871	\$ 6,871	\$ 6,501	\$ (370)
Expenditures:				
Current:				
Health and welfare	6,865	7,965	7,868	97
Net change in fund balance	6	(1,094)	(1,367)	(273)
Cash balance, beginning of year	1,571	1,571	1,571	-
Cash balance, end of year	<u>\$ 1,577</u>	<u>\$ 477</u>	<u>\$ 204</u>	<u>\$ (273)</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Fire Protection Fund</u>	<u>Juvenile Recreation Fund</u>	<u>Law Enforcement Fund</u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ 53,093	\$ 2,747	\$ 18,538
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow of revenues for the budgetary basis but are considered revenues for financial reporting purposes.	-	(342)	-
During the fiscal year, a portion of the City's intergovernmental revenue was withheld to service debt requirements. For budgetary purposes, the City does not recognize the revenue withheld. For financial reporting purposes, the revenue is recorded.	19,638	-	12,195
Interest income earned from cash held by the fiscal agent to service debt is not recorded on the budgetary basis. For financial reporting, the interest income is recorded.	194	-	145
During the year, the City recorded miscellaneous revenues as a reduction of the expenditures for the budgetary basis of accounting. For financial reporting purposes, the receipt of funds has been recorded as miscellaneous revenues.	<u>-</u>	<u>-</u>	<u>192</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - special revenue funds	<u>\$ 72,925</u>	<u>\$ 2,405</u>	<u>\$ 31,070</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 65,742	\$ 2,974	\$ 14,783
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(166)	-	273
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	185	-	-

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Fire Protection Fund</u>	<u>Juvenile Recreation Fund</u>	<u>Law Enforcement Fund</u>
During the fiscal year, the fiscal agent of the City remits payment on principal and interest for debt. The payment of the debt service is not recorded on the City's accounting records and thus not reported on the budgetary basis of accounting.	<u>20,282</u>	<u>-</u>	<u>12,660</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 86,043</u>	<u>\$ 2,974</u>	<u>\$ 27,716</u>
Other Sources (Uses) of Resources: Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 6,688	\$ -	\$ -
Difference - Budget to GAAP: None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances - special revenue funds	<u>\$ 6,688</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Corrections Fund</u>	<u>Library Fund</u>	<u>Emergency Medical Services Fund</u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ 344	\$ 44,438	\$ 6,501
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow of revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>-</u>	<u>39,069</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - special revenue funds	<u>\$ 344</u>	<u>\$ 83,507</u>	<u>\$ 6,501</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 4,374	\$ 73,977	\$ 7,868
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	-	24,607	-
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>361</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - special revenue funds	<u>\$ 4,374</u>	<u>\$ 98,945</u>	<u>\$ 7,868</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Corrections Fund</u>	<u>Library Fund</u>	<u>Emergency Medical Services Fund</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 12,508	\$ 38,097	\$ -
Difference - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, changes in fund balances - special revenue funds	<u>\$ 12,508</u>	<u>\$ 38,097</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RUS IMPROVEMENTS PHASE I CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ -	\$ 3,201	\$ 3,201	\$ -
Expenditures:				
Capital outlay	<u>-</u>	<u>3,201</u>	<u>3,201</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Cash balance, beginning of year	<u>5</u>	<u>5</u>	<u>5</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 5</u></u>	<u><u>\$ 5</u></u>	<u><u>\$ 5</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RUS IMPROVEMENTS PHASE II AND III CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Capital outlay	-	-	-	-
Net change in cash balance	-	-	-	-
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
REGIONAL WASTEWATER PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ -	\$ 66,898	\$ 66,898	\$ -
Expenditures:				
Current:				
Capital outlay	-	66,835	66,835	-
Net change in cash balance	-	63	63	-
Cash balance, beginning of year	<u>256</u>	<u>256</u>	<u>256</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 256</u></u>	<u><u>\$ 319</u></u>	<u><u>\$ 319</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
CDBG CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 66,271	\$ (433,729)
Expenditures:				
Current:				
Capital outlay	<u>500,000</u>	<u>500,000</u>	<u>27,335</u>	<u>472,665</u>
Net change in fund balance	-	-	38,936	38,936
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 38,936</u></u>	<u><u>\$ 38,936</u></u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	RUS Improvements Phase I Fund	RUS Improvements Phase II & III Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ 3,201	\$ -
Differences - Budget to GAAP:		
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>(3,201)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - capital projects funds	<u>\$ -</u>	<u>\$ -</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 3,201	\$ -
Differences - Budget to GAAP:		
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(3,201)	-
Interest expenses and loan fees withheld from the proceeds are reflected as expenses for financial reporting purposes.	<u>-</u>	<u>8,400</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - capital projects funds	<u>\$ -</u>	<u>\$ 8,400</u>
Other Sources (Uses) of Resources:		
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ -
Difference - Budget to GAAP:		
None.	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - capital projects funds.	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Regional Wastewater Plant Fund	CDBG Grant Fund
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ 66,898	\$ 66,271
Differences - Budget to GAAP:		
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	(66,898)	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital projects funds.	\$ -	\$ 66,271
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 66,835	\$ 27,335
Differences - Budget to GAAP:		
During the fiscal year, the City repaid other funds for expenses incurred in the prior fiscal year. In the budgetary basis of accounting, the City reflected the amounts as current year's expenditures. For financial reporting, the City reflected the amounts as transfers to the other fund.	(66,835)	(27,325)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital projects funds.	\$ -	\$ 10
Other Sources (Uses) of Resources:		
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ -
Differences - Budget to GAAP:		
During the fiscal year, the City repaid other funds for expenses incurred in the prior fiscal year. In the budgetary basis of accounting, the City reflected the amounts as current year's expenditures. For financial reporting, the City reflected the amounts as a transfer to the other fund.	(66,835)	(27,325)
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - capital projects funds.	\$ (66,835)	\$ (27,325)

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

STATE OF NEW MEXICO
CITY OF BAYARD
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 463,825	\$ 543,425	\$ 566,967	\$ 23,542
Operating Expenses:				
Personnel services	289,726	289,736	265,675	24,061
General operating	281,000	280,990	162,325	118,665
Total operating expenses	<u>570,726</u>	<u>570,726</u>	<u>428,000</u>	<u>142,726</u>
Operating income (loss)	(106,901)	(27,301)	138,967	166,268
Non-Operating Revenues (Expenses):				
State shared taxes	84,000	173,500	173,429	(71)
Intergovernmental	-	28,000	27,325	(675)
Interest income	14,000	19,100	16,611	(2,489)
Miscellaneous income	32,500	41,000	2,748	(38,252)
Miscellaneous expenses	(6,000)	(6,000)	(11,179)	(5,179)
Capital outlay	(65,000)	(65,000)	(48,624)	16,376
Debt service - principal	(58,300)	(58,300)	(57,142)	1,158
Debt service - interest and other charges	<u>(31,700)</u>	<u>(31,700)</u>	<u>(24,487)</u>	<u>7,213</u>
Total non-operating revenues (expenses)	(30,500)	100,600	78,681	(21,919)
Other Financing Sources (Uses):				
Transfer in	42,911	42,911	34,038	(8,873)
Transfer (out)	<u>(67,814)</u>	<u>(73,814)</u>	<u>(65,662)</u>	<u>8,152</u>
Total other financing sources (uses)	<u>(24,903)</u>	<u>(30,903)</u>	<u>(31,624)</u>	<u>(721)</u>
Net change in cash balance	(162,304)	42,396	186,024	143,628
Cash balance, beginning of year	<u>804,806</u>	<u>804,806</u>	<u>804,806</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 642,502</u></u>	<u><u>\$ 847,202</u></u>	<u><u>\$ 990,830</u></u>	<u><u>\$ 143,628</u></u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
SOLID WASTE ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 339,000	\$ 384,800	\$ 383,973	\$ (827)
Operating Expenses:				
Personnel services	68,645	70,045	62,533	7,512
General operating	281,000	279,100	273,325	5,775
Total operating expenses	<u>349,645</u>	<u>349,145</u>	<u>335,858</u>	<u>13,287</u>
Operating income (loss)	(10,645)	35,655	48,115	12,460
Non-Operating Revenues (Expenses):				
State shared taxes	15,000	17,200	17,151	(49)
Interest income	2,500	2,500	2,359	(141)
Capital outlay	(40,000)	(40,500)	-	40,500
Total non-operating revenues (expenses)	<u>(22,500)</u>	<u>(20,800)</u>	<u>19,510</u>	<u>40,310</u>
Other Financing Sources (Uses):				
Transfer (out)	-	(5,604)	(5,604)	-
Net change in cash balance	(33,145)	9,251	62,021	52,770
Cash balance, beginning of year	<u>429,375</u>	<u>429,375</u>	<u>429,375</u>	<u>-</u>
Cash balance, end of year	<u>\$ 396,230</u>	<u>\$ 438,626</u>	<u>\$ 491,396</u>	<u>\$ 52,770</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
JOINT WASTEWATER ENTERPRISE FUND
SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 424,135	\$ 444,835	\$ 443,720	\$ (1,115)
Operating expenses				
Personnel services	119,316	119,326	112,899	6,427
General operating	533,500	858,500	271,399	587,101
Total operating expense	<u>652,816</u>	<u>977,826</u>	<u>384,298</u>	<u>593,528</u>
Operating income (loss)	(228,681)	(532,991)	59,422	592,413
Non-Operating Revenues (Expenses):				
Intergovernmental	-	649,400	64,256	(585,144)
Interest income	25,000	37,400	37,365	(35)
Miscellaneous revenues	-	40	-	(40)
Capital outlay	(16,200)	(1,290)	(580,305)	(579,015)
Debt service - principal	(90,831)	-	-	-
Debt service - interest and other charges	(20,000)	-	(5,867)	(5,867)
Total non-operating revenues (expenses)	(102,031)	685,550	(484,551)	(1,170,101)
Other Financing Sources (Uses):				
Loan proceeds	-	-	517,793	517,793
Transfer in	37,650	43,850	110,627	66,777
Transfer (out)	(16,500)	(16,500)	(16,500)	-
Total other financing sources (uses)	<u>21,150</u>	<u>27,350</u>	<u>611,920</u>	<u>584,570</u>
Net change in cash balance	(309,562)	179,909	186,791	6,882
Cash balance, beginning of year	<u>1,599,574</u>	<u>1,599,574</u>	<u>1,599,574</u>	<u>-</u>
Cash balance, end of year	<u>\$ 1,290,012</u>	<u>\$ 1,779,483</u>	<u>\$ 1,786,365</u>	<u>\$ 6,882</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION BUDGETARY COMPARISON SCHEDULE
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Joint Waste Water Fund</u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 712,429	\$ 379,391	\$ 1,116,377
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow of resources for the budgetary basis but are considered revenue for financial reporting purposes.	<u>6,598</u>	<u>2,219</u>	<u>(48)</u>
Total revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 719,027</u>	<u>\$ 381,610</u>	<u>\$ 1,116,329</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 499,987	\$ 312,153	\$ 1,125,548
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting but are expenditures for financial reporting purposes.	29,032	345	219,862
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	259	(97)	-
The City does not budget depreciation and amortization expenses during the current accounting period. Depreciation and amortization expenses are not included in the budgetary basis but are expenditures for financial reporting purposes.	58,660	-	4,652
The City budgets for claims and expenses paid for during the current accounting period within that fund. For financial reporting purposes, the regional wastewater paid for expenditures incurred by this fund.	-	-	519,336
The City budgets for capital expenditures paid in the joint wastewater project fund during the current accounting period. For financial reporting, funds were capitalized in the joint wastewater project fund.	<u>-</u>	<u>-</u>	<u>(1,845,418)</u>
Total expenses as reported on the statement revenues, expenses, and changes in fund net assets.	<u>\$ 587,938</u>	<u>\$ 312,401</u>	<u>\$ 23,980</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION BUDGETARY COMPARISON SCHEDULE
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Joint Waste Water Fund</u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 566,967	\$ 383,973	\$ 443,720
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow of resources for the budgetary basis but are considered revenue for financial reporting purposes.	2,142	(90)	(684)
For budgetary purposes, the City considers certain revenues and expenditures as non-operating revenues and non-operating expenditures. The net difference of these amounts have been reclassified as operating revenues for financial reporting purposes.	218	-	-
During the year, the City recorded an expense reimbursement as miscellaneous revenue. For financial reporting purposes the receipt has reduced operating expenses and reduced budgetary miscellaneous revenues.	<u>-</u>	<u>-</u>	<u>(15)</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 569,327</u>	<u>\$ 383,883</u>	<u>\$ 443,021</u>
Uses/Outflows of Operating Expenses:			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison statement.	\$ 428,000	\$ 335,858	\$ 384,298
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	(1,930)	822	(2,744)
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	(213)	(552)	2,792
The City has recorded an adjustment to the allowance for doubtful accounts on the statement of activity as bad debt expense. The City does not reflect bad debts expense on the budgetary basis.	15,662	8,218	(2,538)

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION BUDGETARY COMPARISON SCHEDULE
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Joint Waste Water Fund</u>
During the year, the City recorded an expense reimbursement as miscellaneous revenue. For financial reporting purposes, the receipt has reduced operating expenses.	-	-	(15)
The payment of an yearly service contract that affects a portion of the upcoming fiscal year is considered a prepaid expense for financial reporting.	(1,829)	-	-
For budgetary purposes, the City does not consider certain expenditures capital outlay. For financial reporting, the expenses are considered operating expenses.	4,503	-	-
Depreciation and amortization expenses are not considered an outflow of operating resources for budgetary basis but are considered expenses for financial reporting purposes.	<u>56,161</u>	<u>-</u>	<u>97,506</u>
Total operating expenses as reported on the statement of revenues, expenses, and changes in net assets.	<u>\$ 500,354</u>	<u>\$ 344,346</u>	<u>\$ 479,299</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION BUDGETARY COMPARISON SCHEDULE
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Water and Sewer Fund	Solid Waste Fund	Joint Wastewater Fund
Sources/Inflows of Non-Operating Revenues:			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 220,113	\$ 19,510	\$ 101,621
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial reporting purposes.	(24,144)	912	1,712
During the fiscal year, the City repaid other funds for expenses incurred in the prior year. For the budgetary basis, the City considered the reimbursement as intergovernmental revenues. For financial reporting purposes, the reimbursement considered a transfer in.	(27,325)	-	-
For budgetary purposes, the City considers miscellaneous revenues non-operating revenues. For financial reporting purposes, the miscellaneous revenues are reported as operating revenues.	(2,748)	-	-
During the year, the New Mexico Department of Taxation and Revenue overpaid the City their share of gross receipts taxes. For budgetary purposes, the City considers the receipts as revenue for the current year. For financial reporting purposes, the City has reflected the amount as deferred revenues as the amount will be repaid during the next fiscal year.	(28,573)	(2,857)	-
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ 137,323	\$ 17,565	\$ 103,333

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION BUDGETARY COMPARISON SCHEDULE
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Water and Sewer Fund	Solid Waste Fund	Joint Wastewater Fund
	<u> </u>	<u> </u>	<u> </u>
Uses/Outflows Non-Operating Expenses:			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ (141,432)	\$ -	\$ (586,172)
Differences - Budget to GAAP:			
For the budgetary basis of accounting the City budgets for refunds paid to customer deposits. For financial reporting the refunds are not reflected as a non-operating expense.	11,179	-	-
The City budgets for capital assets purchased. Capital additions are not reflected as a non-operating expense for financial reporting purposes.	48,624	-	580,305
For budgetary purposes the City accounts for the principal payments as a debt expenditure. For financial reporting purposes the payment of debt is reflected as a reduction of a liability.	57,142	-	-
The City budgets for interest on long-term debt paid for during the current accounting period. Accrual of interest payable is not included in the budgetary basis but are expenses for financial reporting purposes.	<u>(1,432)</u>	<u>-</u>	<u>(7,187)</u>
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in net assets.	<u>\$ (25,919)</u>	<u>\$ -</u>	<u>\$ (13,054)</u>

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

STATE OF NEW MEXICO
CITY OF BAYARD
RECONCILIATION BUDGETARY COMPARISON SCHEDULE
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Joint Wastewater Fund</u>
Other Sources of Resources:			
Actual amounts (budgetary basis) "loan proceeds" from the budgetary comparison schedule.	\$ -	\$ -	\$ 517,793
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	34,038	-	110,627
Differences - Budget to GAAP:			
Loan proceeds are reported as other sources of resources for the budgetary basis. For financial purposes the loan proceeds are not considered other sources of resources.	-	-	(517,793)
During the fiscal year, the City repaid other funds for expenses incurred in the prior year. In the budgetary basis of accounting the City reflected the amounts as current year expenditures. For financial reporting, the City has reflected the amount as a transfer in.	<u>27,325</u>	<u>-</u>	<u>-</u>
Total other sources of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 61,363</u>	<u>\$ -</u>	<u>\$ 110,627</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ (65,662)	\$ (5,604)	\$ (16,500)
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other (uses) resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ (65,662)</u>	<u>\$ (5,604)</u>	<u>\$ (16,500)</u>

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

SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2009

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
AmBank				
P.O. Box 2677				
Silver City, NM 88062-2677				
Checking accounts:				
General account	Checking	\$ 2,901,527	\$ (23,034)	\$ 2,878,493
EMS account	Checking	707	(503)	204
Historical tourism account	Checking	5,727	-	5,727
Regional wastewater account	Checking	329	(10)	319
Community Center account	Checking	2,618	25	2,643
CDBG project account	Checking	66,262	(27,326)	38,936
RUS improvement account	Checking	15	(10)	5
Total checking accounts		2,977,185	(50,858)	2,926,327
Time deposits:				
Certificate of Deposit	Time Deposit	118,881	-	118,881
Certificate of Deposit	Time Deposit	349,759	-	349,759
Certificate of Deposit	Time Deposit	89,546	-	89,546
Certificate of Deposit	Time Deposit	88,732	-	88,732
Certificate of Deposit	Time Deposit	115,460	-	115,460
Certificate of Deposit	Time Deposit	85,778	-	85,778
Certificate of Deposit	Time Deposit	178,424	-	178,424
Certificate of Deposit	Time Deposit	474,876	-	474,876
Certificate of Deposit	Time Deposit	59,155	-	59,155
Certificate of Deposit	Time Deposit	23,662	-	23,662
Certificate of Deposit	Time Deposit	57,835	-	57,835
Certificate of Deposit	Time Deposit	17,746	-	17,746
Total certificates of deposit		1,659,854	-	1,659,854
Total		\$ 4,637,039	\$ (50,858)	\$ 4,586,181

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2009

AmBank
P.O. Box 2677
Silver City, NM 88062-2677

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Par Value</u>	<u>Market Value</u>
Dulce, New Mexico	264430GQ6	06/01/14	\$ 200,000	\$ -
Gadsden, New Mexico	362550JTS	08/15/11	100,000	-
Grant County, New Mexico	397766AX6	09/01/10	215,000	-
Roswell, New Mexico	778550FQ1	08/01/16	200,000	-
Federal National Mortgage	3136F8M77	02/07/18	-	494,220
Bernalillo, New Mexico	085279MA2	08/01/09	100,000	-
Carlsbad, New Mexico	142735CJ6	08/01/10	150,000	-
Grants/Cibola, New Mexico	388240CVS	10/01/12	125,000	-
Los Lunas, New Mexico	545562MA5	07/15/12	175,000	-
Luna County, New Mexico	550340DN0	08/01/18	200,000	-
NMMI, Roswell, New Mexico	647183BB7	06/01/10	200,000	-
Torrance County, New Mexico	891400LN1	07/15/13	90,000	-
T or C, New Mexico	898439DJ0	01/01/11	130,000	-
		Total	<u>\$ 1,885,000</u>	<u>\$ 494,220</u>

The holder of the security pledged by AmBank is the Federal Home Loan Bank of Dallas, 8500 Freeport Parkway South, Suite 100, Irving, TX 75063-2547.

STATE OF NEW MEXICO
CITY OF BAYARD
JOINT POWERS AGREEMENT
JUNE 30, 2009

Joint Wastewater Agreement

- A. Participants – City of Bayard, Village of Santa Clara and Fort Bayard Special District.
- B. Party responsible for operations – City of Bayard.
- C. Description – Operation and maintenance of joint use sewer system.
- D. Beginning and ending of agreement – Agreement began on September 11, 1963. The agreement remains in effect until canceled by the participating governments.
- E. Total estimated amount of project and portion applicable to City – The joint powers agreement is an ongoing joint venture to allow the Village of Santa Clara and the Fort Bayard Special District to dispose of waster water into the City of Bayard sewer system. As of June 30, 2009, the governments have expended \$9,399,190 for the construction of a new wastewater facility. The governments desire to make improvements to the discharge for purposes of recycling. The anticipated cost of the improvements is \$4,000,000.
- F. Amount contributed in the current fiscal year – The Village of Santa Clara contributed \$205,346, and Fort Bayard Special District contributed \$13,354 toward operating revenue, with the residents of Bayard contributing the remainder of operating revenues. Additionally, the City of Bayard transferred a net amount of \$94,127 from other funds.
- G. Entity responsible for the annual audit – The City of Bayard is responsible for the annual audit of all the financial activity.
- H. Fiscal Agent – The City of Bayard is the fiscal agent.
- I. Name of Entity accounting for revenues and expenditures – The City of Bayard has reflected all revenues and expenses within the joint wastewater fund.

SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2009**

Line Item	Description	Total Projects
111	Cash - unrestricted	\$ 217,409
114	Cash - tenant deposits	14,600
100	Total cash	232,009
126	Accounts receivable - tenants	1,012
126.1	Allowance for doubtful accounts - dwelling rent	-
120	Total receivables, net of allowance for doubtful accounts	1,012
131	Investments - unrestricted	87,622
142	Prepaid expenses and other assets	11,443
143	Inventories	1,460
143.1	Allowance for obsolete inventories	-
150	Total current assets	333,546
161	Land	15,695
162	Buildings	2,015,405
163	Buildings	125,459
164	Furniture, equipment and machinery - dwellings	59,377
165	Furniture, equipment and machinery - administration	343,503
166	Accumulated depreciation	(1,593,847)
160	Total fixed assets, net of a/d	965,592
190	Total assets	\$ 1,299,138
312	Accounts payable <= 90 days	\$ 6,777
321	Accrued wages/payroll tax payable	1,157
322	Accrued compensated absences - current portion	2,354
341	Tenant security deposits	14,600
310	Total current liabilities	24,888
354	Accrued compensated absences - non-current	589
300	Total liabilities	25,477
508.1	Invested in capital assets, net of related debt	965,592
512.1	Unrestricted net assets	308,069
513	Total equity	1,273,661
600	Total liabilities and equity	\$ 1,299,138

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2009**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	\$ 159,853	\$ -	\$ 159,853
70400	Tenant revenue - other	9,212	-	9,212
705	Total tenant revenue	169,065	-	169,065
70600	HUD PHA operating subsidy	169,822	-	169,822
70610	Capital grants	-	130,878	130,878
71100	Investment income - unrestricted	1,201	-	1,201
71500	Other revenue	5,926	-	5,926
700	Total revenue	346,014	130,878	476,892
911000	Administrative salaries	62,379	-	62,379
91200	Auditing fees	5,631	-	5,631
91500	Employee benefit contributions-administrative	5,936	-	5,936
91600	Office expenses	9,903	-	9,903
91700	Legal	260	-	260
91800	Travel	2,989	-	2,989
91900	Other	10,419	-	10,419
91000	Total operating - administrative	97,517	-	97,517
93100	Water	25,766	-	25,766
93200	Electricity	3,096	-	3,096
93300	Gas	10,771	-	10,771
93600	Sewer	9,974	-	9,974
93000	Total utilities	49,607	-	49,607
94100	Ordinary maintenance and operations - labor			
94200	Ordinary maintenance and operations - materials and other	32,532	-	32,532
		10,542	-	10,542
94300-010	Ordinary maintenance and operations-contracts- garbage and trash removal contracts	23,614	-	23,614
94300-070	Ordinary maintenance and operations contracts- electrical contracts	1,715	-	1,715
94300-090	Ordinary maintenance and operations contracts- extermination contracts	1,946	-	1,946
94300-110	Ordinary maintenance and operations contracts- routine maintenance contracts	3,954	-	3,954
94300	Ordinary maintenance and operations contracts	31,229	-	31,229
94500	Employment benefit contribution - ordinary maintenance	3,058	-	3,058
94000	Total maintenance	77,361	-	77,361

**STATE OF NEW MEXICO
CITY OF BAYARD
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2009**

Line Item	Description	Low Rent 14.85	Capital Fund Program 14.872	Total
96110	Property insurance	14,468	-	14,468
96140	All other insurance	-	-	-
96100	Total insurance premiums	14,468	-	14,468
96900	Total operating expenses	238,953	-	238,953
97000	Excess revenues over operating expenses	107,061	130,878	237,939
97400	Depreciation expenses	49,503	13,844	63,347
90000	Total expenses	288,456	13,844	302,300
10010	Operating transfer in	11,919	-	11,919
10020	Operating transfer out	-	(11,919)	(11,919)
10100	Total other financing sources (uses)	11,919	(11,919)	-
	Excess (deficiency) of revenues over (under) expenses	<u>\$ 69,477</u>	<u>\$ 105,115</u>	<u>\$ 174,592</u>
11030	Beginning equity	\$ 639,140	\$ -	\$ 639,140
11040-010	Adjustments/Correction and Recording Fixed Assets	153,369	306,560	459,929
11190	Unit months available	840	-	840
11210	Unit months leased	821	-	821

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

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

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

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, the aggregate remaining fund information and the budgetary comparison statement for the major governmental funds of the City of Bayard, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 27, 2009. We have also audited the financial statements of each of the City's nonmajor governmental funds and the respective budgetary comparison statements for the major enterprise funds and all non-major funds for the year ended June 30, 2009, and have issued our report thereon dated November 27, 2009. 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 and the City of Bayard Public Housing Authority'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 and the City of Bayard Public Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Bayard's and the City of Bayard Public Housing Authority'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 and the City of Bayard Public Housing Authority'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 and the City of Bayard Public Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the City of Bayard's and the City of Bayard Public Housing Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2009-01 and 2009-02 to be significant deficiencies in internal control over financial reporting.

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 and the City of Bayard Public Housing Authority'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 to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-01 and 2009-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Bayard's, and City of Bayard Housing Authority's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests performed on the City of Bayard disclosed instances of noncompliance, or other matters that is required to be reported under *Government Auditing Standards*, and which are described as items 2009-02 and 2009-03 in the accompanying schedule of findings and responses. The results of our tests performed on the City of Bayard's Public Housing Authority disclosed no instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*.

In regard to the City of Bayard, we noted other instances of noncompliance that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as items 2009-04 and 2009-05.

In regard to the City of Bayard's Public Housing Authority, we noted an instance of noncompliance that is required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and responses as item CU2009-01.

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

This report is intended solely for the information and use of the City of Bayard's Council, City of Bayard Housing Authority Commission, management, the New Mexico State Auditor, the New Mexico State Legislature, New Mexico Department of Finance and Administration an 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.



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

November 27, 2009

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

FINDINGS

Primary Government

Item 2009-01 – Financial Statements and Disclosures

Statement of Condition – The City relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The accounting staff lacks the knowledge to prepare such statements, as well as, the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. The City requires the independent auditor gather all necessary information in order to convert their cash basis accounting information into financial statements prepared in accordance with GAAP.

Criteria – Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 109, paragraph 41 states the following: *“Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives.”*

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum; management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, as applicable, and notes.

SAS 112 paragraph 11 provides examples of factors that may affect the likelihood that a control, or combination of controls could fail to prevent or detect a misstatement. One such example is *“The nature of the financial statements accounts, disclosures, and assertions involved.”* SAS 112 paragraph 19 provides a list of indicators of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. One such example is *“Ineffective oversight of the entity’s financial reporting and internal control by those charged with governance.”*

Effect – Since the City personnel lack the ability to prepare, and did not prepare, the financial statements, there is an increased risk that a misstatement of the City’s financial statements, that is more than inconsequential, will not be prevented or detected. Further, since the City accounting staff lacks the proper knowledge or training regarding the requirements of GAAP financial reporting, there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected. For example, in the prior year’s financial statements City personnel failed to recognize material misstatements of the financial statements that have been explained in note twelve.

Cause – The employees maintain the City’s accounting records on the cash basis of accounting which is required by the state of New Mexico.

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

FINDINGS (continued)

Primary Government (continued)

Item 2009-01 – Financial Statements and Disclosures (continued)

Cause (continued) – The employees have not received accounting training which would provide knowledge regarding the differences between the cash basis of accounting and the accrual basis of accounting and how to convert accounting records from one basis to another. City employees lack the proper abilities and training to prepare financial statements in accordance with generally accepted accounting principles. The City continues the tradition of the past by requiring the independent auditor prepare the financial statements and the notes to the statements as they perform their annual audit. In the past this may have been sufficient, however, the accounting profession (American Institute of Certified Public Accountants) by issuance of SAS 112, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

Recommendation – We recommend the City either employs an accountant to assist in the accounting and preparation of financial statements in accordance with generally accepted accounting principles or contract with an independent certified public accounting firm to assist the City with the preparation of financial statements.

Views of Responsible Officials and Planned Corrective Actions – The City will proceed with contracting with an independent certified public accountant to assist the City with the preparation of financial statements. The City will insure that adequate training is provided to the financial staff.

Item 2009-02 – Capital Assets Subsidiary Records

Statement of Condition – In order to be in compliance with the Government Accounting Standards Statement number 34, the City engaged a company to perform a complete physical inventory of all capital assets owned by the City. Upon completion, the company provided a computer software program that contained all the assets that were inventoried. The software and the data stored in the program compose the City's capital assets subsidiary ledgers. During our audit we noted the following discrepancies regarding the ledger:

- The reports generated by the program do not provide information that can be readily used for the preparation of financial statements in accordance with generally accepted accounting principles.
- The company provided identification numbers that were placed on the movable capital assets. During our tests of the listing of the assets, we discovered that the City staff has not kept the inventory list current and complete. We noted items on the list that were no longer owned by the City.
- The City does not reconcile the capital outlay accounts on the general ledger with the subsidiary capital assets ledger.

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

FINDINGS (continued)

Primary Government (continued)

Item 2009-02 – Capital Assets Subsidiary Records (continued)

Statement of Condition (continued) –

- The City constructed a new wastewater facility and the City did not add detailed information regarding the cost of the various components of the facility to the capital assets subsidiary ledger.

In addition to the problems noted above the City did not conduct an annual inventory of its capital assets.

Criteria – New Mexico State Statutes Section 12-6-10 directs the general services department to promulgate regulations to state agencies for the accounting and control of capital assets owned by government agencies. The New Mexico State Administrative Code, Title 2, Chapter 20, Part 1, *Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls* issued by the general services department requires that the City implement a systematic and well documented system for accounting of capital assets. The accounting system must be capable of generating lists of capital assets in sequences useful for managing them. The system must track all transactions, including acquisitions, depreciation, improvements and dispositions. The system must generate information that can be supported by the City's general ledger.

The administrative code also requires that the City perform an annual inventory of all capital assets owned by the City.

Effect – The City capital assets subsidiary ledgers are not capable of generating data necessary for the financial statements without significant amount of manipulation. The data maintained within the subsidiary ledger is not reconciled to the general ledger causing errors to occur in the accumulation of information within the subsidiary ledger. The current condition of the capital assets subsidiary ledger makes the preparation of the financial statements difficult.

The City failed to take an annual inventory of capital assets thus is not in compliance with NMAC 2.20.1 which could subject City personnel to punishment defined State statutes.

Cause – The City staff is unable to properly utilize the reporting function of the capital asset subsidiary software. The staff does not understand the relationship between the City's general ledger capital outlay accounts within the governmental and proprietary funds and the subsidiary ledger. The staff does not understand the concept of capitalization of capital assets within both the governmental and business-type activates.

Recommendation – We recommend the staff receive additional training regarding the maintenance of the capital assets subsidiary ledgers and in particular training should include the reporting function of the program. Additionally, the staff should receive training regarding the concept of capitalization of capital expenditures.

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

FINDINGS (continued)

Primary Government (continued)

Item 2009-02 – Capital Assets Subsidiary Records (continued)

Recommendation (continued) – Once the training has occurred, we recommend the City thoroughly review the subsidiary records and make the appropriate adjustments including providing detailed information regarding the cost components of the new waste water facility. Further, we recommend that the City comply with the administrative rule and conduct an annual inventory.

Views of Responsible Officials and Planned Corrective Actions – The City will insure that adequate training is provided to the financial staff regarding the maintenance of the capital assets subsidiary ledgers and for the capitalization of capital expenditures. The staff will begin to adequately input the city assets into the current financial software and will insure that the annual inventory process is completed.

Item 2009-03 – Bank Depositories

Statement of Condition – The City did not maintain its interest bearing deposits of \$1,659,854 at June 30, 2009 in each of the financial institutions located within the City's boundaries in the ratio of the financial institution's total deposits. The City has all of its interest bearing deposits in one of the two financial institutions located within the geographical boundaries of the City.

Criteria – Section 6-10-36C NMSA 1978A states in part, "*Public money placed in interest-bearing deposits in banks and savings and loan associations shall be equitably distributed among all banks and savings and loan associations having their main or staffed branch offices within the geographical boundaries of the governmental unit that have qualified as public depositories. The deposits shall be in the proportion that each bank's or savings and loan association's deposits bears to the total deposits of all banks and savings and loan associations.*"

Effect – Noncompliance with the New Mexico state statutes could subject elected officials and employees to penalties.

Cause – Management of the City states that the idle cash is invested at the one bank that provides the highest rate of return. Further, the bank where the City's idle cash is invested has stated to the City that they will not forfeit any of the interest income earned if the City makes an early withdrawal. That feature is very convenient as the need to obtain the funds on a short-term basis is important to the City. Management also states that at one time the City had their checking account in the other bank and the City was being charged a substantial amount to have deposits at the second bank. The present bank where the City funds are held does not charge any monthly bank service fees.

Recommendation – We recommend the City review Section 6-10-36C NMSA 1978A and enact a policy and procedure that would ensure compliance with Section 6-10-36C.

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

FINDINGS (continued)

Primary Government (continued)

Item 2009-03 – Bank Depositories (continued)

Views of Responsible Officials and Planned Corrective Actions – The City has tried to work with the all local area financial institutions in the past. Funds were moved to the current financial institution due to the charges being assessed by the prior financial institution. It was not beneficial to the municipality or the taxpayer to have finances held at the prior financial institution. City staff will conduct meetings for possible changes in the best interest of the municipality and the taxpayer.

Item 2009-04 – Issuance of Cash Receipts

Statement of Condition – During our testing of cash receipts received and recorded by the City we discovered the City does not use pre-numbered receipts. The receipt number is generated by the computer software and the staff has to ability to use a number that does not follow the last valid receipt issued. For example, if an employee makes an error on the receipt input screen, the employee has the ability to exit that input screen and re-enter the input screen at which time the software will generate a new number skipping over the original receipt number generated. There is no accounting evidence regarding the original receipt number that was generated.

Criteria – Internal controls are established to safe guard the assets of the City. The use of pre-numbered receipts aids in ensuring the receipt of funds enters the accounting system and the entire population of receipts generated for a particular accounting period can be determined and verified if necessary. Once the funds are receipted into the accounting system the transaction becomes a part the accounting system thus aiding in the safe guarding of assets.

Effect – The mechanics of the accounting software allow employees to skip the numerical sequence of receipts generated, thereby allowing missing numbers within the population. A dishonest employee could take advantage of the accounting system by accepting cash for payment of services rendered by the City and not issuing a receipt. The employee could complete most of the transaction for the customer giving them the impression that the transaction had been completed within the accounting system. Later the employee could exit the input screen thereby not issuing a receipt and the computer software would skip that original receipt number and use the next available number for the next transaction. The dishonest employee could remove the cash and not be detected on a timely basis.

Cause – The computer software has a potential control deficiency built into the software. The accounting procedures established by the City did not consider the particularities of the accounting software. The City did not require the administrative staff account for all receipts numbers issued to ensure the numerical sequence remained intact.

Recommendation – We recommend accounting procedures be established to ensure all receipts are numbered and issued during an accounting period and can be accounted for.

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

FINDINGS (continued)

Primary Government (continued)

Item 2009-04 – Issuance of Cash Receipts (continued)

Recommendation (continued) – The City should post a sign at the receipts counter that asks customers or patronages of the City to report non issuance of receipts to a responsible official. Further, we suggest that City employees ensure the numerical sequence of is maintained and accounted for.

Views of Responsible Officials and Planned Corrective Actions – City staff has begun to correct the number sequencing of cash receipts. We have begun to use a three-ply carbon receipt as to give the customer and cash drawer a copy and to have a continuous receipt tape of issued receipts for the audit file. City staff will continue to make improvements to the receipt process in the future in which receipt numbering will be preprinted on each receipt. City staff shall post a notice to customers and patronages to report non issuance of receipts to the Clerk-Treasurer and/or Mayor.

Item 2009-05 – Utility Billing

Statement of Condition – Audit procedures were applied to the customer water and sewer invoices to determine compliance with City Ordinance #01-2007 which establishes utility rates. Our sample size of forty invoices revealed three errors regarding the amounts charged for sewer services. The three invoices were from the months of April, May, and June 2009 and the City overcharged two customer accounts \$2.86 and under billed one account \$2.89. As a result of our tests we discover the City failed to make the necessary changes to the billing software in the month of April 2009 to calculate the sewer charges for the winter months of December 2008, January and February 2009 rather than the previous years winter months of December 2007, January and February 2008. The errors in billing occurred during the months of April 2009 through the discovery of the error which was July 2009.

Criteria – City Ordinance #01-2007, approved by the City Council, is the legal document that establishes the water and sewer rates. The ordinance states the monthly consumption average (December, January and February) is to be used for any additional charges in excess of the minimum rate. The change in the winter months average takes effect for the following April of each year.

Effect – By using outdated information, and not making the necessary changes, the City incorrectly charged their residents for the sewer services the City provides. Our discussion with the City Clerk Treasurer revealed the errors noted would apply to all customer accounts in the months of April 2009 through the date of the changes to the computer software.

Cause – City personnel failed to make the necessary changes to the computer software program in the month of April 2009.

STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

FINDINGS (continued)

Primary Government (continued)

Item 2009-05 – Utility Billing (continued)

Recommendation – We recommend procedures be established to ensure compliance with the water and sewer billing ordinance passed by the City Council. City accounting personnel should determine the amount of incorrect billing charges and those amounts should either be credited or debited to the individual customer accounts.

Views of Responsible Officials and Planned Corrective Actions – City staff will insure that all utility rates are correctly entered into the computer system throughout the year. Staff has completed making adjustment to all utility accounts for the incorrect sewer pro rate fees and also to the annual utility rate increases. Adjustments were completed as of August 2009.

Component Unit

Item CU2009-01 – Bank Depositories

Statement of Condition – The Authority did not maintain its interest bearing deposits of \$87,622 at June 30, 2009 in each of the financial institutions located within the City of Bayard boundaries in the ratio of the financial institution's total deposits. The Authority has all of its interest bearing deposits in one of the two financial institutions located within the geographical boundaries of the City of Bayard.

Criteria – Section 6-10-36C NMSA 1978A states in part, "Public money placed in interest-bearing deposits in banks and savings and loan associations shall be equitably distributed among all banks and savings and loan associations having their main or staffed branch offices within the geographical boundaries of the governmental unit that have qualified as public depositories. The deposits shall be in the proportion that each bank or savings and loan association deposits bear to the total deposits of all banks and savings and loan associations."

Effect – Noncompliance with the New Mexico state statutes could subject elected officials and employees to penalties.

Cause – The staff of the Authority were unaware of the requirement to allocate their interest bearing accounts between the banks located within the City of Bayard.

Recommendation – We recommend the Authority review Section 6-10-36C NMSA 1978A and enact a policy and procedure that would ensure compliance with Section 6-10-36C.

Views of Responsible Officials and Planned Corrective Actions – The Authority concurs with the auditors' recommendation and the Authority will begin looking into other financial institutions located within the geographical boundaries of the City of Bayard. At time of renewal, the housing authority will allocate their interest bearing accounts between qualified banks located within the City of Bayard.

**STATE OF NEW MEXICO
CITY OF BAYARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

PRIOR YEAR'S AUDIT FINDINGS

Primary Government

Item 2007-02 – Late Audit Report

The audit report for the fiscal year ended June 30, 2008 was due at the New Mexico State Auditor's office on December 1, 2008. The audit report was submitted on April 22, 2009. The audit report for the fiscal year ended June 30, 2009 was submitted on a timely basis. The audit finding is resolved.

Item 2008-01 – Water and Waste Disposal for Rural Communities CFDA No. 10.760

The prior years audit noted that the Federal Data Collection form was not filed by the due date of March 31, 2009. For the current year, the City is not required to submit the form to the federal Clearing House. The prior year's finding is considered resolved.

Component Unit

Item 2006-01

In the previous year the auditor noted that the Housing Authority did not maintain detailed subsidiary ledger records of capital assets. With the assistance of the fee accountant the Housing Authority has created a detailed subsidiary ledger. The finding is considered resolved.

Item 2006-02

In the prior year, the auditor noted that the Housing Authority did not maintain a complete general ledger at the Authority physical location. While the Authority does not have the electronic accounting data the Authority possesses all computer reports including a general ledger produced by the fee accountant. The Authority maintains all source data such as bank images of checks and deposits and all vendor invoices. The prior years finding is considered resolved.

Item 2008-01 – Late Audit Report

The audit report for the fiscal year ended June 30, 2008 was due at the New Mexico State Auditor's office on December 1, 2008. The audit report was submitted on April 21, 2009. The audit report for the fiscal year ended June 30, 2009 was submitted on a timely basis. The audit finding is considered resolved.

**STATE OF NEW MEXICO
CITY OF BAYARD
EXIT CONFERENCE AND
FINANCIAL STATEMENT PREPARATION
JUNE 30, 2009**

**CITY OF BAYARD
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2009, was discussed during the exit conference held on November 30, 2009. Present for the City was A.C. Rodriguez, city councilor; and Kristina V. Ortiz, city clerk-treasurer. Present for the auditing firm was Ed Fierro, CPA.

**PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2009, was discussed during the exit conference held on November 30, 2009. Present for the Public Housing Authority was Jim Cook, chairperson; and Jolene Padilla, executive director. Present for the City of Bayard was A.C. Rodriguez, city councilor; and Kristina V. Ortiz, city clerk-treasurer. Present from the auditing firm was Ed Fierro, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the City of Bayard as of June 30, 2009. The City's along with the Housing Authority's upper management have reviewed and approved the financial statements and related notes, and they believe that the City's and the Housing Authority's books and records adequately support them.