

**STATE OF NEW MEXICO  
CITY OF BAYARD**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2010**

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
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**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
Directory of Officials  
June 30, 2010

***ELECTED OFFICIALS***

Charles L. Kelly .....	Mayor
Jovita G. Gonzales.....	Mayor Pro-Tem
Armando Arzola .....	Councilor
Louis F. Baum Sr. ....	Councilor
Chon Fierro.....	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.....	Public Works Director

***HOUSING AUTHORITY***

Jim Cook.....	Chairperson
Rosemary Alvarado .....	Vice-Chairperson
Virginia Alvarado.....	Commissioner
Rubie Misquez .....	Commissioner
Vacant .....	Commissioner
Jolene Padilla .....	Executive Director

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www.fierrocpa.comIndependent Auditors' ReportHector 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, 2010, 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, 2010, 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.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and with 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.

The City of Bayard has not maintained and kept current, its subsidiary records that detail all of the capital assets owned by the City. In recent years, the City has completed construction on several large projects, and the amount reflected in the subsidiary capital asset ledgers only reflect the total construction cost. The City has failed to reflect detail cost amounts for the equipment purchased. We were unable to obtain sufficient; competent evidence supporting the amounts reflected as property and equipment and included in the statement of position as of June 30, 2010.

In our opinion, except for the effects of not maintaining a detailed capital assets subsidiary ledger as described in the preceding paragraph, the financial statements referred to previously 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, 2010, 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 previously present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City of Bayard, as of June 30, 2010, 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 nonmajor governmental funds referred to previously present fairly, in all material respects, the budgetary comparison for each fund of the City of Bayard for the year ended June 30, 2010, 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 17, 2010 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 conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and the budgetary comparison statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements and other opinion units listed above. The additional schedules listed as supplemental financial information and supplemental federal financial information in the table of contents and the basic 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.

*Fierro + Fierro, P.A.*

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

November 17, 2010

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash	\$ 1,082,808	\$ 2,966,323	\$ 4,049,131	\$ 376,901
Receivables, net of allowance for doubtful accounts:				
Accounts	-	206,200	206,200	1,421
Taxes	59,876	9,878	69,754	-
Intergovernmental	330,151	219,222	549,373	-
Interest	91	333	424	-
Inventory	-	-	-	3,595
Prepaid expenses	-	596	596	9,900
Restricted:				
Cash	-	475,899	475,899	15,143
Investment held by fiscal agent	7,061	-	7,061	-
Capital assets:				
Capital assets, not being depreciated	777,147	2,189,968	2,967,115	15,695
Other capital assets, net of amortization and depreciation	6,107,435	13,724,768	19,832,203	1,121,271
Total capital assets	<u>6,884,582</u>	<u>15,914,736</u>	<u>22,799,318</u>	<u>1,136,966</u>
Unamortized bond issuance costs	<u>-</u>	<u>9,750</u>	<u>9,750</u>	<u>-</u>
Total assets	<u>8,364,569</u>	<u>19,802,937</u>	<u>28,167,506</u>	<u>1,543,926</u>
<b>LIABILITIES</b>				
Accounts payable	311,458	195,096	506,554	7,276
Accrued salaries	11,888	10,466	22,354	3,802
Accrued interest payable	257	33,735	33,992	-
Customer deposits	-	82,949	82,949	-
Tenant deposits	-	-	-	15,143
Deferred revenues	80,752	-	80,752	344
Long-term liabilities:				
Due within one year	39,809	136,670	176,479	1,119
Due in more than one year	113,946	2,049,702	2,163,648	3,148
Total liabilities	<u>558,110</u>	<u>2,508,618</u>	<u>3,066,728</u>	<u>30,832</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,743,456	13,744,823	20,488,279	1,136,966
Restricted for debt service	7,039	355,705	362,744	-
Unrestricted	1,055,964	3,193,791	4,249,755	376,128
Total net assets	<u>\$ 7,806,459</u>	<u>\$ 17,294,319</u>	<u>\$ 25,100,778</u>	<u>\$ 1,513,094</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, 2010**

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	\$ 401,121	\$ 26,080	\$ 147,906	\$ -	\$ (227,135)		\$ (227,135)	
Public safety	513,890	44,521	147,325	-	(322,044)		(322,044)	
Public works	435,491	-	-	648,453	212,962		212,962	
Culture and recreation	158,764	845	11,387	147,260	728		728	
Health and welfare	11,603	522	-	15,072	3,991		3,991	
Interest on long-term debt	3,030	-	-	-	(3,030)		(3,030)	
Total governmental activities	1,523,899	71,968	306,618	810,785	(334,528)		(334,528)	
Business-type activities:								
Water	264,982	268,649	-	1,112,275		\$ 1,115,942	1,115,942	
Solid waste	316,390	367,783	-	-		51,393	51,393	
Wastewater	770,915	693,163	-	1,245,807		1,168,055	1,168,055	
Total business-type activities	1,352,287	1,329,595	-	2,358,082		2,335,390	2,335,390	
Total primary government	\$ 2,876,186	\$ 1,401,563	\$ 306,618	\$ 3,168,867	(334,528)	2,335,390	2,000,862	
Component Unit:								
Housing Authority	\$ 364,133	\$ 158,527	\$ 173,029	\$ 260,631				\$ 228,054
General Revenues:								
Property taxes, levied for general purposes					16,523	-	16,523	-
Franchise taxes					61,372	-	61,372	-
Gross receipts taxes					348,413	-	348,413	-
State shared taxes					76,356	114,133	190,489	-
Interest income					5,118	21,671	26,789	1,266
Donations					10,695	-	10,695	-
Gain on disposal of assets					306	-	306	-
Miscellaneous income					-	-	-	10,111
Total general revenues					518,783	135,804	654,587	11,379
Transfers, net					(25,418)	25,418	-	-
Change in net assets					158,837	2,496,612	2,655,449	239,433
Net assets, beginning of year					7,423,370	14,870,382	22,293,752	1,273,66
Restatements					224,252	(72,675)	151,577	-
Net assets, beginning of year, restated					7,647,622	14,797,707	22,445,329	1,273,66
Net assets, end of year					\$ 7,806,459	\$ 17,294,319	\$ 25,100,778	\$ 1,513,09

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, 2010**

	<u>General Fund</u>	<u>Municipal Streets Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash	\$ 515,183	\$ 455,071	\$ 112,554	\$ 1,082,808
Receivables, net of allowance for doubtful accounts:				
Taxes	51,977	7,715	184	59,876
Intergovernmental	4,378	319,078	6,695	330,151
Interest	-	89	2	91
Restricted:				
Investments	-	3,320	3,741	7,061
Total assets	<u>\$ 571,538</u>	<u>\$ 785,273</u>	<u>\$ 123,176</u>	<u>\$ 1,479,987</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 3,289	\$ 306,861	\$ 1,308	\$ 311,458
Accrued salaries	11,237	-	651	11,888
Deferred revenues	5,290	80,752	-	86,042
Total liabilities	19,816	387,613	1,959	409,388
Fund Balances:				
Reserved:				
Debt service	-	3,320	-	3,320
Debt service reported in nonmajor:				
Special revenue funds	-	-	3,719	3,719
State mandated reserve	82,124	-	-	82,124
Subsequent year's expenditures	171,508	179,517	-	351,025
Subsequent year's expenditures				
reported in nonmajor:				
Special revenue funds	-	-	36,620	36,620
Unreserved	298,090	214,823	-	512,913
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	80,878	80,878
Total fund balances	<u>551,722</u>	<u>397,660</u>	<u>121,217</u>	<u>1,070,599</u>
Total liabilities and fund balances	<u>\$ 571,538</u>	<u>\$ 785,273</u>	<u>\$ 123,176</u>	<u>\$ 1,479,987</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, 2010

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

Total fund balance governmental funds (page six)	\$	1,070,599
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		6,884,582
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.		5,290
Certain accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(257)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(153,755)</u>
Net assets of governmental activities (page four)	\$	<u>7,806,459</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, 2010**

	General Fund	Municipal Streets Fund	Total Non-Major Funds	Total Governmental Funds
<b>Revenues:</b>				
Local effort taxes	\$ 85,760	\$ -	\$ -	\$ 85,760
State shared taxes	321,563	100,677	2,529	424,769
Intergovernmental	206,287	654,501	256,615	1,117,403
Charges for service	28,695	-	-	28,695
Licenses and permits	4,597	-	-	4,597
Fines and forfeitures	38,676	-	-	38,676
Interest	1,662	3,144	312	5,118
Miscellaneous	5,526	-	5,475	11,001
	<u>692,766</u>	<u>758,322</u>	<u>264,931</u>	<u>1,716,019</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	369,975	-	-	369,975
Public safety	336,417	-	88,351	424,768
Public works	-	365,546	-	365,546
Culture and recreation	52,029	-	48,488	100,517
Health and welfare	12,064	-	4,889	16,953
Capital outlay	36,297	399,374	132,784	568,455
<b>Debt service:</b>				
Principal	-	11,179	29,301	40,480
Interest	-	28	3,642	3,670
	<u>806,782</u>	<u>776,127</u>	<u>307,455</u>	<u>1,890,364</u>
(Deficiency) revenues over expenditures	(114,016)	(17,805)	(42,524)	(174,345)
<b>Other Financing Sources (Uses):</b>				
Transfer in	34,167	4,203	38,798	77,168
Transfer (out)	(38,798)	(24,528)	(39,260)	(102,586)
	<u>(4,631)</u>	<u>(20,325)</u>	<u>(462)</u>	<u>(25,418)</u>
Net change in fund balance	(118,647)	(38,130)	(42,986)	(199,763)
Fund balance, beginning of year	684,144	478,032	150,428	1,312,604
Restatement	(13,775)	(42,242)	13,775	(42,242)
Fund balance, beginning of year restated	<u>670,369</u>	<u>435,790</u>	<u>164,203</u>	<u>1,270,362</u>
Fund balance, end of year	<u>\$ 551,722</u>	<u>\$ 397,660</u>	<u>\$ 121,217</u>	<u>\$ 1,070,599</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, 2010

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

Net change in fund balances total governmental fund (page eight)	\$	(199,763)
<p>Governmental funds report capital outlay as expenditures in the amount of \$568,455, 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 \$242,964. The net adjustment between the amounts is \$325,491.</p>		
		325,491
<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>		
		(7,865)
<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>		
		640
<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>		
		40,480
<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>(146)</u>
Net change in net assets - statement of activities (page five)	\$	<u>158,837</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, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
<b>Revenues:</b>				
Local effort taxes	\$ 88,327	\$ 88,977	\$ 84,790	\$ (4,187)
State shared taxes	423,000	423,000	312,971	(110,029)
Licenses and permits	5,100	5,310	4,597	(713)
Intergovernmental	424,316	468,857	251,811	(217,046)
Charges for services	28,500	55,980	29,885	(26,095)
Fines and forfeitures	35,300	38,680	38,676	(4)
Interest income	10,000	10,000	1,662	(8,338)
Miscellaneous	9,000	23,436	5,526	(17,910)
Total revenues	1,023,543	1,114,240	729,918	(384,322)
<b>Expenditures:</b>				
<b>Current:</b>				
General government	382,116	454,518	432,061	22,457
Public safety	353,212	361,432	337,032	24,400
Culture and recreation	48,421	56,401	49,092	7,309
Health and welfare	1,500	2,075	1,988	87
Capital outlay	300,774	312,174	74,868	237,306
Total expenditures	1,086,023	1,186,600	895,041	291,559
(Deficiency) of revenues over expenditures	(62,480)	(72,360)	(165,123)	(92,763)
<b>Other Financing Sources (Uses):</b>				
Transfers in	78,344	78,344	34,167	(44,177)
Transfers (out)	(86,096)	(86,096)	(38,798)	47,298
Total other financing sources (uses)	(7,752)	(7,752)	(4,631)	3,121
Net change in cash balances	(70,232)	(80,112)	(169,754)	(89,642)
Cash balance, beginning of year	684,937	684,937	684,937	-
Cash balance, end of year	\$ 614,705	\$ 604,825	\$ 515,183	\$ (89,642)

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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 92,000	\$ 94,300	\$ 90,422	\$ (3,878)
Intergovernmental	1,900,563	1,900,563	373,933	(1,526,630)
Charges for services	-	1,450	-	(1,450)
Interest	6,000	6,000	3,055	(2,945)
Total revenues	1,998,563	2,002,313	467,410	(1,534,903)
Expenditures:				
Current:				
Public works	780,468	808,868	258,981	549,887
Capital outlay	1,322,930	1,308,830	214,920	1,093,910
Total expenditures	2,103,398	2,117,698	473,901	1,643,797
Excess (deficiency) of revenues over expenditures	(104,835)	(115,385)	(6,491)	108,894
Other Financing Sources (Uses):				
Transfer in	-	4,203	4,203	-
Transfer (out)	(31,102)	(31,102)	(24,528)	6,574
Total other financing sources (uses)	(31,102)	(26,899)	(20,325)	6,574
Net change in cash balance	(135,937)	(142,284)	(26,816)	115,468
Cash balance, beginning of year	481,887	481,887	481,887	-
Cash balance, end of year	\$ 345,950	\$ 339,603	\$ 455,071	\$ 115,468

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, 2010**

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash	\$ 615,505	\$ 542,504	\$ 1,808,314	\$ 2,966,323
<b>Receivables (net of allowance):</b>				
Accounts	90,534	55,591	60,075	206,200
Taxes	8,989	889	-	9,878
Intergovernmental	125,587	58	93,577	219,222
Interest	12	-	321	333
Prepaid expenses	199	199	198	596
<b>Restricted Assets:</b>				
Cash	452,585	-	23,314	475,899
<b>Noncurrent Assets:</b>				
Land	35,359	-	13,480	48,839
Construction in progress	1,983,612	-	157,517	2,141,129
Water rights	1,200,000	-	-	1,200,000
Buildings	429,861	-	302,050	731,911
Utility system and facilities	4,607,910	-	5,846,332	10,454,242
Equipment	304,330	-	3,200,000	3,504,330
Less accumulated amortization and depreciation	(1,758,180)	-	(407,535)	(2,165,715)
Total capital assets, net	6,802,892	-	9,111,844	15,914,736
Unamortized bond issuance costs	9,750	-	-	9,750
Total assets	8,106,053	599,241	11,097,643	19,802,937
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	127,359	22,050	45,687	195,096
Accrued salaries	5,815	1,745	2,906	10,466
Accrued interest payable	26,874	-	6,861	33,735
Customer deposits	82,949	-	-	82,949
<b>Current maturities of:</b>				
Notes payable	62,636	-	60,867	123,503
Compensated absences	8,231	949	3,987	13,167
Total current liabilities	313,864	24,744	120,308	458,916
<b>Non-Current Liabilities:</b>				
Notes payable	840,589	-	1,205,821	2,046,410
Compensated absences	2,058	237	997	3,292
Total non-current liabilities	842,647	237	1,206,818	2,049,702
Total liabilities	1,156,511	24,981	1,327,126	2,508,618
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	5,899,667	-	7,845,156	13,744,823
Restricted debt service	332,391	-	23,314	355,705
Unrestricted	717,484	574,260	1,902,047	3,193,791
Total net assets	\$ 6,949,542	\$ 574,260	\$ 9,770,517	\$ 17,294,319

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, 2010**

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
Operating Revenues:				
Charges for services	\$ 537,299	\$ 367,783	\$ 424,513	\$ 1,329,595
Operating Expenses:				
Personnel services	256,124	65,418	118,667	440,209
General operating	165,859	250,972	183,917	600,748
Depreciation and amortization	81,838	-	190,404	272,242
Total operating expenses	<u>503,821</u>	<u>316,390</u>	<u>492,988</u>	<u>1,313,199</u>
Operating income (loss)	33,478	51,393	(68,475)	16,396
Non-Operating Revenues (Expenses):				
State shared taxes	106,857	7,276	-	114,133
Interest income	3,785	1,097	16,789	21,671
Interest expense	<u>(26,144)</u>	<u>-</u>	<u>(12,944)</u>	<u>(39,088)</u>
Total non-operating revenues (expenses)	<u>84,498</u>	<u>8,373</u>	<u>3,845</u>	<u>96,716</u>
Income (loss) before capital contributions and transfers	117,976	59,766	(64,630)	113,112
Capital Contributions and Transfers:				
Capital contributions	2,224,550	-	133,532	2,358,082
Transfers in	73,469	-	37,903	111,372
Transfers (out)	<u>(61,048)</u>	<u>(8,406)</u>	<u>(16,500)</u>	<u>(85,954)</u>
Total transfers	<u>2,236,971</u>	<u>(8,406)</u>	<u>154,935</u>	<u>2,383,500</u>
Change in net assets	2,354,947	51,360	90,305	2,496,612
Net assets, beginning of year	4,667,270	522,900	9,680,212	14,870,382
Restatements	<u>(72,675)</u>	<u>-</u>	<u>-</u>	<u>(72,675)</u>
Net assets, beginning of year, restated	<u>4,594,595</u>	<u>522,900</u>	<u>9,680,212</u>	<u>14,797,707</u>
Net assets, end of year	<u>\$ 6,949,542</u>	<u>\$ 574,260</u>	<u>\$ 9,770,517</u>	<u>\$ 17,294,319</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, 2010**

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers	\$ 525,974	\$ 365,732	\$ 422,355	\$ 1,314,061
Cash payments to employees for services	(257,237)	(64,760)	(117,230)	(439,227)
Cash payments to suppliers for goods and services	(167,019)	(250,036)	(185,313)	(602,368)
Net cash provided by operating activities	101,718	50,936	119,812	272,466
<b>Cash Flows From Non-Capital Financing Activities:</b>				
Cash received from state shared taxes	105,034	10,384	-	115,418
Cash received from capital contributions	2,098,963	-	39,955	2,138,918
Cash remitted fro unearned state shared taxes	(28,573)	(2,857)	-	(31,430)
Net change in customer deposits	7,602	-	-	7,602
Net transfers in (out)	12,421	(8,406)	21,403	25,418
Net cash provided (used) by non-capital and related financing activities	2,195,447	(879)	61,358	2,255,926
<b>Cash Flows for Capital and Financing Activities:</b>				
Bond proceeds	203,000	-	-	203,000
Acquisition of capital assets	(2,235,049)	-	(79,464)	(2,314,513)
Bond insurance costs	(10,000)	-	-	(10,000)
Principal payments on capital debt	(158,857)	-	(60,264)	(219,121)
Interest on debt	(22,772)	-	(13,270)	(36,042)
Net cash (used) by capital and related financing activities	(2,223,678)	-	(152,998)	(2,376,676)
<b>Cash Flows From Investing Activities:</b>				
Interest income	3,773	1,051	17,091	21,915
Purchase of certificates of deposit	(2,112)	(1,051)	(15,429)	(18,592)
Net cash provided by investing activities	1,661	-	1,662	3,323
Net increase in cash	75,148	50,057	29,834	155,039
Cash and cash equivalents, beginning of year	850,178	401,850	664,425	1,916,453
Cash and cash equivalents, end of year	<u>\$ 925,326</u>	<u>\$ 451,907</u>	<u>\$ 694,259</u>	<u>\$ 2,071,492</u>
<b>Displayed as:</b>				
Cash	\$ 615,505	\$ 542,504	\$ 1,808,314	\$ 2,966,323
Restricted cash	452,585	-	23,314	475,899
Time deposits not considered cash equivalents	(142,764)	(90,597)	(1,137,369)	(1,370,730)
	<u>\$ 925,326</u>	<u>\$ 451,907</u>	<u>\$ 694,259</u>	<u>\$ 2,071,492</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, 2010**

	<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)	\$ 33,478	\$ 51,393	\$ (68,475)	\$ 16,396
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and amortization	81,838	-	190,404	272,242
Bad debts	(225)	(33)	-	(258)
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(11,100)	(2,018)	(2,158)	(15,276)
(Increase) decrease in prepaid expenses	1,630	(199)	(198)	1,233
Increase (decrease) in accounts payable	(2,790)	1,135	(1,198)	(2,853)
Increase (decrease) in accrued salaries	608	328	414	1,350
Increase (decrease) in compensated absences	(1,721)	330	1,023	(368)
Total adjustments	<u>68,240</u>	<u>(457)</u>	<u>188,287</u>	<u>256,070</u>
Net cash provided by operating activities	<u>\$ 101,718</u>	<u>\$ 50,936</u>	<u>\$ 119,812</u>	<u>\$ 272,466</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, 2010

**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, 2010.



**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**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, 2010

**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, 2010

**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, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus, Basis of Accounting,  
C. 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 facility.

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

The *Regional Wastewater Plant fund* accounts for construction revenues and expenditures for the wastewater facility.

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.

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

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.

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 1<sup>st</sup> to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1<sup>st</sup> 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 OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**1. Deposits and Investments (continued)**

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.

**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.

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**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.

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.

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**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.

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.

**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.



**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**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.

*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.

**STATE OF NEW MEXICO  
CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**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. 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, 2010, 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	\$ 4,547,196	\$ (22,166)	\$ 4,525,030

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

Statement of Net Assets:	
Cash	\$ 4,049,131
Restricted cash	475,899
Total cash reported on financial statements	\$ 4,525,030

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).

**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**2. CASH (continued)**

*Cash Deposited With Financial Institutions (continued)*

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.

	AmBank
Total deposits in bank	\$ 4,547,196
Less FDIC coverage	(500,000)
Uninsured public funds	4,047,196
Pledged collateral held by pledging bank's trust, but not in the City's name	(2,095,470)
Uninsured and uncollateralized	\$ 1,951,726
50% pledged collateral requirement per State Statute	\$ (2,023,598)
Total pledged collateral	2,095,470
Pledged collateral (over) the requirement	\$ 71,872

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, 2010, \$4,047,196 of the City's bank balance of \$4,547,196 was exposed to custodial credit risk as follows:

	AmBank
Uninsured and collateral held by pledging banks' trust department or agent not in the City's name	\$ 4,047,196

**3. INVESTMENTS**

The City has borrowed money from the New Mexico Finance Authority (NMFA). As part of the note agreements, NMFA has retained funds.

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**3. INVESTMENTS (continued)**

The funds are placed in the New Mexico Local Government Investment Pool and the Bank of New York Mellon Trust Co., N.A. The amounts and description of the investments are described below:

<u>Agency</u>	<u>Investment</u>	<u>Maturity</u>	<u>Fair Market Value</u>
NM State Treasurer	Investment Pool	N/A	\$ 3,366
Bank of NY Mellon Trust Company	Dreyfus Cash Mgt	N/A	3,695
			<u>\$ 7,061</u>

**Cash Deposited with the New Mexico State Treasurer**

As of June 30, 2010, the combined balance of the City's debt service accounts deposited within the local government investment pool was \$3,366. The cost basis and the fair market basis of the deposit are equal to \$3,366 (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<sub>m</sub> 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.

*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 50-day WAM.

**Bank of New York Mellon Trust Company**

As part of note agreements and covenants, the City has cash invested at the Bank of New York Mellon Trust Company. The trust department has invested the funds within the Dreyfus Cash Management Institutional shares fund. The fund invests in a diversified portfolio of high quality, short-term debt securities, including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities.

**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**3. INVESTMENTS (continued)**

*Bank of New York Mellon Trust Company (continued)*

The investments are valued at fair value based on quoted market prices as of the valuation date. The fund is rated AAA<sub>m</sub> by Standards and Pools.

*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 32-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, 2010, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Charges for services	\$ -	\$ 238,854
Less allowances for doubtful accounts	-	(32,654)
Net receivables	<u>\$ -</u>	<u>\$ 206,200</u>

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

**5. INTERGOVERNMENTAL RECEIVABLES**

Amounts due from other governments at June 30, 2010, consisted of the following, which are considered full collectible:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
State of New Mexico	\$ 328,053	\$ 70,940
Grant County, New Mexico	2,060	-
Cobre Schools	38	-
U.S. Environmental Protection Agency	-	22,695
U.s. Department of Agriculture	-	125,587
	<u>\$ 330,151</u>	<u>\$ 219,222</u>

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**6. TAXES RECEIVABLE**

Amounts due from local effort and state shared taxes at June 30, 2010, consisted of the following, which are considered fully collectible:

	Governmental Activities	Business-Type Activities
Property taxes	\$ 6,835	\$ -
Franchise taxes	14,540	-
State shared gorss receipts taxes	26,276	9,878
Other state shared taxes	12,225	-
	<hr/>	<hr/>
Net taxes receivable	<u>\$ 59,876</u>	<u>\$ 9,878</u>

**7. PROPERTY TAX**

Property taxes attached as an enforceable lien on property as of January 1<sup>st</sup>. Property tax rates for the year are set no later than September 1<sup>st</sup> 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 1<sup>st</sup>. Tax notices are sent by the Grant County Treasurer to property owners by November 1<sup>st</sup> of each year.

Taxes are payable in equal semiannual installments by November 10<sup>th</sup> and April 10<sup>th</sup> 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 2009, was \$2.225 per \$1,000 for non-residential and \$1.307 for residential property.

**8. CAPITAL ASSETS**

Errors within the capital assets, as reported in the prior year, have been discovered subsequent to the issuance of the prior year's audit report. A description of the errors is as follows:

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**8. CAPITAL ASSETS (continued)**

1. In the governmental activities capital assets, a typing error occurred in the prior year's financial statements. Infrastructure and the associated accumulated depreciation incorrectly reflected the amounts associated with equipment. Additionally, the amounts reflected for equipment should have been the infrastructure amounts. In addition to those errors, the beginning construction in progress has been increased by \$166,494.
2. In the prior year, \$235,000 of capital improvements to the business-type utility system were capitalized as utility system improvements. Those costs should have been reflected as construction in progress as the projects were not completed as of June 30, 2009. \$27,325 of construction in progress costs were incorrectly expensed in the prior fiscal year. The construction in progress assets have been increased by the two amounts or \$262,325.

	Balance 06/30/09	Corrections	Restated Balance 06/30/09
	<u>          </u>	<u>          </u>	<u>          </u>
Governmental Capital Assets:			
Land	\$ 59,308	\$ -	\$ 59,308
Construction in progress	-	166,494	166,494
Buildings	2,028,356	-	2,028,356
Infrastructure	1,201,357	4,598,381	5,799,738
Equipment	5,799,738	(4,598,381)	1,201,357
Accumulated Depreciation:			
Buildings	(492,505)	-	(492,505)
Infrastructure	(727,200)	(749,257)	(1,476,457)
Equipment	(1,476,457)	749,257	(727,200)
	<u>\$ 6,392,597</u>	<u>\$ 166,494</u>	<u>\$ 6,559,091</u>
Business-Type Assets:			
Land	\$ 48,839	\$ -	\$ 48,839
Construction in progress	37,328	262,325	299,653
Water rights	1,200,000	-	1,200,000
Buildings	727,412	-	727,412
Utility system	10,189,242	(235,000)	9,954,242
Equipment	3,504,330	-	3,504,330
Accumulated Depreciation:			
Water rights	(97,500)	-	(97,500)
Buildings	(166,389)	-	(166,389)
Utility system	(1,280,147)	-	(1,280,147)
Equipment	(349,687)	-	(349,687)
	<u>\$ 13,813,428</u>	<u>\$ 27,325</u>	<u>\$ 13,840,753</u>

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**8. CAPITAL ASSETS (continued)**

Capital assets for the fiscal year ended June 30, 2010:

	Restated Balance 6/30/2009	Increases	Decreases	Balance 6/30/2010
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 59,308	\$ 18,226	\$ -	\$ 77,534
Construction in progress	166,494	533,119	-	699,613
Total other capital assets, not being depreciated	225,802	551,345	-	777,147
Other capital assets, being depreciated:				
Buildings	2,028,356	-	-	2,028,356
Infrastructure	5,799,738	17,110	-	5,816,848
Equipment	1,201,357	-	-	1,201,357
Total other capital assets, being depreciated	9,029,451	17,110	-	9,046,561
Less accumulated depreciation for:				
Buildings	(492,505)	(40,426)	-	(532,931)
Infrastructure	(1,476,457)	(102,641)	-	(1,579,098)
Equipment	(727,200)	(99,897)	-	(827,097)
Total accumulated depreciation	(2,696,162)	(242,964)	-	(2,939,126)
Other capital assets, net	6,333,289	(225,854)	-	6,107,435
Total capital assets, net	<u>\$ 6,559,091</u>	<u>\$ 325,491</u>	<u>\$ -</u>	<u>\$ 6,884,582</u>

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

Governmental Activities:	
General government	\$ 30,326
Public safety	84,446
Public works	69,945
Culture and recreation	58,247
	<u>\$ 242,964</u>



**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**8. CAPITAL ASSETS (continued)**

The following is a summary of proprietary fund assets:

	Restated Balance 06/30/09	Increases	Decreases	Balance 06/30/10
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 48,839	\$ -	\$ -	\$ 48,839
Construction in progress	299,653	2,341,476	(500,000)	2,141,129
Total capital assets, not being depreciated	348,492	2,341,476	(500,000)	2,189,968
Other capital assets, being amortized and depreciated:				
Water rights	1,200,000	-	-	1,200,000
Buildings	727,412	4,499	-	731,911
Utility system	9,954,242	500,000	-	10,454,242
Equipment	3,504,330	-	-	3,504,330
Total other capital assets, being depreciated	15,385,984	504,499	-	15,890,483
Less accumulated amortization and depreciation for:				
Water rights	(97,500)	(10,000)	-	(107,500)
Buildings	(166,389)	(14,732)	-	(181,121)
Utility system	(1,280,147)	(135,834)	-	(1,415,981)
Equipment	(349,687)	(111,426)	-	(461,113)
Total accumulated amortization and depreciation	(1,893,723)	(271,992)	-	(2,165,715)
Other capital assets, net	13,492,261	232,507	-	13,724,768
Total capital assets, net	\$ 13,840,753	\$ 2,573,983	\$ (500,000)	\$ 15,914,736

**9. LONG-TERM OBLIGATIONS**

During the fiscal year ended June 30, 2008, the City borrowed \$100,000 from the Rural community Assistance Corporation. The loan has been reflected as a liability of the governmental activities for the past two fiscal years. The proceeds of the loan were used for preliminary construction costs of water and system improvements. The City has determined that the loan should have been a liability of the water and sewer enterprise fund. Therefore, the June 30, 2009 loan balances, for both the governmental activities and the business-type activities, have been restated to reflect the liability in the proper activity. The governmental activities notes payable balance of \$281,606 at June 30, 2009 has been restated to \$181,606. The business-type activities note payable balance of \$2,086,034 at June 30, 2009 has been restated to \$2,186,034.

**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**9. LONG-TERM OBLIGATIONS (continued)**

*Governmental Activities Debt*

Changes in governmental activities long-term debt during the year ended June 30, 2010, were as follows:

	Restated Balance 06/30/09	Additions	Deletions	Balance 06/30/10	Amounts Due Within One Year
General Long-Term Debt:					
Notes payable	\$ 181,606	\$ -	\$ 40,480	\$ 141,126	\$ 29,706
Compensated absences	12,483	20,999	20,853	12,629	10,103
Total	<u>\$ 194,089</u>	<u>\$ 20,999</u>	<u>\$ 61,333</u>	<u>\$ 153,755</u>	<u>\$ 39,809</u>

*Note Payable – New Mexico Finance Authority #1*

The City entered into an agreement with the New Mexico Finance Authority to borrow \$175,000 in order to acquire a fire pumper truck for the fire department. The loan is to be repaid from pledged fire allotment revenues. The interest rate varies from 3.280% to 3.870%. The annual principal payment varies from \$16,830 to \$19,272. 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
2011	\$ 17,077	\$ 2,886	\$ 19,963
2012	17,468	2,538	20,006
2013	17,879	2,174	20,053
2014	18,309	1,788	20,097
2015	18,764	1,380	20,144
2016-2017	39,000	1,432	40,432
	<u>\$ 128,497</u>	<u>\$ 12,198</u>	<u>\$ 140,695</u>

*Note Payable – New Mexico Finance Authority #2*

The City entered into an agreement with the New Mexico Finance Authority to borrow \$50,326 in order to acquire police vehicles for the police department. The loan is to be repaid from pledged law enforcement allotment revenues. The note does not accrue interest charges. The remaining principal payment of \$12,629 is due on May 1, 2011. The Finance Authority is charging a .25% administrative fee.

*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:

**STATE OF NEW MEXICO  
CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**9. LONG-TERM OBLIGATIONS (continued)**

*Compensated Absences (continued)*

- 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*

Changes in business-type activities loan activity during the fiscal year ended June 30, 2010 is as follows:

	Restated Balance 06/30/09	Additions	Deletions	Balance 06/30/10	Amounts Due Within One Year
Bonds	\$ -	\$ 203,000	\$ -	\$ 203,000	\$ 2,013
Notes payable	2,186,034	-	219,121	1,966,913	121,490
Compensated absences	16,827	24,789	25,157	16,459	13,167
	<u>\$ 2,202,861</u>	<u>\$ 227,789</u>	<u>\$ 244,278</u>	<u>\$ 2,186,372</u>	<u>\$ 136,670</u>

*2003 Municipal Gross Receipts Tax Revenue Bond*

On August 3, 2009, the City issued \$203,000 of gross receipts tax revenue bonds for the purpose of providing a portion of the cost of improving its water and wastewater system. The bonds bear interest at 4.25% per annum. The bonds' principal matures in amounts commencing on August 3, 2010, and annually thereafter, in accordance with the payment schedule. The final principal maturity shall be forty years from the date of the bonds' issuance. Principal and interest payments are made from the water and sewer fund. Annual debt service requirements to maturity are as follows:

Due in the year ending June 30:

	Principal	Interest	Total
2011	\$ 2,013	\$ 8,628	\$ 10,641
2012	2,099	8,542	10,641
2013	2,188	8,453	10,641
2014	2,281	8,360	10,641
2015	2,378	8,263	10,641
2016-2020	13,493	39,712	53,205
2021-2025	16,614	36,591	53,205

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**9. LONG-TERM OBLIGATIONS (continued)**

*2003 Municipal Gross Receipts Tax Revenue Bond (continued)*

	Principal	Interest	Total
2026-2030	20,458	32,747	53,205
2031-2035	25,190	28,015	53,205
2036-2040	31,019	22,186	53,205
2041-2045	38,196	15,009	53,205
2046-2050	47,071	6,174	53,245
	<b>\$ 203,000</b>	<b>\$ 222,680</b>	<b>\$ 425,680</b>

**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
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	13,532	824	14,356
2016	13,936	418	14,354
	<b>\$ 77,766</b>	<b>\$ 8,366</b>	<b>\$ 86,132</b>

**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:

**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**9. LONG-TERM OBLIGATIONS (continued)**

**Notes Payable – NM Environment Department (continued)**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	54,700	12,575	67,275
2016-2020	299,121	37,248	336,369
2021	65,315	1,959	67,274
	<u>\$ 622,459</u>	<u>\$ 117,554</u>	<u>\$ 740,013</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>
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	63,338	10,195	73,533
2016-2020	326,318	42,348	368,666
2021-2025	342,964	24,705	367,669
2026-2029	286,925	7,209	294,134
	<u>\$ 1,266,688</u>	<u>\$ 131,448</u>	<u>\$ 1,398,136</u>

**10. INTERFUND TRANSFERS**

	<u>Transfers In</u>					<u>Total</u>
	<u>General Fund</u>	<u>Municipal Streets Fund</u>	<u>Water and Sewer Fund</u>	<u>Joint Wastewater Fund</u>	<u>Non-Major Funds</u>	
Transfer (out)						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 38,798	\$ 38,798
Municipal Streets Fund	-	-	24,528	-	-	24,528
Water and Sewer Fund	23,464	-	-	37,584	-	61,048
Solid Waste Fund	4,203	4,203	-	-	-	8,406
Joint Wastewater Fund	6,500	-	10,000	-	-	16,500
Non-Major Funds	-	-	38,941	319	-	39,260
	<u>\$ 34,167</u>	<u>\$ 4,203</u>	<u>\$ 73,469</u>	<u>\$ 37,903</u>	<u>\$ 38,798</u>	<u>\$ 188,540</u>

**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**10. INTERFUND TRANSFERS (continued)**

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.

**11. RESTATEMENT OF NET ASSETS**

During the fiscal year ended June 30, 2010, the City discovered the need to make changes to amounts reported within the financial statements ended June 30, 2009. A description and the effect of the errors is as follows:

	Government-Wide		
	Governmental Activities	Business-Type Activities	Individual Funds
<b>Government-Wide Financial Statements:</b>			
In the previous year's financial statements, capital assets were understated.	\$ 166,494		
In the previous fiscal year, a note was incorrectly reflected as liability of governmental activities. The obligation should have been reflected as a liability of the business-type activities.		100,000	
<i>Major Funds</i>			
<b>General Fund</b>			
Interfund receivables were overstated in the previous fiscal year.	13,775		\$ 13,775
<b>Municipal Streets Fund:</b>			
In the previous year unearned grant revenues were incorrectly reflected as earned.	(42,242)		\$ 42,242
<b>Water &amp; Sewer Fund:</b>			
In the previous year's financial statements construction in progress were understated.		\$ 27,325	\$ 27,235
In the previous fiscal year a note was incorrectly reflected as liability of governmental activities. The obligation should have been reflected as a liability of the water and sewer enterprise fund.		(100,000)	(100,000)
			\$ (72,765)
<i>Nonmajor Funds</i>			
<b>Regional Wastewater Plant Fund</b>			
Interfund payables were overstated in the previous fiscal year.	(13,775)		
Total government-wide financial statements	\$ 224,252	\$ 27,325	

**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**12. TAXES**

Local effort and state shared taxes as of June 30, 2010:

	General Fund	Municipal Streets Fund	Non-Major Funds	Total Governmental Funds
Local effort taxes:				
Property taxes	\$ 24,388	\$ -	\$ -	\$ 24,388
Franchise taxes	61,372	-	-	61,372
Total local effort taxes	<u>\$ 85,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,760</u>
State shared taxes:				
Gross receipts taxes	\$ 281,784	\$ 66,629	\$ -	\$ 348,413
Motor vehicle registrations	6,097	15,513	-	21,610
Cigarette taxes	5,039	-	2,529	7,568
Gasoline taxes	28,643	18,535	-	47,178
Total state shared taxes	<u>\$ 321,563</u>	<u>\$ 100,677</u>	<u>\$ 2,529</u>	<u>\$ 424,769</u>

**13. 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.

	General Fund	Municipal Street Fund
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 729,918	\$ 467,410
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.	(45,017)	316,214
Real estate taxes collected after year end but not soon enough to pay for current period expenditures are deferred revenues for financial reporting purposes.	7,865	-
The City received and recorded unearned grant revenues during the fiscal year. For budgetary purposes, the cash received was recorded as revenue while for financial reporting purposes, the cash was reflected as deferred revenue.	-	(38,510)

**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**13. BUDGET RECONCILIATIONS (continued)**

	General Fund	Municipal Street Fund
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.	-	8
During the fiscal year, gross receipts taxes were intercepted to meet the debt services requirement of a note. The City did not record the intercepted taxes as revenue for budgetary reporting purposes. For financial reporting purposes, the amount intercepted was reflected as revenue.	-	13,200
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances.	\$ 692,766	\$ 758,322
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 895,041	\$ 473,901
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.	(13,461)	303,476
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.	1,392	-
During the fiscal year, the City was required to remit unearned gross receipts taxes. The amount remitted was charged as expenditures for budgetary purposes. For financial reporting, the payment was reflected as a reduction of deferred revenues.	(76,190)	(14,286)
The payment of an yearly service contract that effects a portion of the upcoming fiscal year is considered a prepaid expense for financial reporting.	-	1,829
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.	-	11,207



**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**13. BUDGET RECONCILIATIONS (continued)**

	General Fund	Municipal Street Fund
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances.	\$ 806,782	\$ 776,127
Other Sources (Uses) of Resources: Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ (4,631)	\$ (20,325)
Differences - Budget to GAAP: None.	-	-
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances.	\$ (4,631)	\$ (20,325)

**14. 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](http://www.pera.state.nm.us).

**Funding Policy** - Municipal general members are required to contribute 8.15% while municipal police contribute 11.35% (ranges from 3.83% 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, 2010, 2009 and 2008 were \$81,918, \$75,198, and \$60,950 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, 2010

**15. 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.

**16. 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.

**17. 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, 2010**

	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
<b><u>ASSETS</u></b>											
Cash	\$ 16,011	\$ 15,245	\$ 3,908	\$ 44,394	\$ 31,369	\$ 1,627	\$ 112,554	\$ -	\$ -	\$ -	\$ -
Receivables, net of allowances for doubtful accounts:											
Taxes	-	184	-	-	-	-	184	-	-	-	-
Intergovernmental	-	-	-	-	6,695	-	6,695	-	-	-	-
Interest	-	-	-	2	-	-	2	-	-	-	-
Restricted:											
Investments	3,719	-	22	-	-	-	3,741	-	-	-	-
Total assets	<u>\$ 19,730</u>	<u>\$ 15,429</u>	<u>\$ 3,930</u>	<u>\$ 44,396</u>	<u>\$ 38,064</u>	<u>\$ 1,627</u>	<u>\$ 123,176</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>											
Liabilities:											
Accounts payable	\$ 477	\$ -	\$ -	\$ -	\$ 831	\$ -	\$ 1,308	\$ -	\$ -	\$ -	\$ -
Accrued salaries	212	-	-	-	439	-	651	-	-	-	-
Total liabilities	689	-	-	-	1,270	-	1,959	-	-	-	-
Fund Balances:											
Reserved for debt service	3,719	-	-	-	-	-	3,719	-	-	-	-
Reserved designated for subsequent year's expenditures	-	-	-	-	-	-	-	-	-	-	-
Unreserved	15,322	8,000	3,580	-	9,718	-	36,620	-	-	-	-
Total fund balances	19,041	15,429	3,930	44,396	36,794	1,627	121,217	-	-	-	-
Total liabilities and fund balances	<u>\$ 19,730</u>	<u>\$ 15,429</u>	<u>\$ 3,930</u>	<u>\$ 44,396</u>	<u>\$ 38,064</u>	<u>\$ 1,627</u>	<u>\$ 123,176</u>	<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  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	Total Capital Projects Funds	Total Non-Major Funds
<b><u>ASSETS</u></b>		
Cash	\$ -	\$ 112,554
Receivables, net of allowances of doubtful accounts:		
Taxes	-	184
Intergovernmental	-	6,695
Interest	-	2
Restricted:		
Investments	-	3,741
Total assets	\$ -	\$ 123,176
<b><u>LIABILITIES AND FUND BALANCE</u></b>		
Liabilities:		
Accounts payable	\$ -	\$ 1,308
Accrued salaries	-	651
Total liabilities	-	1,959
Fund Balances:		
Reserved for debt service	-	3,719
Reserved designated for subsequent year's expenditures	-	36,620
Unreserved	-	80,878
Total fund balances	-	121,217
Total liabilities and fund balances	\$ -	\$ 123,176

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, 2010**

	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
<b>Revenues:</b>											
State shared taxes	\$ -	\$ 2,529	\$ -	\$ -	\$ -	\$ -	\$ 2,529	\$ -	\$ -	\$ -	\$ -
Intergovernmental	81,146	-	23,600	-	145,557	6,312	256,615	-	-	-	-
Interest income	24	-	19	269	-	-	312	-	-	-	-
Miscellaneous	475	-	-	-	5,000	-	5,475	-	-	-	-
<b>Total revenues</b>	<b>81,645</b>	<b>2,529</b>	<b>23,619</b>	<b>269</b>	<b>150,557</b>	<b>6,312</b>	<b>264,931</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>											
Current:											
Public safety	72,433	-	11,418	4,500	-	-	88,351	-	-	-	-
Culture and recreation	-	4,908	-	-	43,580	-	48,488	-	-	-	-
Health and welfare	-	-	-	-	-	4,889	4,889	-	-	-	-
Capital outlay	-	-	-	-	132,784	-	132,784	-	-	-	-
Debt service:											
Principal	16,704	-	12,597	-	-	-	29,301	-	-	-	-
Interest and other charges	3,579	-	63	-	-	-	3,642	-	-	-	-
<b>Total expenditures</b>	<b>92,716</b>	<b>4,908</b>	<b>24,078</b>	<b>4,500</b>	<b>176,364</b>	<b>4,889</b>	<b>307,455</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	(11,071)	(2,379)	(459)	(4,231)	(25,807)	1,423	(42,524)	-	-	-	-
<b>Other Financing Sources (Uses):</b>											
Transfer in	7,521	-	-	7,492	23,785	-	38,798	-	-	-	-
Transfer (out)	-	-	-	-	-	-	-	(5)	-	(319)	(38,936)
<b>Total other financing sources (uses)</b>	<b>7,521</b>	<b>-</b>	<b>-</b>	<b>7,492</b>	<b>23,785</b>	<b>-</b>	<b>38,798</b>	<b>(5)</b>	<b>-</b>	<b>(319)</b>	<b>(38,936)</b>
<b>Net change in fund balance</b>	<b>(3,550)</b>	<b>(2,379)</b>	<b>(459)</b>	<b>3,261</b>	<b>(2,022)</b>	<b>1,423</b>	<b>(3,726)</b>	<b>(5)</b>	<b>-</b>	<b>(319)</b>	<b>(38,936)</b>
Fund balance, beginning of year	22,591	17,808	4,389	41,135	38,816	204	124,943	5	(13,775)	319	38,936
Restatements	-	-	-	-	-	-	-	-	13,775	-	-
Restated fund balance, beginning of year	22,591	17,808	4,389	41,135	38,816	204	124,943	5	-	319	38,936
<b>Fund balance, end of year</b>	<b>\$ 19,041</b>	<b>\$ 15,429</b>	<b>\$ 3,930</b>	<b>\$ 44,396</b>	<b>\$ 36,794</b>	<b>\$ 1,627</b>	<b>\$ 121,217</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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, 2010**

	Total Capital Projects Funds	Total Non-Major Funds
Revenues:		
State shared taxes	\$ -	\$ 2,529
Intergovernmental	-	256,615
Interest income	-	312
Miscellaneous	-	5,475
Total revenues	-	264,931
Expenditures:		
Current:		
Public safety	-	88,351
Culture and recreation	-	48,488
Health and welfare	-	4,889
Capital outlay	-	132,784
Debt service:		
Principal	-	29,301
Interest and other charges	-	3,642
Total expenditures	-	307,455
Excess (deficiency) of revenues over expenditures	-	(42,524)
Other Financing Sources (Uses):		
Transfer in	-	38,798
Transfer (out)	(39,260)	(39,260)
Total other financing sources (uses)	(39,260)	(462)
Net change in fund balance	(39,260)	(42,986)
Fund balance, beginning of year	25,485	150,428
Restatements	13,775	13,775
Restated fund balance, beginning of year	39,260	164,203
Fund balance, end of year	\$ -	\$ 121,217

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, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 44,000	\$ 57,400	\$ 57,363	\$ (37)
Miscellaneous	1,000	1,000	475	(525)
Total revenues	45,000	58,400	57,838	(562)
Expenditures:				
Current:				
Public safety	45,121	73,121	72,279	842
Excess (deficiency) of revenues over expenditures	(121)	(14,721)	(14,441)	280
Other Financing Sources (Uses):				
Transfers in	7,811	7,811	7,521	(290)
Net change in fund balance	7,690	(6,910)	(6,920)	(10)
Cash balance, beginning of year	22,931	22,931	22,931	-
Cash balance, end of year	<u>\$ 30,621</u>	<u>\$ 16,021</u>	<u>\$ 16,011</u>	<u>\$ (10)</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
State shared taxes	\$ 2,500	\$ 2,500	\$ 2,435	\$ (65)
Expenditures:				
Current:				
Culture and recreation	<u>11,000</u>	<u>11,000</u>	<u>4,908</u>	<u>6,092</u>
Net change in fund balance	(8,500)	(8,500)	(2,473)	6,027
Cash balance, beginning of year	<u>17,718</u>	<u>17,718</u>	<u>17,718</u>	<u>-</u>
Cash balance, end of year	<u>\$ 9,218</u>	<u>\$ 9,218</u>	<u>\$ 15,245</u>	<u>\$ 6,027</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 10,920	\$ 11,084	\$ 11,084	\$ -
Expenditures:				
Current:				
Public safety	<u>10,920</u>	<u>11,720</u>	<u>11,499</u>	<u>221</u>
Net change in fund balance	-	(636)	(415)	221
Cash balance, beginning of year	<u>4,323</u>	<u>4,323</u>	<u>4,323</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 4,323</u></u>	<u><u>\$ 3,687</u></u>	<u><u>\$ 3,908</u></u>	<u><u>\$ 221</u></u>

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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Interest	\$ 300	\$ 300	\$ 267	\$ (33)
Expenditures:				
Current:				
Public safety	10,000	10,000	4,500	5,500
Excess (deficiency) of revenues over expenditures	(9,700)	(9,700)	(4,233)	5,467
Other Financing Sources (Uses):				
Transfer in	10,000	10,000	7,492	(2,508)
Net change in fund balance	300	300	3,259	2,959
Cash balance, beginning of year	41,135	41,135	41,135	-
Cash balance, end of year	<u>\$ 41,435</u>	<u>\$ 41,435</u>	<u>\$ 44,394</u>	<u>\$ 2,959</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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 375,657	\$ 222,082	\$ 177,931	\$ (44,151)
Miscellaneous	-	5,000	5,000	-
Total revenues	<u>375,657</u>	<u>227,082</u>	<u>182,931</u>	<u>(44,151)</u>
Expenditures:				
Current:				
Culture and recreation	365,642	238,402	67,520	170,882
Capital outlay	-	240	133,022	(132,782)
Total expenditures	<u>365,642</u>	<u>238,642</u>	<u>200,542</u>	<u>38,100</u>
Excess (deficiency) of revenues over expenditures	10,015	(11,560)	(17,611)	(6,051)
Other Financing Sources (Uses):				
Transfer in	<u>31,054</u>	<u>31,054</u>	<u>23,785</u>	<u>(7,269)</u>
Net change in fund balance	41,069	19,494	6,174	(13,320)
Cash balance, beginning of year	<u>25,195</u>	<u>25,195</u>	<u>25,195</u>	<u>-</u>
Cash balance, end of year	<u>\$ 66,264</u>	<u>\$ 44,689</u>	<u>\$ 31,369</u>	<u>\$ (13,320)</u>

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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 6,305	\$ 6,312	\$ 6,312	\$ -
Expenditures:				
Current:				
Health and welfare	6,305	6,305	4,889	1,416
Net change in fund balance	-	7	1,423	1,416
Cash balance, beginning of year	204	204	204	-
Cash balance, end of year	<u>\$ 204</u>	<u>\$ 211</u>	<u>\$ 1,627</u>	<u>\$ 1,416</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, 2010**

	Fire Protection Fund	Juvenile Recreation Fund	Law Enforcement Fund
<b>Sources/Inflows of Resources:</b>			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 57,838	\$ 2,435	\$ 11,084
<b>Differences - Budget to GAAP:</b>			
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.	-	94	-
During the fiscal year, intergovernmental revenue was intercepted to meet the debt services requirement of a note. The City did not record the intercepted revenue for budgetary reporting purposes. For financial reporting purposes, the amount intercepted was reflected as revenue.	20,088	-	12,516
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.	24	-	19
Increases in cash held by the fiscal agent for debt service was not recorded for budgetary purposes. The increase is reflected as additional revenue in the current year.	3,695	-	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - special revenue funds.	\$ 81,645	\$ 2,529	\$ 23,619
<b>Uses/Outflows of Resources:</b>			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 72,279	\$ 4,908	\$ 11,499
<b>Differences - Budget to GAAP:</b>			
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.	127	-	(81)
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.	27	-	-

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, 2010**

	Fire Protection Fund	Juvenile Recreation Fund	Law Enforcement Fund
	<u>          </u>	<u>          </u>	<u>          </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>20,283</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>\$ 92,716</u>	<u>\$ 4,908</u>	<u>\$ 24,078</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 7,521	\$ -	\$ -
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>\$ 7,521</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, 2010**

	<u>Corrections Fund</u>	<u>Library Fund</u>	<u>Emergency Medical Services Fund</u>
<b>Sources/Inflows of Resources:</b>			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 267	\$ 182,931	\$ 6,312
<b>Differences - Budget to GAAP:</b>			
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>2</u>	<u>(32,374)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - special revenue funds	<u>\$ 269</u>	<u>\$ 150,557</u>	<u>\$ 6,312</u>
<b>Uses/Outflows of Resources:</b>			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 4,500	\$ 200,542	\$ 4,889
<b>Differences - Budget to GAAP:</b>			
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.	-	(24,256)	-
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>78</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - special revenue funds	<u>\$ 4,500</u>	<u>\$ 176,364</u>	<u>\$ 4,889</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, 2010

	Corrections Fund	Library Fund	Emergency Medical Services Fund
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 7,492	\$ 23,785	\$ -
Difference - Budget to GAAP:			
None.	-	-	-
Total other financing sources (uses) as reported on the statement of revenues, expenditures, changes in fund balances - special revenue funds	\$ 7,492	\$ 23,785	\$ -

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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 2,235,496	\$ 2,235,496	\$ 1,858,175	\$ (377,321)
Expenditures:				
Capital outlay	<u>2,235,496</u>	<u>2,235,496</u>	<u>1,858,025</u>	<u>377,471</u>
Net change in cash balance	-	-	150	150
Cash balance, beginning of year	<u>5</u>	<u>5</u>	<u>5</u>	<u>-</u>
Transferred to water and sewer fund	<u>-</u>	<u>-</u>	<u>(155)</u>	<u>(155)</u>
Cash balance, end of year	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ (5)</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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ -	\$ 39,955	\$ 39,955	\$ -
Expenditures:				
Current:				
Capital outlay	-	39,955	39,955	-
Net change in cash balance	-	-	39,955	-
Cash balance, beginning of year	319	319	319	-
Transferred to joint wastewater fund	-	-	(319)	(319)
Cash balance, end of year	<u>\$ 319</u>	<u>\$ 319</u>	<u>\$ -</u>	<u>\$ (319)</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, 2010**

	<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	\$ 433,788	\$ (66,212)
Expenditures:				
Current:				
Capital outlay	<u>500,000</u>	<u>500,022</u>	<u>472,696</u>	<u>27,326</u>
Net change in cash balance	-	(22)	(38,908)	(38,886)
Cash balance, beginning of year	<u>38,936</u>	<u>38,936</u>	<u>38,936</u>	<u>-</u>
Transferred to joint wastewater fund	<u>-</u>	<u>-</u>	<u>(28)</u>	<u>(28)</u>
Cash balance, end of year	<u>\$ 38,936</u>	<u>\$ 38,914</u>	<u>\$ -</u>	<u>\$ (38,914)</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, 2010**

	RUS Improvements Phase I Fund	Regional Wastewater Plant Fund	CDBG Grant Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 1,858,175	\$ 39,955	\$ 433,788
Differences - Budget to GAAP:			
The City has budgeted capital projects activity related to enterprise activity as governmental activities within the capital projects fund. For financial reporting purposes, the activity has been reflected within the enterprise funds in which the capital projects are capitalized.	<u>(1,858,175)</u>	<u>(39,955)</u>	<u>(433,788)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - capital projects funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 1,858,025	\$ 39,955	\$ 472,696
Differences - Budget to GAAP:			
The City has budgeted capital projects activity related to enterprise activity as governmental activities within the capital projects fund. For financial reporting purposes the activity has been reflected within the enterprise funds in which the capital projects are capitalized.	<u>(1,858,025)</u>	<u>(39,955)</u>	<u>(472,696)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - capital projects funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ (155)	\$ (319)	\$ (28)
Difference - Budget to GAAP:			
For financial reporting purposes, all financial activity related to the capital projects funds has been reported within the enterprise funds. Therefore, adjustments are made within the budgetary basis to tie the net transfers as reflected in the financial reporting.	<u>150</u>	<u>-</u>	<u>(38,908)</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ (5)</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**  
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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 489,225	\$ 532,990	\$ 525,974	\$ (7,016)
Operating Expenses:				
Personnel services	300,063	300,063	257,237	42,826
General operating	260,587	698,223	167,019	531,204
Total operating expenses	560,650	998,286	424,256	574,030
Operating income (loss)	(71,425)	(465,296)	101,718	567,014
Non-Operating Revenues (Expenses):				
State shared taxes	84,000	105,034	105,034	-
Interest income	14,700	14,700	3,773	(10,927)
Net increase in meter deposits	18,500	65,862	7,602	(58,260)
Refund state shared taxes	-	-	(28,573)	(28,573)
Capital outlay	(19,100)	(27,550)	(4,328)	23,222
Retirement of debt	(81,468)	(84,368)	(58,857)	25,511
Interest expense	(38,587)	(35,187)	(22,772)	12,415
Total non-operating revenues (expenses)	(21,955)	38,491	1,879	(36,612)
Income (loss) before other financing sources (uses)	(93,380)	(426,805)	103,597	530,402
Other Financing Sources (Uses):				
Contributed capital	-	387,775	-	(387,775)
Transfer in	43,348	57,703	34,528	(23,175)
Transfer (out)	(68,905)	(82,655)	(61,048)	21,607
Total other financing sources (uses)	(25,557)	362,823	(26,520)	(389,343)
Net change in cash balance	(118,937)	(63,982)	77,077	141,059
Cash balance, beginning of year	990,830	990,830	990,830	-
Cash included for financial reporting	-	-	183	183
Cash balance, end of year	\$ 871,893	\$ 926,848	\$ 1,068,090	\$ 141,242

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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 339,000	\$ 379,810	\$ 365,732	\$ (14,078)
Operating Expenses:				
Personnel services	74,657	74,657	64,760	9,897
General operating	308,158	309,758	250,036	59,722
Total operating expense	<u>382,815</u>	<u>384,415</u>	<u>314,796</u>	<u>69,619</u>
Operating income (loss)	(43,815)	(4,605)	50,936	55,541
Non-Operating Revenues (Expenses):				
State shared taxes	15,000	15,000	10,384	(4,616)
Interest income	2,500	2,500	1,051	(1,449)
Miscellaneous revenues	-	160	-	(160)
Refund unearned state shared taxes	-	-	(2,857)	(2,857)
Capital outlay	(4,100)	(5,400)	-	5,400
Total non-operating revenues (expenses)	<u>13,400</u>	<u>12,260</u>	<u>8,578</u>	<u>(3,682)</u>
Income (loss) before other financing sources (uses)	(30,415)	7,655	59,514	51,859
Other Financing Sources (Uses):				
Transfer (out)	(5,604)	(8,504)	(8,406)	98
Net change in cash balance	(36,019)	(849)	51,108	51,957
Cash balance, beginning of year	491,396	491,396	491,396	-
Cash balance, end of year	<u>\$ 455,377</u>	<u>\$ 490,547</u>	<u>\$ 542,504</u>	<u>\$ 51,957</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, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 424,500	\$ 433,650	\$ 422,355	\$ (11,295)
Operating Expenses:				
Personnel services	133,096	126,647	117,230	9,417
General operating	530,630	556,455	185,313	371,142
Total operating expense	<u>663,726</u>	<u>683,102</u>	<u>302,543</u>	<u>380,559</u>
Operating income (loss)	(239,226)	(249,452)	119,812	369,264
Non-Operating Revenues (Expenses):				
Interest income	25,000	25,000	17,091	(7,909)
Miscellaneous revenues	-	1,301	-	(1,301)
Capital outlay	(19,100)	(15,924)	(79,464)	(63,540)
Retirement of debt	(90,831)	(74,631)	(60,264)	14,367
Interest expense	(20,000)	(20,000)	(13,270)	6,730
Total non-operating revenues (expenses)	<u>(104,931)</u>	<u>(84,254)</u>	<u>(135,907)</u>	<u>(51,653)</u>
Income (loss) before other financing sources (uses)	(344,157)	(333,706)	(16,095)	317,611
Other Financing Sources (Uses):				
Capital contributions	275,150	301,168	39,955	(261,213)
Transfer in	37,650	37,650	37,584	(66)
Transfer (out)	(16,500)	(16,500)	(16,500)	-
Total other financing sources (uses)	<u>296,300</u>	<u>322,318</u>	<u>61,039</u>	<u>(261,279)</u>
Net change in cash balance	(47,857)	(11,388)	44,944	56,332
Cash balance, beginning of year	1,786,365	1,786,365	1,786,365	-
Cash included for financial reporting	-	-	319	319
Cash balance, end of year	<u>\$ 1,738,508</u>	<u>\$ 1,774,977</u>	<u>\$ 1,831,628</u>	<u>\$ 56,651</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, 2010**

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Joint Waste Water Fund</u>
<b>Sources/Inflows of Resources:</b>			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 525,974	\$ 365,732	\$ 422,355
<b>Differences - Budget to GAAP:</b>			
Accrual of revenues and associated receivables that are not considered an inflow of revenues for the budgetary basis but are considered revenue for financial reporting purposes.	<u>11,325</u>	<u>2,051</u>	<u>2,158</u>
Total revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 537,299</u>	<u>\$ 367,783</u>	<u>\$ 424,513</u>
<b>Uses/Outflows of Resources:</b>			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 424,256	\$ 314,796	\$ 302,543
<b>Differences - Budget to GAAP:</b>			
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.	(229)	1,135	(1,198)
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.	(1,113)	658	1,437
The payment of a yearly service contract that affects a portion of the upcoming fiscal year is considered a prepaid expense for financial reporting purposes.	(931)	(199)	(198)
Depreciation and amortization expenses are not considered an outflow of operating resources for budgetary basis but are considered expenses for financial reporting purposes.	<u>81,838</u>	<u>-</u>	<u>190,404</u>
Total operating expenses, as reported on the statement of revenues, expenses and changes in net assets.	<u>\$ 503,821</u>	<u>\$ 316,390</u>	<u>\$ 492,988</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>
<b>Sources/Inflows of Operating Resources:</b>			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 116,409	\$ 11,435	\$ 17,091
<b>Differences - Budget to GAAP:</b>			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenue for financial reporting purposes.	1,835	(3,062)	(302)
For budgetary purposes, the City reflects the net increase in meter deposits as a source of non-operating revenues. For financial reports, the increase is reflected as an increase to the meter deposit liability.	<u>(7,602)</u>	<u>-</u>	<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 110,642</u>	<u>\$ 8,373</u>	<u>\$ 16,789</u>
<b>Uses/Outflows of Operating Expenses:</b>			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ 114,530	\$ 2,857	\$ 152,998
<b>Differences - Budget to GAAP:</b>			
The City budgets for capital assets purchased. Capital additions are not reflected as a non-operating expense for financial reporting purposes.	(4,328)	-	(79,464)
During the fiscal year, the City was required to remit unearned gross receipts taxes. The amount remitted was charged as expenditures for budgetary purposes. For financial reporting purposes, the payment was reflected as a reduction of deferred revenues.	(28,573)	(2,857)	-
For budgetary purposes, the City accounts for the principal payment as a debt expenditure. For financial reporting purposes, the payment of debt is reflected as a reduction of a liability.	(58,857)	-	(60,264)
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>3,372</u>	<u>-</u>	<u>(326)</u>
Total non-operating expenditures as reported on the statement of revenues, expenses, and changes in net assets.	<u>\$ 26,144</u>	<u>\$ -</u>	<u>\$ 12,944</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, 2010**

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Joint Waste Water Fund</u>
<b>Other Sources of Resources:</b>			
Actual amounts (budgetary basis) "capital contributions" from the budgetary comparison schedule.	\$ -	\$ -	\$ 39,955
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	34,528	-	37,584
<b>Differences - Budget to GAAP:</b>			
The City budgets capital contributions within the governmental activities. For financial purposes, the capital contributions are reported within the enterprise fund in which the activity is capitalized.	2,224,550	-	-
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.	-	-	93,577
The City budgeted capital contributions within the governmental activities. For financial reporting purposes, the capital contributions are reported within the enterprise fund in which the activity is capitalized. For financial reporting purposes, the beginning cash balances of the capital projects funds is transferred to the enterprise funds.	<u>38,941</u>	<u>-</u>	<u>319</u>
Total other sources of resources, as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 2,298,019</u>	<u>\$ -</u>	<u>\$ 171,435</u>
<b>Other Uses of Resources:</b>			
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ (61,048)	\$ (8,406)	\$ (16,500)
<b>Differences - Budget to GAAP:</b>			
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>\$ (61,048)</u>	<u>\$ (8,406)</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, 2010**

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	\$ 2,840,689	\$ (8,165)	\$ 2,832,524
EMS account	Checking	1,627	-	1,627
Historical tourism account	Checking	5,967	-	5,967
Regional wastewater account	Checking	14,320	(14,001)	319
Community Center account	Checking	2,643	-	2,643
CDBG project account	Checking	28	-	28
RUS improvement account	Checking	155	-	155
Total checking accounts		2,865,429	(22,166)	2,843,263
Time deposits:				
Certificate of deposit	Time deposit	120,532	-	120,532
Certificate of deposit	Time deposit	354,461	-	354,461
Certificate of deposit	Time deposit	90,597	-	90,597
Certificate of deposit	Time deposit	90,065	-	90,065
Certificate of deposit	Time deposit	116,130	-	116,130
Certificate of deposit	Time deposit	86,829	-	86,829
Certificate of deposit	Time deposit	180,903	-	180,903
Certificate of deposit	Time deposit	481,473	-	481,473
Certificate of deposit	Time deposit	60,043	-	60,043
Certificate of deposit	Time deposit	24,017	-	24,017
Certificate of deposit	Time deposit	58,704	-	58,704
Certificate of deposit	Time deposit	18,013	-	18,013
Total time deposits		1,681,767	-	1,681,767
Total AmBank deposit		<u>\$ 4,547,196</u>	<u>\$ (22,166)</u>	<u>\$ 4,525,030</u>

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**JUNE 30, 2010**

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

Security	CUSIP	Maturity	Par Value	Market Value
Federal National Mortgage Assn	3136F8M77	02/07/18	\$ -	\$ 510,470
Carlsbad New Mexico Schools	142735CJ6	08/01/10	150,000	-
Dulce Schools, Dulce NM	264430GQ6	06/01/14	200,000	-
Gadsden Schools, Anthony, NM	362250JT3	08/15/11	100,000	-
Grant County, New Mexico	387766AX6	09/01/10	215,000	-
Grant/Cibola Schools Grants, NM	388240CVS	10/01/12	125,000	-
City of Los Lunas, New Mexico	545562MA5	07/15/12	175,000	-
Luna County, New Mexico	550340DN0	08/01/18	200,000	-
Roswell Schools, Roswell, NM	778550FQ1	08/01/16	200,000	-
Torrance County, New Mexico	891400LN1	07/15/13	90,000	-
T or C, New Mexico	898439DJ0	08/01/11	130,000	-
		Total	<u>\$ 1,585,000</u>	<u>\$ 510,470</u>

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

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
JOINT POWERS AGREEMENT  
JUNE 30, 2010

**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, 2010, the governments have expended \$9,519,379 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 \$231,529, 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 \$37,903 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**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Agriculture/Rural Utilities Services				
Water & Waste Disposal Systems for Rural Communities	10.760		\$ 2,032,496	\$ 1,983,612
U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.228	08-C-R-I-1-G-15	500,000	472,675
U.S. Department of Justice				
Bulletproof Vest Partnership Program	16.607	9046176	2,100	-
U.S. Department of Transportation/Passed through New Mexico Department of Transportation				
Highway Planning and Construction - ARRA Safe Routes to Schools	20.205 20.205	ECO-1110 (6) 00 SRSP-7700 (195)	350,000 15,000	258,933 <u>4,048</u>
Total of U.S. Department of Transportation/ passed through New Mexico Department of Transportation				262,981
U.S. Environmental Protection Agency	66.606	XP-96600701-0	96,200	<u>62,649</u>
Total Expenditures of Federal Awards				<u><u>\$ 2,781,917</u></u>

**STATE OF NEW MEXICO  
CITY OF BAYARD**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

**1. BASIS OF PRESENTATION**

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

**2. BASIS OF ACCOUNTING**

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

**3. FEDERAL EXPENDITURES**

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

**4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS**

Federal expenditures on the schedule of expenditures of federal awards amount to \$2,781,917. The amount of expenditures within the funds is reflected within the financial statements as follows:

<u>Special Revenues Funds</u>	
Municipal Street Fund	
Public works	\$ 262,981
 <u>Proprietary Funds</u>	
Water and Sewer Fund	
Capital outlay	2,456,287
Joint Wastewater Project Fund	
Capital outlay	<u>62,649</u>
Total schedule of federal awards	<u><u>\$ 2,781,917</u></u>

**STATE OF NEW MEXICO  
CITY OF BAYARD  
PUBLIC HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2010**

Line Item	Description	Total Projects
111	Cash - unrestricted	\$ 288,013
114	Cash - tenant security deposits	15,143
100	Total cash	303,156
126	Accounts receivable - tenants	1,421
126.1	Allowance for doubtful accounts - dwelling rent	-
120	Total receivables, net allowance for doubtful accounts	1,421
131	Investments - unrestricted	88,888
142	Prepaid expenses and other assets	9,900
143	Inventories	3,595
143.1	Allowance for obsolete inventories	-
150	Total current assets	406,960
161	Land	15,695
162	Buildings	2,218,917
163	Furniture, equipment and machinery - dwellings	125,459
164	Furniture, equipment and machinery - administration	67,372
165	Leasehold improvements	370,259
166	Accumulated depreciation	(1,660,736)
160	Total fixed assets, net of a/d	1,136,966
190	Total assets	\$ 1,543,926
312	Accounts payable <=90 days	\$ 7,276
321	Accrued wages/payroll taxes payable	3,802
322	Accrued compensated absences - current portion	1,119
341	Tenant security deposits	15,143
342	Deferred revenues	344
310	Total current liabilities	27,684
354	Accrued compensated absences - non-current	3,148
354	Total liabilities	30,832
508.1	Invested in capital assets, net of related debt	1,136,966
512.1	Unrestricted net assets	376,128
513	Total equity	1,513,094
600	Total liabilities and equity	\$ 1,543,926

**STATE OF NEW MEXICO  
CITY OF BAYARD  
PUBLIC HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2010**

Line Item	Description	Low Rent 14.85	Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	\$ 150,825	\$ -	\$ 150,825
70400	Tenant revenue - other	7,702	-	7,702
705	Total tenant revenue	158,527	-	158,527
70600	HUD PHA operating subsidy	173,029	22,368	195,397
70610	Capital grants	-	238,263	238,263
71100	Investment income - unrestricted	1,266	-	1,266
71500	Other revenue	10,113	-	10,113
700	Total revenue	342,935	260,631	603,566
91100	Administrative salaries	71,263	-	71,263
91200	Auditing fees	8,756	-	8,756
91310	Bookkeeping fees	3,396	-	3,396
91500	Employee benefit contributions-administrative	12,425	-	12,425
91600	Office expenses	8,467	-	8,467
91800	Travel	1,799	-	1,799
91900	Other	970	-	970
91000	Total operating - administrative	107,076	-	107,076
9240	Tenant services - other	41	-	41
93100	Water	30,836	-	30,836
93200	Electricity	3,531	-	3,531
93300	Gas	12,028	-	12,028
93600	Sewer	10,944	-	10,944
93000	Total utilities	57,339	-	57,339
94100	Ordinary maintenance and operations - labor	30,340	-	30,340
94200	Ordinary maintenance and operations - materials and other	24,127	-	24,127
94300-010	Ordinary maintenance and operations contracts- garbage and trash removal contracts	22,374	-	22,374
94300-020	Ordinary maintenance and operations contracts- heating and cooling contracts	3,663	-	3,663
94300-050	Ordinary maintenance and operations contracts- landscape and grounds contracts	3,459	-	3,459
94300-060	Ordinary maintenance and operations contracts- unit turnaround contracts	250	-	250
94300-080	Ordinary maintenance and operations contracts- plumbing contracts	5,480	-	5,480
94300-090	Ordinary maintenance and operations contracts- extermination contracts	5,436	-	5,436
94300-110	Ordinary maintenance and operations contracts- routine maintenance contracts	569	-	569
94300-120	Ordinary maintenance and operations contracts- miscellaneous contracts	1,530	-	1,530

**STATE OF NEW MEXICO  
CITY OF BAYARD  
PUBLIC HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2010**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
94300	Ordinary maintenance and operations contracts	42,761	-	42,761
94500	Employment benefit contribution - ordinary maintenance	11,040	-	11,040
94000	Total maintenance	108,268	-	108,268
96110	Property insurance	13,510	-	13,510
96120	Liability insurance	5,346	-	5,346
96130	Workmen's compensation	3,489	-	3,489
96140	All other insurance	2,176	-	2,176
96100	Total insurance premiums	24,521	-	24,521
96900	Total operating expenses	297,245	-	297,245
97000	Excess revenues over operating expenses	45,690	260,631	306,321
97400	Depreciation expense	66,888	-	66,888
90000	Total expenses	364,133	-	364,133
10010	Operating transfer in	22,368	-	22,368
10020	Operating transfer out	-	(22,368)	(22,368)
10100	Total other financing sources (uses)	22,368	(22,368)	-
10000	Excess (deficiency) of revenues over (under) expenses	\$ 1,170	\$ 238,263	\$ 239,433
11030	Beginning equity	\$ 861,986	\$ 411,675	\$ 1,273,661
11040-070	Equity transfers	446,426	(446,426)	-
11190	Unit months available	840	-	840
11210	Unit months leased	821	-	821

## **ADDITIONAL INDEPENDENT AUDITORS' REPORTS**

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparison statement for the general fund and major special revenue fund of the City of Bayard, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 17, 2010, which was qualified because of the conditions of the subsidiary capital asset ledgers. 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 for the year ended June 30, 2010, and have issued our report thereon dated November 17, 2010. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-01 and 2009-02.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item CU 2010-01.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Bayard's, and City of Bayard Public 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, 2009-03, 2010-01, and 2010-02 in the accompanying schedule of findings and questioned costs. 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 questioned costs as item 2010-03.

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 questioned costs as item CU2009-01, and item CU2010-02.

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 questioned costs. 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 Public Housing Authority Commission, management, others within the entities, the New Mexico State Auditor, the New Mexico State Legislature, New Mexico Department of Finance and Administration, 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 17, 2010

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Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
Over Compliance in Accordance With OMB Circular A-133

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

**Compliance**

We have audited the compliance of the City of Bayard, New Mexico with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Bayard's major federal programs for the year ended June 30, 2010. City of Bayard's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Bayard's management. Our responsibility is to express an opinion on City of Bayard's compliance based on our audit.

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

In our opinion, City of Bayard complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2009.

**Internal Control Over Compliance**

The management of the City of Bayard is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Bayard's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bayard's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the City Councilors, management, other within the entity, the New Mexico State Auditor, the New Mexico State Legislature, New Mexico Department of Finance and Administration, 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.*

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

November 17, 2010

**STATE OF NEW MEXICO  
CITY OF BAYARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

**SECTION I – SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance with major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  Yes  No

Identification of major programs:

<u>CFDA No.</u>	<u>Program</u>
✔ 10.760	Water & Waste Disposal Systems for Rural Comm.
✔ 14.228	Community Development Block Grant

- Dollar threshold for distinguishing Types A and B programs was \$300,000.
- Auditee qualified as low-risk auditee?  Yes  No

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

**SECTION II – FINANCIAL STATEMENTS 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). At the present time the accounting staff is unable 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. During the fiscal year ended June 30, 2010, the City staff assisted the auditing firm in gathering some of the necessary information in order to convert their cash basis accounting information into financial statements prepared in accordance with GAAP. While the preparation of some of the schedules is a step in the right direction the City must display a level of expertise regarding financial reporting in accordance with GAAP in order to reduce the deficiency noted in internal controls regarding financial reporting.

**Criteria** – Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 115, paragraph 3 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. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity’s objective of reliable financial reporting.”*

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 115 paragraph 5 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph 6 states *“A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected or corrected on a timely basis.”* SAS 115 paragraph 15 provides a list of indicators 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.

**STATE OF NEW MEXICO  
CITY OF BAYARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

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

**Effect** - 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.

**Cause** –The employees maintain the City's accounting records on the cash basis of accounting which is required by the state of New Mexico. 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. Further, the staff has not received training or continuing education regarding the Government Accounting Standard Board (GASB) pronouncements. Such training would include the regular attendance of courses that update the accounting profession as to changes in the guidance issued by GASB. 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 the annual audit. In the past this may have been sufficient, however, the accounting profession (American Institute of Certified Public Accountants) by issuance of risk assessment statements on auditing standards, 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 understand the City Council has to be mindful of the economic conditions facing the state of New Mexico and the City when considering budget appropriations and charges to such appropriations; however, the Council should place proper financial resources in training the accounting staff. Such training at the minimum would include accounting courses that would instruct the staff of GAAP considerations in regards to government financial reporting. With that in mind, we recommend the City staff receive the proper training in regards to financial reporting in accordance with GAAP.

**Views of Responsible Officials and Planned Corrective Actions** – The City will continue to seek training and education for the staff in regards to financial reporting in accordance with GAAP.

*Item 2009-02 – Capital Assets Subsidiary Records*

**Statement of Condition** – In order to be in compliance with the Government Accounting Standards Board (GASB) Statement 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.

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

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

**Statement of Condition** - The staff has opted to use another accounting program to serve as its capital assets subsidiary ledger. At this time, the staff is entering the capital asset data into the new program. During our audit we noted the following discrepancies regarding the original 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.
- 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.

**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 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.

**Effect** – The City capital assets subsidiary ledgers are not capable of generating data necessary for the financial statements without a 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.

**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 activities.

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**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

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

**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. 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 wastewater facility. Further, we recommend the City comply with the administrative rule and conduct an annual inventory.

**Views of Responsible Officials and Planned Corrective Actions** – Staff will continue to correct the capital assets subsidiary ledgers and inventory listing and to conduct annual inventory reviews.

*Item 2009-03 – Bank Depositories*

**Statement of Condition** – The City did not maintain its interest bearing deposits of \$1,681,787, at June 30, 2010, 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 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** – Management of the City states 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 accounts 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.



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**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

*Item 2009-03 – Bank Depositories (continued)*

**Views of Responsible Officials and Planned Corrective Actions** – Staff has contacted representatives of each financial institution on the terms and conditions of their institutions. At this time due to the fees to be assessed by one of the banks, we feel it is in the best interest of the public to utilize the bank we have selected for the investments and checking accounts.

*Item 2010-01 – Compliance with Series 2009 Bond Ordinance*

**Statement of Condition** – On August 3, 2009, the City issued gross receipts tax revenue bonds in the amount of \$203,000. The adopted bond ordinance requires the City to establish special funds in order to account for the pledged tax revenues, debt service reserves, and an asset management reserve fund. The staff created the debt service reserve fund and asset management reserve fund; however, they failed to account for the pledged tax revenues as required by the bond ordinance.

**Criteria** – On July 1, 2009, the City Council passed bond ordinance number 6-2009 which authorized the issuance of municipal gross receipts tax revenue bonds in the amount of \$203,000. Within section 16 of the ordinance, the City was required to establish “Special Funds” to account for the receipt of pledged tax revenues along with the debt service reserve and the asset management reserve. According to subsection A of section, 16 the City was required to create an “Income Fund” to account for the municipal gross receipts tax revenues that have been pledged to retire the debt issued. The staff failed to create the fund as required by the ordinance.

**Effect** – By adopting of the ordinance and the subsequent bond issuance, the City has pledged one-quarter of one percent (1/4 of 1%) of municipal gross receipts tax for the payment of future debt service. In the event of default the holder of the bonds have the legal right to look at the pledged revenues to satisfy the outstanding liability. If the staff fails to properly account for the pledged tax revenues the bond holders could petition a court of law to allow them access to bank accounts in which the pledged bond tax revenues have been comingled.

**Cause** – Staff failed to create the pledged tax revenue fund.

**Recommendation** – We suggest that the staff establish a special income fund during the current fiscal and determine the amount of pledged tax revenues received during the fiscal years ended June 30, 2010 and 2011 to properly reflect the pledged revenues received in order to be in compliance with the bond ordinance.

**Views of Responsible Officials and Planned Corrective Actions** – Staff will create and fund the pledged tax revenue fund as required by Ordinance 6-2009.

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**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

*Item 2010-02 – Compliance with Procurement Code*

**Statement of Condition** – During our testing of seven projects, that were procured via the New Mexico Procurement Code, we noted an instance of a construction project (Water and Wastewater System Improvements) where the contractor was awarded the project based on being the lowest bidder. The contractor’s initial bid was approximately \$700,000 less than the engineer’s projected cost. After the contractor was awarded the project, the City, with the assistance of their engineering company, added five change orders to the project, increasing the cost of the project by approximately \$1,214,810 which would absorb all the grant funds issued for this original project. However, these “change orders” required that additional construction be performed on streets not include in the original project, thus, awarding the contractor additional work that had not been advertised or subject to competitive bidding. The effect of such actions was to circumvent the New Mexico Procurement Code.

**Criteria** – New Mexico State Statutes Section 13-1-112A(1) states, *“Competitive sealed proposals, including competitive qualifications-based proposals, shall be solicited through a request for proposals that shall be issued and shall include: the specifications for the services or items of tangible personal property to be procured.”*

Furthermore, New Mexico State Statutes Section 13-1-89 states, *“‘Specification’ means a description of the physical or functional characteristics or of the nature of items of tangible personal property, services or construction. ‘Specification’ may include a description of any requirement for inspecting or testing, or for preparing items of tangible personal property, services or construction for delivery.”*

**Effect** – By not following the Procurement Code, the City procured construction services without competitive bids thus not providing various contractors throughout the area to competitively bid the project. Penalties for violations of the procurement code are discussed in state statutes.

**Cause** – The City failed to procure construction services that were included as change orders due to funding available from the grant.

**Recommendation** – We recommend the City and their engineering firm review the policies and procedures concerning the procurement process of construction services within the City limits. Furthermore, we recommend the City and their engineering firm review the policies and procedures concerning change orders and how change orders apply to the original contract for construction services.

**Views of Responsible Officials and Planned Corrective Actions** – The City will procure construction services as required within the procurement code of the State of New Mexico. Staff will insure that change orders will be reviewed and allowable under said project as required by the procurement code.

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**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

*Item 2010-03 – Compliance with Travel and Per Diem Reimbursement*

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

- There were sixteen instances which required mileage (actual or per diem) reimbursement. Of those sixteen instances, all sixteen instances had the mileage reimbursement rate calculated incorrectly, due to changes to the Travel and Per Diem Act, instituted by the New Mexico Department of Finance and Administration via a memorandum issued to all governmental entities throughout New Mexico. For all sixteen instances, the employee was overpaid. The variance totaled \$569.

**Criteria** – The New Mexico Department of Finance and Administration have issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

On June 19, 2009, the New Mexico Department of Finance and Administration issued a memorandum to all governmental entities, including municipalities, concerning an immediate increase in the mileage reimbursement rate for all employees. The emergency amendment states, “*HB 336 amended Section 10-8-4 D NMSA 1078 of the Per Diem and Mileage Act to increase the current statutory mileage reimbursement rate of \$0.32 per mile up to a new maximum statutory mileage reimbursement rate – the Internal Revenue Service (“IRS”) standard mileage rate “set January 1<sup>st</sup> of the previous year.” The IRS rate on January 1, 2008 (“the previous year”) was \$.505 per mile. Therefore, this emergency amendment to the Rule states your local government shall, effective immediately, reimburse your local public bodies’ public officers and employees for mileage accrued in the use of a privately owned vehicle in the discharge of official duties at a rate of eighty percent of \$0.505 per mile.*”

**Effect** – Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

**Cause** – Upon increasing the mileage reimbursement rate, staff failed to calculate the mileage rate up to the eighty percent of the IRS rates.

**Recommendation** – We recommend review the memorandum issued by the New Mexico Department of Finance and Administration concerning the increase in mileage reimbursement rates. We recommend the City review the Travel and Per Diem Act. We recommend City staff reevaluate their internal control procedures over the calculation and reimbursement amounts for employee travel and per diem. Furthermore, we recommend the City amend their travel and per diem policy to reflect the correct allowable mileage reimbursement rates.

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**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

*Item 2010-03 – Compliance with Travel and Per Diem Reimbursement (continued)*

**Views of Responsible Officials and Planned Corrective Actions** – A new policy will be approved by the governing body to allow reimbursement up to only eighty percent of the IRS rate for the previous year.

**Component Unit**

*Item CU2009-01 – Bank Depositories*

**Statement of Condition** – The Authority did not maintain its interest bearing deposits of \$88,888 at June 30, 2010 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's or savings and loan association's 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 as of September 21, 2010, the Authority has split its interest bearing deposits (certificates of deposit) between the two local financial institutions.

*Item CU2010-01 – Tenant Eligibility*

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

- One occasion where the applicant did not fill out Form 214, *Personal Declaration of Status*.

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**SECTION II – FINANCIAL STATEMENTS FINDINGS**

*Item CU2010-01 – Tenant Eligibility (continued)*

**Statement of Condition (continued) –**

- Two occasions where the applicant did not fill out the Community Service/Self Sufficiency Policy.

**Criteria** – The Authority has established policies and procedures regarding the retention of tenant information in order to substantiate eligibility as required by the U.S. Department of Housing and Urban Development (24 CFR sections 5.230, 5.601, 5.609, 960.253, 960.255, and 960.259). 24 CFR section 5.230 states that ‘*as a condition of admission or continued occupancy, the Authority requires the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility*’.

Furthermore, the Quality Housing and Work Responsibility Act of 1998 requires that ‘*all non-exempt public housing adult residents (18 or older) contribute eight (8) hours per month of community service (volunteer work) or participate in eight (8) hours of training, counseling, classes and other activities which help an individual toward self-sufficiency and economic independence. This is a requirement of the Public Housing Lease.*’

**Effect** – Not complying with rules and regulations established by the U.S. Department of Housing and Urban Development could jeopardize funding from the federal agency. Further, the agency may have penalties regarding noncompliance with their rules and regulations.

**Cause** – The Authority failed to review all tenant files for completeness and accuracy upon the tenant’s initial entrance into the Authority or the annual review of each of the tenant’s files. The Authority failed to ensure that all necessary forms which needed to be signed by a representative of the Authority, were reviewed, completed, and signed.

**Recommendation** – We recommend that Authority employees follow established rules and procedures regarding the completion of tenant files and the retention of the completed files. Furthermore, we recommend the Authority’s appointed representatives review and sign all documentation that needs Authority signatures.

**Views of Responsible Officials and Planned Corrective Actions** – The Authority concurs with the auditors’ recommendation. Authority staff has reviewed all tenant files to ensure they are complete, correct, and accurate in accordance with U.S. Department of Housing and Urban Development guidelines.

*Item CU2010-02 – Travel and Per Diem*

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

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**CITY OF BAYARD**  
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FOR THE YEAR ENDED JUNE 30, 2010

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

*Item CU2010-02 – Travel and Per Diem (continued)*

**Statement of Condition (continued) –**

- There were seven instances which required mileage (actual or per diem) reimbursement. Of those seven instances, all instances had the mileage reimbursement rate calculated incorrectly, due to changes to the Travel and Per Diem Act, instituted by the New Mexico Department of Finance and Administration via a memorandum issued to all governmental entities throughout New Mexico. For all seven instances, the employee was underpaid. The variance totaled \$335.
- We noted one instance of the seven transactions tested, where the Authority failed to correctly calculate the per diem reimbursement amount.

**Criteria** – The New Mexico Department of Finance and Administration have issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

On June 19, 2009, the New Mexico Department of Finance and Administration issued a memorandum to all governmental entities, including municipalities, concerning an immediate increase in the mileage reimbursement rate for all employees. The emergency amendment states, “*HB 336 amended Section 10-8-4 D NMSA 1978 of the Per Diem and Mileage Act to increase the current statutory mileage reimbursement rate of \$0.32 per mile up to a new maximum statutory mileage reimbursement rate – the Internal Revenue Service (“IRS”) standard mileage rate “set January 1<sup>st</sup> of the previous year.” The IRS rate on January 1, 2008 (“the previous year”) was \$.505 per mile. Therefore, this emergency amendment to the Rule states your local government shall, effective immediately, reimburse your local public bodies’ public officers and employees for mileage accrued in the use of a privately owned vehicle in the discharge of official duties at a rate of eighty percent of \$0.505 per mile.*”

**Effect** – Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

**Cause** – The Authority was unaware of the memorandum sent by the New Mexico Department of Finance and Administration concerning the increase in mileage reimbursement rates, which were effective immediately.

**Recommendation** – We recommend review the memorandum issued by the New Mexico Department of Finance and Administration concerning the increase in mileage reimbursement rates. We recommend the Authority review the Travel and Per Diem Act. We recommend the Authority staff reevaluate their internal control procedures over the calculation and reimbursement amounts for employee travel and per diem. Furthermore, we recommend the Authority amend their travel and per diem policy to reflect the correct allowable mileage reimbursement rates.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**SECTION II – FINANCIAL STATEMENTS FINDINGS**

*Item CU2010-02 – Travel and Per Diem (continued)*

**Views of Responsible Officials and Planned Corrective Actions** – The Authority concurs with the auditors' recommendation and is currently in the process of amending their travel and per diem policy. The Authority is also in the process of recalculating the amount of reimbursement for employee travel, so the proper reimbursement can be paid.

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS – WATER & WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES CFDA NO. 10.760 AND COMMUNITY DEVELOPMENTBLOCK GRANT CFDA NO. 14.228**

None.

**SECTION IV – PRIOR YEARS' AUDIT FINDINGS**

**Primary Government**

*Item 2009-01 – Financial Statements and Disclosures*

In the prior year, the auditor's noted that the City did not prepare its financial statements presented in the audit report. The auditor's also noted that the accounting staff of the City lacked the necessary skill or knowledge to prepare such statements. The finding has not been resolved and is repeated as item 2009-01.

*Item 2009-02 – Capital Assets Subsidiary Records*

The prior year auditor's noted several deficiencies with the capital assets subsidiary records. The City has not corrected the finding and, as such, it remains unresolved and repeated as item 2009-02.

*Item 2009-03 – Bank Depositories*

In the prior year's audit report, item 2009-03 noted that the City failed to allocate its interest bearing accounts in an equitable distribution among all banks, and savings and loan associations having their main or staffed branch offices within the geographical boundaries of the City. The City failed to resolve the finding and it is repeated as item 2009-03.

*Item 2009-04 – Issuance of Cash Receipts*

In the prior year, the auditors noted that the City was not using pre-numbered cash receipts. The City changed its accounting practices to ensure that pre-numbered receipts are being used. The prior year's audit finding is considered resolved.

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**SECTION IV – PRIOR YEAR’S AUDIT FINDINGS**

**Primary Government**

*Item 2009-05 – Utility Billing*

In the prior year’s audit, the auditors noted that the incorrect sewer rates were billed to residents during April 2009 through July 2009. The City corrected the errors and the correct rate was applied. The prior year’s finding is considered resolved.

**Component Unit**

*Item CU2009-01 – Bank Depositories*

In the prior year, the auditors noted the Housing Authority did not equitably distribute its interest bearing accounts among the banks within the geographical boundaries of the Housing Authority. The finding has not been resolved as of June 30, 2010, and is repeated as item CU2009-01.



**STATE OF NEW MEXICO  
CITY OF BAYARD  
EXIT CONFERENCE AND  
FINANCIAL STATEMENT PREPARATION  
JUNE 30, 2010**

**CITY OF BAYARD  
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2010, was discussed during the exit conference held on November 30, 2010. Present for the City was Charles L. Kelly, mayor; and Kristina V. Ortiz, city clerk-treasurer. Present for the auditing firm was Dominic Fierro, audit manager.

**PUBLIC HOUSING AUTHORITY  
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2010, was discussed during the exit conference held on November 30, 2010. Present for the Public Housing Authority was Jim Cook, chairperson; and Jolene Padilla, executive director. Present for the City of Bayard was Charles L. Kelly, mayor; and Kristina V. Ortiz, city clerk-treasurer. Present from the auditing firm was Dominic Fierro, audit manager.

**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, 2010. 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.