

**STATE OF NEW MEXICO  
CITY OF BAYARD**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2011**

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
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**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
Directory of Officials  
June 30, 2011

***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, 2011, 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, and the budgetary comparison for the major enterprise funds and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, 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, 2011.

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, 2011, 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, 2011, 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 respective budgetary comparisons for the general fund, major municipal streets fund, library renovation fund, enterprise funds and 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, 2011, 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 28, 2011 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 other supplemental financial information in the table of contents 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 28, 2011

## **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash	\$ 1,063,957	\$ 3,120,652	\$ 4,184,609	\$ 404,325
Receivables, net	242,371	274,579	516,950	266
Inventory	-	-	-	3,278
Prepaid expenses	-	-	-	9,900
Restricted cash	-	527,826	527,826	16,242
Restricted investments	3,753	-	3,753	-
Capital assets:				
Land and construction in progress	815,452	3,190,047	4,005,499	15,695
Other capital assets, net of depreciation	6,966,106	13,463,442	20,429,548	1,063,538
Total capital assets	7,781,558	16,653,489	24,435,047	1,079,233
Unamortized bond issuance costs	8,649	9,500	18,149	-
Total assets	9,100,288	20,586,046	29,686,334	1,513,244
<b>LIABILITIES</b>				
Accounts payable	124,235	192,574	316,809	6,741
Accrued salaries	15,676	14,580	30,256	2,063
Accrued payroll liabilities	-	-	-	3,940
Accrued interest payable	2,851	31,357	34,208	-
Customer deposits	-	77,094	77,094	-
Tenant deposits	-	-	-	16,242
Deferred revenues	45,937	-	45,937	890
Long-term liabilities:				
Due within one year	39,985	139,117	179,102	1,223
Due in more than one year	154,266	1,930,978	2,085,244	4,653
Total liabilities	382,950	2,385,700	2,768,650	35,752
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	7,781,558	14,607,079	22,388,637	1,079,233
Restricted:				
Debt service	3,753	412,089	415,842	-
State mandated per statutes	80,436	-	80,436	-
Unrestricted	851,591	3,181,178	4,032,769	398,259
Total net assets	\$ 8,717,338	\$ 18,200,346	\$ 26,917,684	\$ 1,477,492

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, 2011**

Functions/Programs	Expenses	Program Revenues			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	
<b>Primary Government:</b>								
<b>Governmental activities:</b>								
General government	\$ 350,355	\$ 37,554	\$ 175,710	\$ -	\$ (137,091)	-	\$ (137,091)	
Public safety	585,821	43,994	130,036	51,100	(360,691)	-	(360,691)	
Public works	308,955	255	-	733,203	424,503	-	424,503	
Culture and recreation	143,977	1,105	9,265	309,860	176,253	-	176,253	
Health and welfare	7,650	-	-	174,372	166,722	-	166,722	
Interest on long-term debt	5,833	-	-	-	(5,833)	-	(5,833)	
Total governmental activities	1,402,591	82,908	315,011	1,268,535	263,863	-	263,863	
<b>Business-type activities:</b>								
Water	296,823	298,332	-	375,949	-	\$ 377,458	377,458	
Wastewater	808,681	818,367	-	498,561	-	508,247	508,247	
Solid waste	340,604	386,904	-	-	-	46,300	46,300	
Interest on long-term debt	39,702	-	-	-	-	(39,702)	(39,702)	
Total business-type activities	1,485,810	1,503,603	-	874,510	-	892,303	892,303	
Total primary government	\$ 2,888,401	\$ 1,586,511	\$ 315,011	\$ 2,143,045	263,863	892,303	1,156,166	
<b>Component Unit:</b>								
Public Housing	\$ 371,276	\$ 159,462	\$ 141,905	\$ 28,371				\$ (41,538)
<b>General Revenues:</b>								
Gross receipts taxes					327,992	111,873	439,865	-
Property taxes, levied for general purposes					27,209	-	27,209	-
Franchise taxes					56,072	-	56,072	-
Public service taxes					61,612	-	61,612	-
Interest income					5,245	17,980	23,225	1,836
Donations					46,522	2,347	48,869	-
Insurance dividends					-	-	-	4,100
Special Item - Gain on disposal of assets					3,888	-	3,888	-
Transfers					118,476	(118,476)	-	-
Total general revenues, special items, and transfers					647,016	13,724	660,740	5,936
Changes in net assets					910,879	906,027	1,816,906	(35,602)
Net assets, beginning of year					7,806,459	17,294,319	25,100,778	1,513,094
Net assets, end of year					\$ 8,717,338	\$ 18,200,346	\$ 26,917,684	\$ 1,477,492

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, 2011**

	<u>General Fund</u>	<u>Municipal Streets Fund</u>	<u>Library Renovation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash	\$ 533,107	\$ 426,391	\$ -	\$ 104,459	\$ 1,063,957
Receivables, net	124,119	10,544	107,708	-	242,371
Restricted:					
Investments	-	-	-	3,753	3,753
Total assets	<u>\$ 657,226</u>	<u>\$ 436,935</u>	<u>\$ 107,708</u>	<u>\$ 108,212</u>	<u>\$ 1,310,081</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities:					
Accounts payable	\$ 5,198	\$ 11,564	\$ 106,798	\$ 675	\$ 124,235
Accrued salaries	15,270	-	-	406	15,676
Deferred revenues	5,367	45,937	-	-	51,304
Total liabilities	25,835	57,501	106,798	1,081	191,215
Fund Balances:					
Reserved for:					
Debt service	-	-	-	3,753	3,753
State mandated reserve	80,436	-	-	-	80,436
Reserved for:					
Subsequent year's expenditures	208,622	-	-	31,518	240,140
Assigned	-	-	910	71,860	72,770
Unassigned	342,333	379,434	-	-	721,767
Total fund balances	<u>631,391</u>	<u>379,434</u>	<u>910</u>	<u>107,131</u>	<u>1,118,866</u>
Total liabilities and fund balances	<u>\$ 657,226</u>	<u>\$ 436,935</u>	<u>\$ 107,708</u>	<u>\$ 108,212</u>	<u>\$ 1,310,081</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, 2011

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

Total fund balance governmental funds (page six)	\$	1,118,866
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,781,558
Unamortized bond issuance costs, including original issue discount are not expensed in the current period. Those costs are capitalized in the statements of net assets and are not reported on in the governmental funds.		8,649
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.		5,367
Certain accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(2,851)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(194,251)
Net assets of governmental activities (page four)	\$	8,717,338

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, 2011**

	General Fund	Municipal Streets Fund	Library Renovation Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Gross receipts taxes	\$ 277,091	\$ 50,901	\$ -	\$ -	\$ 327,992
Property taxes	27,132	-	-	-	27,132
Franchise taxes	56,072	-	-	-	56,072
Public service taxes	24,343	37,107	-	162	61,612
Intergovernmental	377,223	733,203	309,860	163,260	1,583,546
Charges for services	36,928	255	-	-	37,183
Licenses and permits	6,091	-	-	-	6,091
Fines and forfeitures	38,559	-	-	-	38,559
Interest	1,817	3,099	-	329	5,245
Miscellaneous	46,386	-	-	1,211	47,597
<b>Total revenues</b>	<b>891,642</b>	<b>824,565</b>	<b>309,860</b>	<b>164,962</b>	<b>2,191,029</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	322,130	-	-	-	322,130
Public safety	399,943	-	-	97,192	497,135
Public works	-	215,579	-	-	215,579
Culture and recreation	47,866	-	-	40,834	88,700
Health and welfare	1,605	-	-	6,045	7,650
Capital outlay	160,693	598,697	309,860	93,700	1,162,950
<b>Debt service:</b>					
Principal	-	-	-	29,706	29,706
Interest and other charges	-	-	-	3,239	3,239
<b>Total expenditures</b>	<b>932,237</b>	<b>814,276</b>	<b>309,860</b>	<b>270,716</b>	<b>2,327,089</b>
Excess (deficiency) revenues over expenditures	(40,595)	10,289	-	(105,754)	(136,060)
<b>Other Financing Sources (Uses):</b>					
Bond proceeds	-	-	-	67,000	67,000
Bond issuance costs	-	-	-	(8,649)	(8,649)
Transfers in	165,991	-	910	26,727	193,628
Transfers (out)	(45,727)	(28,515)	-	(910)	(75,152)
<b>Total other financing sources (uses)</b>	<b>120,264</b>	<b>(28,515)</b>	<b>910</b>	<b>84,168</b>	<b>176,827</b>
<b>Special Item:</b>					
Proceeds from sale of assets	-	-	-	7,500	7,500
Net change in fund balances	79,669	(18,226)	910	(14,086)	48,267
Fund balance, beginning of year	551,722	397,660	-	121,217	1,070,599
Fund balance, end of year	<u>\$ 631,391</u>	<u>\$ 379,434</u>	<u>\$ 910</u>	<u>\$ 107,131</u>	<u>\$ 1,118,866</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, 2011**

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

Net change in fund balances total governmental fund (page eight)	\$ 48,267
Governmental funds report capital outlay as expenditures in the amount of \$1,162,950; 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 \$262,362. The net adjustments between the amounts is \$900,588.	900,588
Within the statement of activities, the bases of capital assets disposed of are netted with the gross proceeds to provide a gain or loss. The disposal of capital assets does not use current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(3,612)
Some of the City's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the funds. At June 30, 2010, deferred property taxes amounted to \$5,290. The deferred property taxes for the current fiscal year amounted to \$5,367, therefore, the net adjustment is \$77.	77
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.	(2,594)
The issuance of law enforcement protection bonds is recorded as other financing sources within the governmental funds; however, it is recorded as a long-term liability within the statement of activities.	(67,000)
The bond issuance costs associated with the issuance of law enforcement protection bonds is recorded as an expense within the governmental funds; however, it is recorded as an other asset within the statement of net assets.	8,649
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.	29,706
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 statements.	(3,202)
Net change in net assets - statement of activities (page five)	<u>\$ 910,879</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, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
<b>Revenues:</b>				
Gross receipts taxes	\$ 264,200	\$ 276,175	\$ 276,168	\$ (7)
Property taxes	25,327	27,617	27,615	(2)
Franchise taxes	63,000	63,000	57,590	(5,410)
Public service taxes	33,000	33,947	28,624	(5,323)
Intergovernmental	312,458	367,867	307,626	(60,241)
Charges for services	28,500	71,285	36,799	(34,486)
Licenses and permits	4,600	6,361	6,091	(270)
Fines and forfeitures	35,300	38,570	38,559	(11)
Interest	1,500	1,820	1,817	(3)
Miscellaneous	9,000	156,050	46,386	(109,664)
Total revenues	776,885	1,042,692	827,275	(215,417)
<b>Expenditures:</b>				
<b>Current:</b>				
General government	359,383	363,089	320,099	42,990
Public safety	375,326	426,214	395,887	30,327
Culture and recreation	45,645	55,136	47,876	7,260
Health and welfare	1,500	1,850	1,740	110
Capital outlay	191,377	303,387	160,693	142,694
Total expenditures	973,231	1,149,676	926,295	223,381
Excess (deficiency) of revenues over expenditures	(196,346)	(106,984)	(99,020)	7,964
<b>Other Financing Sources (Uses):</b>				
Transfers in	90,477	162,732	162,671	(61)
Transfers (out)	(55,000)	(55,000)	(45,727)	9,273
Total other financing sources (uses)	35,477	107,732	116,944	9,212
<b>Special Item:</b>				
Proceeds from sale of assets	1,000	1,000	-	(1,000)
Net change in cash balances	(159,869)	1,748	17,924	16,176
Cash balance, beginning of year	515,183	515,183	515,183	-
Cash balance, end of year	\$ 355,314	\$ 516,931	\$ 533,107	\$ 16,176

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

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
MUNICIPAL STREETS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
<b>Revenues:</b>				
Gross receipts taxes	\$ 49,000	\$ 50,736	\$ 50,735	\$ (1)
Public service taxes	37,000	39,550	37,042	(2,508)
Intergovernmental	2,183,078	2,183,127	1,014,955	(1,168,172)
Charges for services	-	255	255	-
Interest	3,000	3,105	3,101	(4)
<b>Total revenues</b>	<b>2,272,078</b>	<b>2,276,773</b>	<b>1,106,088</b>	<b>(1,170,685)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	1,060,624	1,062,824	324,343	738,481
Capital outlay	1,363,472	1,363,472	785,230	578,242
<b>Total expenditures</b>	<b>2,424,096</b>	<b>2,426,296</b>	<b>1,109,573</b>	<b>1,316,723</b>
Excess (deficiency) of revenues over expenditures	(152,018)	(149,523)	(3,485)	146,038
<b>Other Financing Sources (Uses):</b>				
Transfers (out)	(25,498)	(25,498)	(25,195)	303
Net change in cash balance	(177,516)	(175,021)	(28,680)	146,341
Cash balance, beginning of year	455,071	455,071	455,071	-
Cash balance, end of year	<u>\$ 277,555</u>	<u>\$ 280,050</u>	<u>\$ 426,391</u>	<u>\$ 146,341</u>

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

**PROPRIETARY FUNDS FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
<b>Assets:</b>				
Current Assets:				
Cash	\$ 575,259	\$ 562,474	\$ 1,982,919	\$ 3,120,652
Receivables, net	119,132	59,897	95,550	274,579
Total current assets	694,391	622,371	2,078,469	3,395,231
Noncurrent assets:				
Restricted cash	504,512	-	23,314	527,826
Capital assets:				
Land	39,416	-	13,480	52,896
Construction in progress	2,887,218	-	249,933	3,137,151
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	310,690	-	3,225,499	3,536,189
Less accumulated amortization and depreciation	(1,840,265)	-	(618,635)	(2,458,900)
Total capital assets, net	7,634,830	-	9,018,659	16,653,489
Unamortized bond issuance costs	9,500	-	-	9,500
Total noncurrent assets	8,148,842	-	9,041,973	17,190,815
Total assets	8,843,233	622,371	11,120,442	20,586,046
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	154,218	28,103	10,253	192,574
Accrued salaries	8,506	2,289	3,785	14,580
Accrued interest payable	24,915	-	6,442	31,357
Customer deposits	77,094	-	-	77,094
Current maturities of:				
Bonds payable	2,099	-	-	2,099
Notes payable	62,441	-	61,475	123,916
Compensated absences	8,273	1,079	3,750	13,102
Total current liabilities	337,546	31,471	85,705	454,722
Noncurrent Liabilities:				
Bonds payable	198,888	-	-	198,888
Notes payable	577,161	-	1,144,346	1,721,507
Compensated absences	7,493	-	3,090	10,583
Total noncurrent liabilities	783,542	-	1,147,436	1,930,978
Total liabilities	1,121,088	31,471	1,233,141	2,385,700
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	6,794,241	-	7,812,838	14,607,079
Restricted debt service	388,775	-	23,314	412,089
Unrestricted	539,129	590,900	2,051,149	3,181,178
Total net assets	\$ 7,722,145	\$ 590,900	\$ 9,887,301	\$ 18,200,346

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, 2011**

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
Operating Revenues:				
Charges for services	\$ 596,664	\$ 386,904	\$ 520,035	\$ 1,503,603
Operating Expenses:				
Personnel services	293,511	71,331	128,099	492,941
Utilities	32,863	-	127,045	159,908
Contractual services	22,891	252,135	6,757	281,783
Repairs and maintenance	23,764	-	4,073	27,837
Insurance claims and expenses	30,109	-	13,704	43,813
Other operating expenses	108,174	17,138	39,219	164,531
Depreciation and amortization	82,335	-	192,960	275,295
Total operating expenses	<u>593,647</u>	<u>340,604</u>	<u>511,857</u>	<u>1,446,108</u>
Operating income (loss)	3,017	46,300	8,178	57,495
Non-Operating Revenues (Expenses):				
Gross receipts taxes	101,804	10,069	-	111,873
Interest income	3,973	1,109	12,898	17,980
Miscellaneous	-	-	2,347	2,347
Interest expense	(27,454)	-	(12,248)	(39,702)
Total non-operating revenues (expenses)	<u>78,323</u>	<u>11,178</u>	<u>2,997</u>	<u>92,498</u>
Income (loss) before transfers	81,340	57,478	11,175	149,993
Capital Contributions and Transfers:				
Capital contributions	751,898	-	122,612	874,510
Transfers in	38,553	-	41,890	80,443
Transfers (out)	(99,188)	(40,838)	(58,893)	(198,919)
Total transfers	<u>691,263</u>	<u>(40,838)</u>	<u>105,609</u>	<u>756,034</u>
Change in net assets	772,603	16,640	116,784	906,027
Net assets, beginning of year	<u>6,949,542</u>	<u>574,260</u>	<u>9,770,517</u>	<u>17,294,319</u>
Net assets, end of year	<u>\$ 7,722,145</u>	<u>\$ 590,900</u>	<u>\$ 9,887,301</u>	<u>\$ 18,200,346</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, 2011**

	Water and Sewer Fund	Solid Waste Fund	Joint Waste Water Fund	Total
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers	\$ 555,678	\$ 383,574	\$ 496,181	\$ 1,435,433
Cash payments to employees for services	(285,343)	(70,894)	(125,364)	(481,601)
Cash payments to suppliers for goods and services	(216,864)	(263,021)	(195,224)	(675,109)
Net cash provided by operating activities	53,471	49,659	175,593	278,723
<b>Cash Flows From Non-Capital Financing Activities:</b>				
Cash received from state shared taxes	101,471	10,036	-	111,507
Cash received from capital contributions	877,485	-	205,104	1,082,589
Net change in customer deposits	15,855	-	-	15,855
Net transfers in (out)	(60,635)	(40,838)	(17,003)	(118,476)
Net cash provided by non-capital and related financing activities	934,176	(30,802)	188,101	1,091,475
<b>Cash Flows for Capital and Financing Activities:</b>				
Acquisition of capital assets	(887,902)	-	(128,238)	(1,016,140)
Principal payments on capital debt	(64,969)	-	(60,867)	(125,836)
Interest on debt	(27,080)	-	(12,667)	(39,747)
Net cash (used) by capital and related financing activities	(979,951)	-	(201,772)	(1,181,723)
<b>Cash Flows From Investing Activities:</b>				
Interest income	3,985	1,113	12,683	17,781
Purchase of certificates of deposit	(2,168)	(822)	(11,157)	(14,147)
Net cash provided by investing activities	1,817	291	1,526	3,634
Net increase in cash	9,513	19,148	163,448	192,109
Cash and cash equivalents, beginning of year	925,326	451,907	694,259	2,071,492
Cash and cash equivalents, end of year	\$ 934,839	\$ 471,055	\$ 857,707	\$ 2,263,601
<b>Displayed as:</b>				
Cash	\$ 575,259	\$ 562,474	\$ 1,982,919	\$ 3,120,652
Restricted cash	504,512	-	23,314	527,826
Time deposits not considered cash equivalents	(144,932)	(91,419)	(1,148,526)	(1,384,877)
	\$ 934,839	\$ 471,055	\$ 857,707	\$ 2,263,601

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

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**(CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<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)	\$ 3,017	\$ 46,300	\$ 8,178	\$ 57,495
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and amortization	82,335	-	192,960	275,295
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(13,389)	(3,330)	(23,854)	(40,573)
(Increase) decrease in prepaid expenses	199	199	198	596
Increase (decrease) in accounts payable	(26,859)	6,053	(4,624)	(25,430)
Increase (decrease) in accrued salaries	2,691	544	879	4,114
Increase (decrease) in compensated absences	5,477	(107)	1,856	7,226
Total adjustments	<u>50,454</u>	<u>3,359</u>	<u>167,415</u>	<u>221,228</u>
Net cash provided by operating activities	<u>\$ 53,471</u>	<u>\$ 49,659</u>	<u>\$ 175,593</u>	<u>\$ 278,723</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, 2011

**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 proprietary funds, the City has chosen not to do so.

**A. Reporting Entity**

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, the City has a publicly funded housing authority that is considered a component unit of the City. The financial statements of the City of Bayard Housing Authority have been included in the City's financial statements as a *discretely presented* component unit. The Housing Authority is reported as a proprietary fund type. The City is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2011.

Complete financial statements for the City of Bayard Housing Authority can be obtained directly from the Housing Authority's administrative office. Please address requests to the Executive Director, Bayard Housing Authority, 100 Runnels Drive, P.O. Box 768, Bayard, New Mexico 88023.

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**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 Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

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

The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise, public service taxes, interest income, etc.). The City does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term is considered an indirect expense and is reported separately on the Statement of Activities.

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

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

**B. Government-Wide and Fund Financial Statements (continued)**

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property, franchise, sales, and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

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

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**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. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and wastewater, and sanitary landfill funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property, sales and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenues. Expenditures include all costs associated with the daily operation of the City, except for items included in other funds.

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

The *library renovation fund* accounts for federal, state, and local sources, revenues and expenditures for the renovation of the library.

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

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

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

The *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. The fund was established by local ordinance. The cigarette tax is imposed and collected as authorized by 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 29-13.1 through 29-13.9, NMSA, 1978. The fund was established by local ordinance to comply with state statutes. Section 29-13-17A, NMSA 1978 limits distributions from the fund for law enforcement related expenditures, including, but not limited to, the purchase of equipment, expenses associated with advanced law enforcement planning and training.

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

The *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 fund was established by local ordinance in accordance with Section 3-18-14, NMSA 1978.

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

The City reports the following major business-type funds:

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

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

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

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

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 restricted 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.

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

E. Assets, Liabilities, and Net Assets or Equity

**1. Deposits and Investments**

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

**2. Interfund Receivables and Payables**

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

**3. Prepaid Items**

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

**4. Restricted Assets**

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

**5. Interfund Activity**

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

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

Net revenue bond interest cost incurred during construction is capitalized as part of the construction project.

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

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

**7. Compensated Absences**

City employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned is reported in the government-wide financial statements.

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



**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**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. Deferred revenues may include grant awards reflected as a receivable, but not recognized as revenues, since all criteria have not been met.

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

**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, 2011

**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 report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance* – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the board of trustees – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the city council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance* – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

F. Other Matters

**1. Presentation**

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

**2. Cash Flows**

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

**3. Use of Estimates**

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

**2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS**

Cash

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

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

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

**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)**

*Cash Deposited With Financial Institutions*

The City maintains cash in one financial institution within Bayard, New Mexico. The City's deposits are carried at cost. The Federal Depository Insurance Corporation (FDIC) insures the cash accounts at the financial institution.

As of June 30, 2011, the amount of cash reported on the financial statements differs from the amount on deposit with the institution because of transactions in transit and outstanding checks. The location and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
AmBank	\$ 4,850,214	\$ (137,779)	\$ 4,712,435

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

Statement of Net Assets:	
Cash	\$ 4,184,609
Restricted cash	527,826
Total cash reported on financial statements	\$ 4,712,435

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the City. Deposits are collateralized with eligible securities, as described by New Mexico State Statute. 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	\$ 4,850,214
Less FDIC coverage	(500,000)
Uninsured public funds	4,350,214
Pledged collateral held by pledging bank's agent, but not in the City's name	(1,920,000)
Uninsured and uncollateralized public funds	\$ 2,430,214
Total pledged collateral	\$ 1,920,000
50% pledged collateral requirement per State Statute	(2,175,107)
Pledged collateral (under) the requirement	\$ (255,107)

**STATE OF NEW MEXICO  
CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)**

*Cash Deposited With Financial Institutions (continued)*

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. 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, 2011, \$4,350,214 of the City's bank balance of \$4,850,214 was exposed to custodial credit risk as follows:

	AmBank
Uninsured and collateral held by agent, not in the City's name	\$ 4,350,214

**3. RESTRICTED INVESTMENTS**

The amounts and description of the investments at year-end are described below:

Agency	Investment	Maturity	Fair Market Value
NM State Treasurer	Investment Pool	N/A	\$ 3,753

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

Statement of Net Assets:	
Restricted investments	\$ 3,753

The amounts considered restricted investments are debt proceeds amounts set aside to meet debt reserve requirements, and program receipts.

*Cash Deposited with the New Mexico State Treasurer*

As of June 30, 2011, the combined balance of the City's investment within the short-term investment fund was \$3,753. The cost basis and the fair market basis of the deposit are equal to \$3,753 (amount of investment). The investments are valued at fair value based on quoted market prices as of the valuation date.

**STATE OF NEW MEXICO  
CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**3. RESTRICTED INVESTMENTS (continued)**

*Cash Deposited with the New Mexico State Treasurer (continued)*

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 state treasurer's Local Government Investment Pool is not SEC registered. The fund is rated AAA<sub>m</sub> by Standard and Poor's.

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 36-day WAM.

**4. ACCOUNTS RECEIVABLE**

Receivables, net of allowance for doubtful accounts, at June 30, 2011, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable:		
Charges for services	\$ -	\$ 284,087
Allowance for doubtful accounts	-	(31,427)
Total	-	252,660
Taxes receivable:		
Gross receipts taxes	29,965	10,244
Franchise taxes	13,022	-
Property taxes	6,429	-
Public service taxes	5,354	-
Allowance for doubtful accounts	-	-
Total	54,770	10,244

**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**4. ACCOUNTS RECEIVABLE (continued)**

	Governmental Activities	Business-Type Activities
Intergovernmental receivables:		
Building improvement grants	182,101	-
Public safety grants	2,902	-
Infrastructure improvement grants	2,511	-
Utility system improvement grants	-	11,085
Total	187,514	11,085
Interest receivables	87	590
Receivables, net	\$ 242,371	\$ 274,579

The city's policy is to provide for uncollectible amounts based upon expected defaults.

**5. PROPERTY TAX**

Property taxes attached as an enforceable lien on property as of January 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 County Treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the County Treasurer's office.

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City. The City's total tax rate to finance general government services for the year 2010, was \$2.225 per \$1,000 for non-residential and \$1.251 for residential property. In the year 2010, there was no tax rate established for payment of bonds principal and interest.

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**6. CAPITAL ASSETS**

Governmental activities capital assets for the fiscal year ended June 30, 2011:

	Balance 06/30/10	Increases	Decreases	Balance 06/30/11
Capital Assets, Not Being Depreciated:				
Land	\$ 77,534	\$ -	\$ -	\$ 77,534
Construction in progress	699,613	452,516	(414,211)	737,918
	<u>777,147</u>	<u>452,516</u>	<u>(414,211)</u>	<u>815,452</u>
Total capital assets, not being depreciated				
	777,147	452,516	(414,211)	815,452
Other Capital Assets, Being Depreciated:				
Buildings	2,028,356	91,989	-	2,120,345
Infrastructure	5,816,848	937,246	-	6,754,094
Equipment	1,201,357	95,410	(61,371)	1,235,396
	<u>9,046,561</u>	<u>1,124,645</u>	<u>(61,371)</u>	<u>10,109,835</u>
Total other capital assets, being depreciated				
	9,046,561	1,124,645	(61,371)	10,109,835
Accumulated Depreciation:				
Buildings	(532,931)	(40,426)	-	(573,357)
Infrastructure	(1,579,098)	(126,497)	-	(1,705,595)
Equipment	(827,097)	(95,439)	57,759	(864,777)
	<u>(2,939,126)</u>	<u>(262,362)</u>	<u>57,759</u>	<u>(3,143,729)</u>
Total accumulated depreciation				
	(2,939,126)	(262,362)	57,759	(3,143,729)
Other capital assets, net	6,107,435	862,283	(3,612)	6,966,106
Total capital assets, net	<u>\$ 6,884,582</u>	<u>\$ 1,314,799</u>	<u>\$ (417,823)</u>	<u>\$ 7,781,558</u>

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

Governmental Activities:	
General government	\$ 26,690
Public safety	86,517
Public works	93,376
Culture and recreation	55,779
	<u>\$ 262,362</u>



**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**6. CAPITAL ASSETS (continued)**

The following is a summary of proprietary fund assets:

	Balance 06/30/10	Increases	Decreases	Balance 06/30/11
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 48,839	\$ 4,057	\$ -	\$ 52,896
Construction in progress	2,141,129	996,022	-	3,137,151
Total capital assets, not being depreciated	2,189,968	1,000,079	-	3,190,047
Other capital assets, being amortized and depreciated:				
Water rights	1,200,000	-	-	1,200,000
Buildings	731,911	-	-	731,911
Utility system	10,454,242	-	-	10,454,242
Equipment	3,504,330	31,859	-	3,536,189
Total other capital assets, being depreciated	15,890,483	31,859	-	15,922,342
Less accumulated amortization and depreciation for:				
Water rights	(107,500)	(10,000)	-	(117,500)
Buildings	(181,121)	(14,957)	-	(196,078)
Utility system	(1,415,981)	(135,834)	-	(1,551,815)
Equipment	(461,113)	(132,394)	-	(593,507)
Total accumulated amortization and depreciation	(2,165,715)	(293,185)	-	(2,458,900)
Other capital assets, net	13,724,768	232,507	-	13,463,442
Total capital assets, net	\$ 15,914,736	\$ 738,753	\$ -	\$ 16,653,489

**7. CAPITAL ASSETS – COMPONENT UNIT**

The City of Bayard Public Housing Authority's capital assets for the fiscal year ended June 30, 2011, as follows:

	Balance 06/30/10	Increases	Decreases	Balance 06/30/11
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 15,695	\$ -	\$ -	\$ 15,695
Other Capital Assets, Being Depreciated:				
Buildings	2,218,917	2,719	-	2,221,636
Building and other improvements	370,259	15,101	-	385,360
Furniture and equipment - dwellings	125,459	-	-	125,459
Furniture and equipment - administration	67,372	-	-	67,372
Total other capital assets, being depreciated	2,782,007	17,820	-	2,799,827

**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**7. CAPITAL ASSETS – COMPONENT UNIT (continued)**

	Balance 06/30/10	Increases	Decreases	Balance 06/30/11
Less accumulated depreciation for:				
Buildings	(1,284,002)	(59,431)	-	(1,343,433)
Building and other improvements	(196,159)	(11,804)	-	(207,963)
Furniture and equipment - dwellings	(120,510)	(2,719)	-	(123,229)
Furniture and equipment - administration	(60,065)	(1,599)	-	(61,664)
Total accumulated depreciation	<u>(1,660,736)</u>	<u>(75,553)</u>	<u>-</u>	<u>(1,736,289)</u>
Other capital assets, net	<u>1,121,271</u>	<u>(57,733)</u>	<u>-</u>	<u>1,063,538</u>
Total capital assets, net	<u>\$ 1,136,966</u>	<u>\$ (57,733)</u>	<u>\$ -</u>	<u>\$ 1,079,233</u>

**8. LONG-TERM OBLIGATIONS**

*Governmental Activities Debt*

Changes in business-type activities loan activity during the year ended June 30, 2011, were as follows:

	Balance 06/30/10	Additions	Deletions	Balance 06/30/11	Amounts Due Within One Year
Bonds payable	\$ -	\$ 67,000	\$ -	\$ 67,000	\$ 12,000
Notes payable	141,126	-	(29,706)	111,420	17,468
Compensated absences	12,629	26,308	(23,106)	15,831	10,517
Total	<u>\$ 153,755</u>	<u>\$ 93,308</u>	<u>\$ (52,812)</u>	<u>\$ 194,251</u>	<u>\$ 39,985</u>

*Bonds Payable – 2011 Law Enforcement Protection Revenue Bonds*

On March 22, 2011, the City received \$67,000 of law enforcement protection revenue bonds for the purpose of purchasing police vehicles. The bonds bear interest at 4.00% per annum. The bonds principal matures in amounts commencing on August 3, 2011, and annually thereafter, in accordance with the payment schedule. The final principal maturity shall be five years from the date of the bonds issuance. Principal and interest payments are made from the law enforcement protection fund. Annual debt service requirements to maturity are as follows:

Due in the year ending June 30:

	Principal	Interest	Total
2012	\$ 12,000	\$ 2,680	\$ 14,680
2013	13,000	2,200	15,200
2014	13,000	1,680	14,680
2015	14,000	1,160	15,160
2016	15,000	600	15,600
	<u>\$ 67,000</u>	<u>\$ 8,320</u>	<u>\$ 75,320</u>

**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

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 \$19,755. 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
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	19,245	946	20,191
2017	19,755	486	20,241
	<u>\$ 111,420</u>	<u>\$ 9,312</u>	<u>\$ 120,732</u>

Compensated Absences

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

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

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

Business-Type Activities Debt

Changes in business-type activities loan activity during the year ended June 30, 2011, were as follows:

	Balance 06/30/10	Additions	Deletions	Balance 06/30/11	Amounts Due Within One Year
Bonds payable	\$ 203,000	\$ -	\$ (2,013)	\$ 200,987	\$ 2,099
Notes payable	1,966,913	-	(121,490)	1,845,423	123,916
Compensated absences	16,459	30,848	(23,622)	23,685	13,102
Total	<u>\$ 2,186,372</u>	<u>\$ 30,848</u>	<u>\$ (147,125)</u>	<u>\$ 2,070,095</u>	<u>\$ 139,117</u>

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

*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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,479	8,162	10,641
2017-2021	14,066	39,139	53,205
2022-2026	17,320	33,885	51,205
2027-2031	21,328	31,877	53,205
2032-2036	26,260	26,945	53,205
2037-2041	32,338	20,867	53,205
2042-2046	39,819	13,386	53,205
2047-2050	38,431	4,173	42,604
	<u>\$ 200,987</u>	<u>\$ 212,052</u>	<u>\$ 413,039</u>

*Note Payable – NM Environment Department*

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

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 65,743</u>	<u>\$ 6,033</u>	<u>\$ 71,776</u>

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

*Notes Payable – NM Environment Department (continued)*

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

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	56,341	10,933	67,274
2017-2021	308,095	28,274	336,369
	<u>\$ 573,859</u>	<u>\$ 98,880</u>	<u>\$ 672,739</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>
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	63,971	9,562	73,533
2017-2021	329,582	38,085	367,667
2022-2026	346,393	21,275	367,668
2027-2029	216,261	4,340	220,601
	<u>\$ 1,205,821</u>	<u>\$ 117,781</u>	<u>\$ 1,323,602</u>

**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**9. INTERFUND TRANSFERS**

	Transfers In					Total
	General Fund	Library Renovation Fund	Water and Sewer Fund	Joint Wastewater Fund	Non-Major Funds	
Transfers (Out):						
General Fund	\$ -	\$ -	\$ -	\$ 19,000	\$ 26,727	\$ 45,727
Municipal Street Fund	3,320	-	25,195	-	-	28,515
Water and Sewer Fund	76,298	-	-	22,890	-	99,188
Solid Waste Fund	40,838	-	-	-	-	40,838
Joint Wastewater Fund	45,535	-	13,358	-	-	58,893
Non-Major Funds	-	910	-	-	-	910
	<u>\$ 165,991</u>	<u>\$ 910</u>	<u>\$ 38,553</u>	<u>\$ 41,890</u>	<u>\$ 26,727</u>	<u>\$ 274,071</u>

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

**RECONCILIATION OF BUDGETARY**

**10. COMPARISON STATEMENTS WITH GAAP STATEMENTS**

The City prepares its budget utilizing the cash basis of accounting, which is a basis of accounting that differs from generally accepted accounting principles. The City presents the following information that reconciles the general fund and major special revenue fund budgetary comparison statements with the statement of revenues, expenditures, and changes in fund balances. The City's reconciliation of the remaining funds follows budgetary comparison statement of each type of fund.

	General Fund	Municipal Street Fund
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 827,275	\$ 1,106,088
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.	59,000	(316,338)
Real estate taxes collected after year end but not soon enough to pay for current period expenditures are deferred revenues for financial reporting purposes.	5,367	-
In the prior year, the City received and recorded unearned grant revenues as deferred revenues. For budgetary purposes, the deferred revenues were not recorded as revenue; however, for financial reporting purposes, the deferred revenues were recorded as revenues.	-	34,815
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 891,642</u>	<u>\$ 824,565</u>

**STATE OF NEW MEXICO  
CITY OF BAYARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**RECONCILIATION OF BUDGETARY  
10. COMPARISON STATEMENTS WITH GAAP STATEMENTS (continued)**

	General Fund	Municipal Street Fund
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 926,295	\$ 1,109,573
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.	1,909	(295,297)
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.	4,033	-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances.	\$ 932,237	\$ 814,276
Other Sources (Uses) of Resources:		
Actual amounts (budgetary basis) "transfers in (out)" from the budgetary comparison statement.	\$ 116,944	\$ (25,195)
Differences - Budget to GAAP:		
The City completed paying off a long-term obligation and had residual cash held by the New Mexico Finance Authority. During the current accounting period, the account was closed and the cash was transferred to the general fund.	3,320	(3,320)
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 120,264	\$ (28,515)

**11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

*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 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).

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)**

*Funding Policy*

Plan members are required to contribute from 7.0% to 12.8% (ranges from 4.0% 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 from 9.15% to 21.25% (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, 2011, 2010, and 2009 were \$84,926, \$81,918, and \$75,198, respectively, which equal the amount of the required contributions for each fiscal year.

**12. POST-EMPLOYMENT BENEFITS**

The Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978) provides comprehensive group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co-payments or out-of-pocket payments to eligible retirees. The City has elected not to participate in the post-employment health insurance plan.

**13. RISK MANAGEMENT**

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

**14. CONTINGENT LIABILITIES**

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



## **SUPPLEMENTARY INFORMATION**

**COMBINING AND INDIVIDUAL OTHER  
GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
CITY OF BAYARD  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	Special Revenue Funds						Total Other Governmental Funds
	Fire Protection Fund	Juvenile Recreation Fund	Law Enforcement Fund	Corrections Fund	Library Fund	Emergency Medical Services Fund	
<b><u>ASSETS</u></b>							
Cash	\$ 6,485	\$ 15,380	\$ 10,161	\$ 45,973	\$ 25,878	\$ 582	\$ 104,459
Restricted:							
Investments	3,731	-	22	-	-	-	3,753
Total assets	<u>\$ 10,216</u>	<u>\$ 15,380</u>	<u>\$ 10,183</u>	<u>\$ 45,973</u>	<u>\$ 25,878</u>	<u>\$ 582</u>	<u>\$ 108,212</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
Liabilities:							
Accounts payable	\$ 530	\$ -	\$ -	\$ -	\$ 145	\$ -	\$ 675
Accrued salaries	-	-	-	-	406	-	406
Total liabilities	530	-	-	-	551	-	1,081
Fund Balances:							
Reserved for:							
Debt service	3,731	-	22	-	-	-	3,753
Committed for:							
Subsequent year's expenditures	350	10,000	500	-	20,668	-	31,518
Assigned	5,605	5,380	9,661	45,973	4,659	582	71,860
Total fund balances	<u>9,686</u>	<u>15,380</u>	<u>10,183</u>	<u>45,973</u>	<u>25,327</u>	<u>582</u>	<u>107,131</u>
Total liabilities and fund balances	<u>\$ 10,216</u>	<u>\$ 15,380</u>	<u>\$ 10,183</u>	<u>\$ 45,973</u>	<u>\$ 25,878</u>	<u>\$ 582</u>	<u>\$ 108,212</u>

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

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	Special Revenue Funds						Total Other Governmental Funds
	Fire Protection Fund	Juvenile Recreation Fund	Law Enforcement Fund	Corrections Fund	Library Fund	Emergency Medical Services Fund	
Revenues:							
Public service taxes	\$ -	\$ 162	\$ -	\$ -	\$ -	\$ -	\$ 162
Intergovernmental	75,495	-	73,500	-	9,265	5,000	163,260
Interest	36	-	22	271	-	-	329
Miscellaneous	18	-	5	-	1,188	-	1,211
Total revenues	<u>75,549</u>	<u>162</u>	<u>73,527</u>	<u>271</u>	<u>10,453</u>	<u>5,000</u>	<u>164,962</u>
Expenditures:							
Current:							
Public safety	64,620	-	29,764	2,808	-	-	97,192
Culture and recreation	-	211	-	-	40,623	-	40,834
Health and welfare	-	-	-	-	-	6,045	6,045
Capital outlay	-	-	93,700	-	-	-	93,700
Debt service:							
Principal	17,077	-	12,629	-	-	-	29,706
Interest and other charges	3,207	-	32	-	-	-	3,239
Total expenditures	<u>84,904</u>	<u>211</u>	<u>136,125</u>	<u>2,808</u>	<u>40,623</u>	<u>6,045</u>	<u>270,716</u>
Excess (deficiency) of revenues over expenditures	(9,355)	(49)	(62,598)	(2,537)	(30,170)	(1,045)	(105,754)
Other Financing Sources (Uses):							
Bond proceeds	-	-	67,000	-	-	-	67,000
Bond issuance costs	-	-	(8,649)	-	-	-	(8,649)
Transfers in	-	-	3,000	4,114	19,613	-	26,727
Transfers (out)	-	-	-	-	(910)	-	(910)
Total other financing sources (uses)	-	-	61,351	4,114	18,703	-	84,168
Special Item:							
Proceeds from sale of assets	-	-	7,500	-	-	-	7,500
Net change in fund balances	(9,355)	(49)	6,253	1,577	(11,467)	(1,045)	(14,086)
Fund balances, beginning of year	19,041	15,429	3,930	44,396	36,794	1,627	121,217
Fund balances, end of year	<u>\$ 9,686</u>	<u>\$ 15,380</u>	<u>\$ 10,183</u>	<u>\$ 45,973</u>	<u>\$ 25,327</u>	<u>\$ 582</u>	<u>\$ 107,131</u>

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

**OTHER SPECIAL REVENUE FUNDS  
BUDGETARY COMPARISON STATEMENTS**

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**FIRE PROTECTION 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, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 55,235	\$ 55,235	\$ 55,235	\$ -
Miscellaneous	-	34	18	(16)
Total revenues	55,235	55,269	55,253	(16)
Expenditures:				
Current:				
Public safety	41,310	60,110	64,779	(4,669)
Capital outlay	17,000	5,100	-	5,100
Total expenditures	58,310	65,210	64,779	431
Net change in fund balance	(3,075)	(9,941)	(9,526)	415
Cash balance, beginning of year	16,011	16,011	16,011	-
Cash balance, end of year	<u>\$ 12,936</u>	<u>\$ 6,070</u>	<u>\$ 6,485</u>	<u>\$ 415</u>

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

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**JUVENILE RECREATION 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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Public service taxes	\$ -	\$ 346	\$ 346	\$ -
Expenditures:				
Current:				
Culture and recreation	<u>8,000</u>	<u>8,000</u>	<u>211</u>	<u>7,789</u>
Net change in fund balance	(8,000)	(7,654)	135	7,789
Cash balance, beginning of year	<u>15,245</u>	<u>15,245</u>	<u>15,245</u>	<u>-</u>
Cash balance, end of year	<u>\$ 7,245</u>	<u>\$ 7,591</u>	<u>\$ 15,380</u>	<u>\$ 7,789</u>

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

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**LAW ENFORCEMENT 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, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
<b>Revenues:</b>				
Intergovernmental	\$ 13,020	\$ 122,020	\$ 60,861	\$ (61,159)
Miscellaneous	-	5	5	-
Total revenues	13,020	122,025	60,866	(61,159)
<b>Expenditures:</b>				
Current:				
Public safety	10,000	8,100	29,764	(21,664)
Capital outlay	4,500	117,060	93,700	23,360
Total expenditures	14,500	125,160	123,464	1,696
Excess (deficiency) of revenues over expenditures	(1,480)	(3,135)	(62,598)	(59,463)
<b>Other Financing Sources (Uses):</b>				
Bond proceeds	-	-	67,000	(67,000)
Bond issuance costs	-	-	(8,649)	8,649
Transfers in	-	-	3,000	3,000
Total other financing sources (uses)	-	-	61,351	61,351
<b>Special Item:</b>				
Proceeds from sale of assets	-	10,500	7,500	(3,000)
Net change in fund balance	(1,480)	7,365	6,253	(1,112)
Cash balance, beginning of year	3,908	3,908	3,908	-
Cash balance, end of year	<u>\$ 2,428</u>	<u>\$ 11,273</u>	<u>\$ 10,161</u>	<u>\$ (1,112)</u>

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



**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**CORRECTIONS 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, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Interest	\$ 300	\$ 300	\$ 273	\$ (27)
Expenditures:				
Current:				
Public safety	10,000	10,000	2,808	7,192
Excess (deficiency) of revenues over expenditures	(9,700)	(9,700)	(2,535)	7,165
Other Financing Sources (Uses):				
Transfers in	10,000	10,000	4,114	(5,886)
Net change in fund balance	300	300	1,579	1,279
Cash balance, beginning of year	44,394	44,394	44,394	-
Cash balance, end of year	<u>\$ 44,694</u>	<u>\$ 44,694</u>	<u>\$ 45,973</u>	<u>\$ 1,279</u>

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

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**LIBRARY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
<b>Revenues:</b>				
Intergovernmental	\$ 27,122	\$ 107,888	\$ 15,960	\$ (91,928)
Miscellaneous	-	1,220	1,188	(32)
Total revenues	27,122	109,108	17,148	(91,960)
<b>Expenditures:</b>				
Current:				
Culture and recreation	43,786	65,276	41,342	23,934
Capital outlay	16,054	81,004	-	81,004
Total expenditures	59,840	146,280	41,342	104,938
Excess (deficiency) of revenues over expenditures	(32,718)	(37,172)	(24,194)	12,978
<b>Other Financing Sources (Uses):</b>				
Transfers in	23,000	23,000	19,613	(3,387)
Transfers (out)	-	-	(910)	(910)
Total other financing sources (uses)	23,000	23,000	18,703	(4,297)
Net change in fund balance	(9,718)	(14,172)	(5,491)	8,681
Cash balance, beginning of year	31,369	31,369	31,369	-
Cash balance, end of year	\$ 21,651	\$ 17,197	\$ 25,878	\$ 8,681

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

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**EMERGENCY MEDICAL SERVICES 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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 6,305	\$ 6,305	\$ 5,000	\$ (1,305)
Expenditures:				
Current:				
Health and welfare	<u>6,305</u>	<u>6,305</u>	<u>6,045</u>	<u>260</u>
Net change in fund balance	-	-	(1,045)	(1,045)
Cash balance, beginning of year	<u>1,627</u>	<u>1,627</u>	<u>1,627</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 1,627</u></u>	<u><u>\$ 1,627</u></u>	<u><u>\$ 582</u></u>	<u><u>\$ (1,045)</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 BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	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.	\$ 55,253	\$ 346	\$ 60,866
<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 revenues for financial reporting purposes.	-	(184)	-
The New Mexico Finance Authority has intercepted a portion of the state fire allotment for the payment of long-term obligations. For budgetary purposes, the City does not record for the allotment intercepted. For financial reporting purposes, the revenues are recognized.	20,260	-	12,639
Interest income earned on restricted investments is not by the City for budgetary purposes, as the investment is held by a fiscal agent. For financial reporting purposes, the interest is reflected as revenue.	36	-	22
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 75,549	\$ 162	\$ 73,527
<b>Uses/Outflows of Resources:</b>			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 64,779	\$ 211	\$ 123,464
<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.	53	-	-
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.	(212)	-	-
The New Mexico Finance Authority has intercepted a portion of the state fire allotments for the payment of long-term obligations. For budgetary purposes, the City does not record the payment of long-term debt. For financial reporting purposes, the principal and interest is recorded.	20,284	-	12,661
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 84,904	\$ 211	\$ 136,125

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 BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Fire Protection Fund	Juvenile Recreation Fund	Law Enforcement Fund
	<u>          </u>	<u>          </u>	<u>          </u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) "bond proceeds" from the budgetary comparison schedule.	\$ -	\$ -	\$ 67,000
Actual amounts (budgetary basis) "bond issuance costs" from the budgetary comparison schedule.	-	-	(8,649)
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	-	-	3,000
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.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,351</u>
Special Item:			
Actual amounts (budgetary basis) "special items" from the budgetary comparison schedule.	\$ -	\$ -	\$ 7,500
Difference - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total special items as reported on the statement of revenues, expenditures, and changes in fund balances.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,500</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 BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Corrections Fund</u>	<u>Library Fund</u>	<u>Emergency Medical Services Fund</u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 273	\$ 17,148	\$ 5,000
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>(2)</u>	<u>(6,695)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.	<u>\$ 271</u>	<u>\$ 10,453</u>	<u>\$ 5,000</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 2,808	\$ 41,342	\$ 6,045
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.	-	(686)	-
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>(33)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances.	<u>\$ 2,808</u>	<u>\$ 40,623</u>	<u>\$ 6,045</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) "transfers in (out)" from the budgetary comparison statement.	\$ 4,114	\$ 18,703	\$ -
Differences - 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.	<u>\$ 4,114</u>	<u>\$ 18,703</u>	<u>\$ -</u>

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

**MAJOR CAPITAL PROJECT FUND  
BUDGETARY COMPARISON STATEMENT**

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**LIBRARY RENOVATION 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, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 630,000	\$ 630,000	\$ 202,152	\$ (427,848)
Expenditures:				
Current:				
Capital outlay	630,000	630,000	203,062	426,938
Excess (deficiency) of revenues over expenditures	-	-	(910)	(910)
Other Financing Sources (Uses):				
Transfers in	-	-	910	910
Net change in cash balance	-	-	-	-
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	\$ -	\$ -	\$ -	\$ -

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 BALANCES  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Library Renovation Fund</u>
<b>Sources/Inflows of Resources:</b>	
Actual amounts (budgetary basis) "available for appropriation" appropriation" from the budgetary comparison statement.	\$ 202,152
<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 revenues for financial reporting purposes.	<u>107,708</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.	<u><u>\$ 309,860</u></u>
<b>Uses/Outflows of Resources:</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 203,062
<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.	<u>106,798</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances.	<u><u>\$ 309,860</u></u>
<b>Other Sources (Uses) of Resources:</b>	
Actual amounts (budgetary basis) "transfers in (out)" from the budgetary comparison statement.	\$ 910
<b>Difference - Budget to GAAP:</b>	
None.	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances.	<u><u>\$ 910</u></u>

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

**MAJOR ENTERPRISE FUNDS  
BUDGETARY COMPARISON STATEMENT**

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**WATER AND SEWER 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, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 478,625	\$ 534,976	\$ 534,975	\$ (1)
Miscellaneous	31,500	37,462	36,558	(904)
Total operating revenues	510,125	572,438	571,533	(905)
Operating Expenses:				
Personnel services	291,355	331,331	285,343	45,988
Utilities	31,820	32,420	32,357	63
Contractual services	50,037	38,387	22,881	15,506
Repairs and maintenance	23,700	39,160	21,918	17,242
Insurance claims and expenses	33,000	30,200	30,109	91
Other operating expenses	88,050	89,040	109,599	(20,559)
Total operating expenses	517,962	560,538	502,207	58,331
Operating income (loss)	(7,837)	11,900	69,326	57,426
Non-Operating Revenues (Expenses):				
State shared taxes	93,000	101,500	101,471	(29)
Interest income	4,300	4,520	3,985	(535)
Capital outlay	(22,300)	(902,185)	(887,902)	14,283
Debt service - principal	(69,743)	(76,743)	(64,969)	11,774
Interest expense and other charges	(50,312)	(38,312)	(27,080)	11,232
Total non-operating revenues (expenses)	(45,055)	(911,220)	(874,495)	36,725
Income (loss) before other financing sources (uses)	(52,892)	(899,320)	(805,169)	94,151
Other Financing Sources (Uses):				
Contributed capital	-	877,485	877,485	-
Transfers in	43,348	45,935	38,553	(7,382)
Transfers (out)	(87,104)	(99,204)	(99,188)	16
Total other financing sources (uses)	(43,756)	824,216	816,850	(7,366)
Net change in cash balance	(96,648)	(75,104)	11,681	86,785
Cash balance, beginning of year	1,068,090	1,068,090	1,068,090	-
Cash balance, end of year	<u>\$ 971,442</u>	<u>\$ 992,986</u>	<u>\$ 1,079,771</u>	<u>\$ 86,785</u>

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

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**SOLID WASTE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Operating Revenues:				
Charges for services	\$ 358,000	\$ 383,745	\$ 383,574	\$ (171)
Operating Expenses:				
Personnel services	72,405	78,183	70,894	7,289
Contractual services	262,828	256,176	246,169	10,007
Other operating expenses	16,250	18,402	16,852	1,550
Total operating expense	<u>351,483</u>	<u>352,761</u>	<u>333,915</u>	<u>18,846</u>
Operating income (loss)	6,517	30,984	49,659	18,675
Non-Operating Revenues (Expenses):				
State shared taxes	9,700	10,036	10,036	-
Interest income	1,100	1,114	1,113	(1)
Capital outlay	(300)	(300)	-	300
Total non-operating revenues (expenses)	<u>10,500</u>	<u>10,850</u>	<u>11,149</u>	<u>299</u>
Income (loss) before other financing sources (uses)	17,017	41,834	60,808	18,974
Other Financing Sources (Uses):				
Transfers	-	9,155	-	(9,155)
Transfers (out)	(14,872)	(40,872)	(40,838)	98
Total other financing sources (uses)	<u>(14,872)</u>	<u>(31,717)</u>	<u>(40,838)</u>	<u>(9,121)</u>
Net change in cash balance	2,145	10,117	19,970	9,853
Cash balance, beginning of year	<u>542,504</u>	<u>542,504</u>	<u>542,504</u>	<u>-</u>
Cash balance, end of year	<u>\$ 544,649</u>	<u>\$ 552,621</u>	<u>\$ 562,474</u>	<u>\$ 9,853</u>

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

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**JOINT WASTEWATER FUND**  
**SCHEDULE OF REVENUE AND EXPENDITURES**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
<b>Operating Revenues:</b>				
Charges for services	\$ 416,000	\$ 489,000	\$ 487,690	\$ (1,310)
Miscellaneous	-	8,696	8,491	(205)
Total operating revenues	416,000	497,696	496,181	(1,515)
<b>Operating Expenses:</b>				
Personnel services	127,907	130,374	125,364	5,010
Utilities	113,000	124,000	123,294	706
Contractual services	8,000	7,000	6,757	243
Repairs and maintenance	3,400	4,370	3,999	371
Insurance claims and expenses	15,000	13,875	13,704	171
Other operating expenses	31,150	50,850	47,470	3,380
Total operating expenses	298,457	330,469	320,588	9,881
Operating income (loss)	117,543	167,227	175,593	8,366
<b>Non-Operating Revenues (Expenses):</b>				
Interest income	18,000	18,000	12,683	(5,317)
Capital outlay	(308,398)	(362,158)	(128,238)	233,920
Debt service - principal	(60,867)	(60,867)	(60,867)	-
Interest expenses and other charges	(12,667)	(12,667)	(12,667)	-
Total non-operating revenues (expenses)	(363,932)	(417,692)	(189,089)	228,603
Income (loss) before other financing sources (uses)	(246,389)	(250,465)	(13,496)	236,969
<b>Other Financing Sources (Uses):</b>				
Capital contributions	261,261	261,261	205,104	(56,157)
Transfers in	37,650	41,895	41,890	(5)
Transfers (out)	(22,000)	(77,487)	(58,893)	18,594
Total other financing sources (uses)	276,911	225,669	188,101	(37,568)
Net change in cash balance	30,522	(24,796)	174,605	199,401
Cash balance, beginning of year	1,831,628	1,831,628	1,831,628	-
Cash balance, end of year	<u>\$ 1,862,150</u>	<u>\$ 1,806,832</u>	<u>\$ 2,006,233</u>	<u>\$ 199,401</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 FUND NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<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) "operating revenues" from the budgetary comparison schedule.	\$ 571,533	\$ 383,574	\$ 496,181
<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>25,131</u>	<u>3,330</u>	<u>23,854</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 596,664</u>	<u>\$ 386,904</u>	<u>\$ 520,035</u>
<b>Uses/Outflows of Resources:</b>			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 502,207	\$ 333,915	\$ 320,588
<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.	937	6,252	(4,426)
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.	8,168	437	2,735
Depreciation and amortization expenses are not considered an outflow of operating resources for budgetary basis but are considered expenses for financial reporting purposes.	<u>82,335</u>	<u>-</u>	<u>192,960</u>
Total operating expenses, as reported on the statement of revenues, expenses and changes in net assets.	<u>\$ 593,647</u>	<u>\$ 340,604</u>	<u>\$ 511,857</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 FUND NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<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.	\$ 105,456	\$ 11,149	\$ 12,683
<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.	321	29	215
For budgetary purposes, the City does not record the receipt of a donated asset. The receipt is recorded for financial reporting purposes.	-	-	2,347
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 105,777</u>	<u>\$ 11,178</u>	<u>\$ 15,245</u>
<b>Uses/Outflows of Operating Expenses:</b>			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ (979,951)	\$ -	\$ (201,772)
<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.	887,902	-	128,238
For budgetary purposes, the City accounts for the principal payments as a debt expenditure. For financial reporting purposes, the payment of debt is reflected as a reduction of a liability.	64,969	-	60,867
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.	(374)	-	419
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in net assets.	<u>\$ (27,454)</u>	<u>\$ -</u>	<u>\$ (12,248)</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 FUND NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Joint Waste Water Fund</u>
Other Sources of Resources:			
Actual amounts (budgetary basis) "capital contributions" from the budgetary comparison schedule.	\$ 877,485	\$ -	\$ 205,104
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	38,553	-	41,890
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.	<u>(125,587)</u>	<u>-</u>	<u>(82,492)</u>
Total other sources of resources, as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 790,451</u>	<u>\$ -</u>	<u>\$ 164,502</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ (99,188)	\$ (40,838)	\$ (58,893)
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other (uses) resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ (99,188)</u>	<u>\$ (40,838)</u>	<u>\$ (58,893)</u>

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



**OTHER SUPPLEMENTAL FINANCIAL INFORMATION**

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**SCHEDULE OF CASH ACCOUNTS**  
**JUNE 30, 2011**

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	Checking	\$ 3,121,404	\$ (137,686)	\$ 2,983,718
EMS	Checking	657	(75)	582
Historical tourism	Checking	24,339	(43)	24,296
Regional wastewater	Checking	319	-	319
Community Center	Checking	4,024	25	4,049
CDBG project	Checking	28	-	28
RUS improvement	Checking	155	-	155
Certificate of deposit	CD	121,625	-	121,625
Certificate of deposit	CD	358,520	-	358,520
Certificate of deposit	CD	91,419	-	91,419
Certificate of deposit	CD	91,433	-	91,433
Certificate of deposit	CD	117,129	-	117,129
Certificate of deposit	CD	87,563	-	87,563
Certificate of deposit	CD	182,543	-	182,543
Certificate of deposit	CD	485,838	-	485,838
Certificate of deposit	CD	60,955	-	60,955
Certificate of deposit	CD	24,382	-	24,382
Certificate of deposit	CD	59,595	-	59,595
Certificate of deposit	CD	18,286	-	18,286
		<u>\$ 4,850,214</u>	<u>\$ (137,779)</u>	<u>\$ 4,712,435</u>

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**JUNE 30, 2011**

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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Par Value</u>
Belen N Mex Cons Sch Dist No 2	077581MK9	08/01/15	\$ 100,000
Chama By ISD #19	157670DM9	08/01/14	80,000
Clovis NM Mun Sch Dist 1	189414GP4	08/21/11	200,000
Dule N Mex Indpt Sch Dist	264430GQ6	06/01/14	200,000
Grants & Cibola Cnty NM Sch Dist	388240CV3	10/01/12	125,000
Lea Cnty NM Sch Dist	521513AS0	06/15/16	200,000
Los Lunas N Mex Sch Dist No	545562MA5	07/15/12	175,000
Luna County NM School District	550340DN0	08/01/18	200,000
Roswell NM ISD	778550FQ1	08/01/16	200,000
Torrance Etc Cnty NM Sch	891400LN1	07/15/13	90,000
Gadsden Indp Sch GO	362550JT3	08/15/11	100,000
Tularosa NM Muni School Dist #4	899172FA3	07/01/11	120,000
Truth or Consequences NM Muni	898439DJ0	08/01/11	130,000
		Total	<u>\$ 1,920,000</u>

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

**STATE OF NEW MEXICO  
CITY OF BAYARD  
JOINT POWERS AGREEMENT  
JUNE 30, 2011**

**JOINT WASTEWATER AGREEMENT**

- A. **Participants** – City of Bayard, Village of Santa Clara, Town of Hurley, and Fort Bayard Special District.
- B. **Party responsible for operations** – City of Bayard.
- C. **Description** – Operation and maintenance of joint use sewer system.
- D. **Beginning and ending of agreement** – Agreement began on September 11, 1963. The agreement remains in effect until canceled by the participating governments.
- E. **Total estimated amount of project and portion applicable to City** – The joint powers agreement is an ongoing joint venture to allow the Village of Santa Clara, Town of Hurley, and Fort Bayard Special District to dispose of waster water into the City of Bayard sewer system. As of June 30, 2011, 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 \$185,075; Town of Hurley contributed \$58,680; 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 \$41,890 from other funds.
- G. **Audit Responsibility** – The City of Bayard is responsible for the annual audit of all the financial activity.
- H. **Fiscal Agent** – The City of Bayard is the fiscal agent.
- I. **Name of government where revenues and expenditures** – City of Bayard.

**SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION**

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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		\$ 2,700,776	\$ 717,164
Community Facilities Loans & Grants	10.766		116,000	<u>116,000</u>
Total U.S. Department of Agriculture/Rural Utilities Services				833,164
U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.228	10-C-RS-I-03-G-15	500,000	181,161
U.S. Department of Justice				
Bulletproof Vest Partnership Program	16.607	9046176	2,100	2,100
U.S. Department of Transportation/Passed through New Mexico Department of Transportation				
Highway Planning and Construction - ARRA	20.205	ECO-1110 (6) 00	350,000	91,067
Highway Planning and Construction	20.205	TPE 0356(5)	637,500	<u>104,598</u>
Total of U.S. Department of Transportation/ passed through New Mexico Department of Transportation				195,665
U.S. Environmental Protection Agency	66.606	XP-96600701-0	96,200	<u>9,566</u>
Total Expenditures of Federal Awards				<u><u>\$ 1,221,656</u></u>

**STATE OF NEW MEXICO  
CITY OF BAYARD**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011

**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 \$1,221,656. 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	\$ 195,665
Law Enforcement Protection Fund	
Public safety	24,400
Capital outlay	93,700
<u>Capital Project Funds</u>	
Library Renovation Fund	
Capital outlay	181,161
<u>Proprietary Funds</u>	
Water and Sewer Fund	
Capital outlay	717,164
Joint Wastewater Project Fund	
Capital outlay	9,566
Total schedule of federal awards	\$ 1,221,656

**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 of the general fund and major special revenue fund and the combining and individual funds and related budgetary comparisons presented as supplemental information of the City of Bayard, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 28, 2011, which was qualified because of the conditions of the subsidiary capital asset ledgers. 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 to be material weaknesses.

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 an instance of noncompliance, or other matters that is required to be reported under *Government Auditing Standards*, and which is described as item 2011-02 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 certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as item 2010-03 and 2011-01.

In regard to the City of Bayard's Public Housing Authority, we noted a certain other matter that is required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as 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 28, 2011

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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 *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, 2011. 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 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2011.

**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 28, 2011

**STATE OF NEW MEXICO  
CITY OF BAYARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011

**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:

CFDA No.	Program
10.760	Water & Waste Disposal Systems for Rural Comm.

- 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, 2011

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

**Item 2009-01 – Material Weakness – 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, 2011, 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, 2011

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

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

**Effect (continued)** – Furthermore, 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. Furthermore, 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.

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

*Item 2009-02 – Material Weakness – Capital Assets Subsidiary Records*

**Statement of Condition** – In order to be in compliance with the Government Accounting Standards Board (GASB) Statement No. 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 composed the City's capital assets subsidiary ledgers. 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.



**STATE OF NEW MEXICO  
CITY OF BAYARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

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

**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.

**Recommendation** – We recommend City 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, City staff should receive training regarding the concept of capitalization of capital expenditures.

**Recommendation (continued)** – Once the training has occurred, we recommend the City thoroughly review the subsidiary records and make the appropriate adjustments including providing detailed information regarding the cost components of the new wastewater facility.

**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. Staff is working on imputing the capital assets into the MIP Software which will maintain the subsidiary ledgers and listings.

*Item 2010-01 – Significant Deficiency – 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.

**STATE OF NEW MEXICO  
CITY OF BAYARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

*Item 2010-01 – Significant Deficiency – Compliance with Series 2009 Bond Ordinance (cont.)*

**Effect (continued)** –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** – City staff have created the bond income fund and is working to reflect the pledged revenues received during the fiscal years ended June 30, 2010 and 2011.

*Item 2010-03 – Other – 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 twenty instances which required mileage (actual or per diem) reimbursement. Of those twenty instances, all twenty instances had the mileage reimbursement rate calculated incorrectly. For all twenty instances, the employee was overpaid. The variance totaled \$247.
- There were two instances where employees did not complete did not have authorized supervisor approval on travel request form.
- There was one instance where a City Councilor did not complete travel reimbursement form correctly. The Council was advanced 80% of anticipated mileage reimbursement; however, the form did not indicate the anticipated miles for the upcoming trip. Upon return, the form was not completed; however, the Council received the final 20% reimbursement.
- There was one instance where employee did not receive their entire reimbursement due to miscalculate of the hours traveled. The total amount not reimbursed the employee was \$11. Within the same request, employee was overpaid \$5 for meal.

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

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

**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.

Section 2.42.23.8 B (2) provides guidance regarding the per diem computation. In particular subsection one discusses the partial day per diem computation methods.

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

**Cause** – Errors in the mileage rate calculation and the incorrect mileage accrued was due to not fully understanding the administrative code. The staff failed to apply the appropriate IRS rate for the fiscal year. The remainder of the discrepancies was caused by a lack of understanding the Per Diem and Mileage Act, and in particular the administrative rule.

**Recommendation** – We recommend the administrative staff review the Per Diem and Mileage Act and the administrative code to ensure compliance with the 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.

**Views of Responsible Officials and Planned Corrective Actions** – City staff has changed the process used to prepare mileage and per diem requests. Staff will continue to work to correct any additional inconsistencies with mileage and per diem.

*Item 2011-01 – Other – Agency Credit Cards*

**Statement of Condition** – During our testing of twenty-five credit card transactions that totaled \$3,641, we noted the following deviations:

- We noted one instance, in the amount of \$1,310, where the City failed to issue a purchase order, authorizing the transaction.
- We noted four instances, in the amount of \$712, where the general ledger account number distribution on the purchase order did not tie to the actual account number recording the expense. The staff changed the initial account after the purchase was made.

**Criteria** – The City has a procurement policy requires the preparation of a purchase requisition and/or a purchase order for all purchases to ensure authorization, and to ensure that the purchase meets budget restrictions.

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

*Item 2011-01 – Other – Agency Credit Cards (continued)*

**Effect** – If the City does not prepare a purchase order or requisition, or changing the account number after the purchase has been made, it runs the risk that purchases may be made in excess of the approved budget limitations.

**Cause** – The lack of a purchase order was due to the City failing to issue a purchase order as there was an immediate need for copies of plans for the library project.

**Recommendation** – We recommend the administrative staff review the City's policies and procedures concerning the authorized use of its credit cards. After such review, all necessary changes or adjustments should be instituted as soon as possible.

**Views of Responsible Officials and Planned Corrective Actions** – City staff will insure that all general ledger account codes are correctly labeled on the purchase orders and that all purchases have been issued a purchase order number.

*Item 2011-02 – Other – Collateral of Public Monies*

**Statement of Condition** – The City maintains cash and certificates of deposit at AmBank. At June 30, 2011, the City's cash and certificates of deposit totaled \$4,850,214 and after FDIC coverage of \$500,000, half of the remaining balance of \$4,350,214, or \$2,175,107 required to be covered by pledged collateral that meet the eligibility requirements of New Mexico state statutes. At June 30, 2011, AmBank pledged \$1,920,000 against the City's deposits. At June 30, 2011, the City had \$255,107 of uninsured funds that did not meet collateral requirements established by the state of New Mexico.

**Criteria** – New Mexico State Statutes Section 6-10-17 NMSA 1978 states, "*The securities delivered shall have an aggregate value equal to one-half the amount of public money to be received...*"

Furthermore, New Mexico State Statutes Section 6-10-16B NMSA 1978 states, "*No security is required for the deposit of public money that is insured by the federal deposit insurance corporation or the national credit union administration.*"

**Effect** – Non-compliance with New Mexico state statutes subjects the City's officials and personnel to punishment as defined by state statutes.

**Cause** – The City failed to monitor the amounts of collateral pledged by AmBank on all City deposits.

**Recommendation** – We recommend that City staff monitor monthly pledged collateral statements issued by AmBank. We recommend City staff discuss with AmBank the amounts and types of collateral pledged for the City's deposits to ensure compliance with state statutes.

**STATE OF NEW MEXICO  
CITY OF BAYARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Primary Government**

*Item 2011-02 – Other – Collateral of Public Monies (continued)*

**Views of Responsible Officials and Planned Corrective Actions** – City staff will be working closely with staff at AmBank to insure that the amount of collateral pledged is in compliance with state statutes.

**Component Unit**

*Item CU2010-02 – Other - 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 two transactions, which were haphazardly selected throughout the fiscal year, and contained the following discrepancies:

- There were two instances which required mileage (actual or per diem) reimbursement. 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 instances, the employee was overpaid. The variance totaled \$18.

**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. The Per Diem and Mileage Act requires local governments to use previous year's Internal Revenue Service mileage rate to determine the current mileage rate.

**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 failed to make the necessary changes to their travel and per diem form, when the mileage rate changed at the beginning of the year.

**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.

**STATE OF NEW MEXICO  
CITY OF BAYARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Component Unit**

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

**Views of Responsible Officials and Planned Corrective Actions** – The Authority concurs with the auditor’s recommendation, and has updated the travel and per diem policy. The Authority has also started using the correct mileage rate on employee travel and per diem forms.

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

None.

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

**Primary Government**

*Item 2009-01 – Financial Statements and Disclosures* – In the prior year’s audit report, we noted that individuals responsible for the accounting and financial reporting functions for the City, lack the skills and knowledge to apply generally accepted accounting principles in preparing the City’s financial statements. During the current fiscal year, the City was unable to provide additional governmental accounting training to the individuals responsible for the preparation of the City’s financial statements. The prior year’s audit finding has been modified and repeated as Item 2009-01.

*Item 2009-02 – Capital Asset Subsidiary Records* – In the prior year’s audit report, we noted the City did not have sufficient internal controls to safeguard its capital assets, track asset additions and deletions, or maintain an accurate depreciation schedule. During the current fiscal year, the City continued to prepare their capital asset subsidiary ledger; however, the report was not completed at the end of the fiscal year. The prior year’s audit finding has been modified and repeated as Item 2009-02.

*Item 2009-03 – Bank Depositories* – In the prior year’s audit report, we noted the City failed to allocate their interest bearing account between the two banks within city limits. During the current fiscal year, one of the two banks closed their doors to their Bayard branch, thus no longer required the City to allocate their interest bearing accounts. This audit finding is considered resolved.

*Item 2010-01 – Compliance with Series 2009 Bond Ordinance* – In the prior year’s audit report, we noted the City failed to create an account for the pledged tax revenues as required by the Series 2009 Bond Ordinance. During the current fiscal year, the City did not create the account as per the ordinance. The prior year’s audit finding has been modified and repeated as Item 2010-02.

**STATE OF NEW MEXICO**  
**CITY OF BAYARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011

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

**Primary Government**

*Item 2010-02 – Compliance with Procurement Code* – In the prior year’s audit report, we noted the City failed to follow the requirements of the Procurement Code concerning change orders. During the current fiscal year, the City insured they were following all aspects of the Procurement Code. The prior year’s audit finding is considered resolved.

*Item 2010-03 – Compliance with Travel and Per Diem Requirements* – In the prior year’s audit report, we noted the City failed to follow the per diem and mileage requirements as set forth by the state of New Mexico. During the current year, the City failed to make the necessary changes to their travel and per diem policy to be in compliance with the Mileage and Per Diem Act. The prior year’s audit finding has been modified and repeated as Item 2010-03.

**Component Unit**

*Item CU2009-01 – Bank Depositories* – During the previous year’s audit, it was noted the Authority failed to allocate their interest bearing accounts between the two banks within the City of Bayard. During the fiscal year, one of the two banks closed their doors to the Bayard branch, thus no longer requiring the Authority to allocate their interest bearing accounts. The finding is considered resolved.

*Item CU2010-01 – Tenant Eligibility* – During the previous year’s audit, it was noted that the tenant files did not contain all of the information required by the United States Department of Housing and Urban Development. The results of our testing for the current year did not reveal any deficiencies within the tenant files. This finding is considered resolved.

*Item CU2010-02 – Travel and Per Diem* – During the previous year’s audit, it was noted that the Authority failed to follow the reimbursements of the Mileage and Per Diem Act for reimbursement of employee travel expenses. During the fiscal year, the Authority failed to make the necessary adjustments concerning the Mileage and Per Diem Act. This finding has not been resolved and is repeated as Item 2010-02.

**STATE OF NEW MEXICO  
CITY OF BAYARD  
EXIT CONFERENCE AND  
FINANCIAL STATEMENT PREPARATION  
JUNE 30, 2011**

**CITY OF BAYARD  
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2011, was discussed during the exit conference held on December 1, 2011. Present for the City was Louis F. Baum, Sr., councilor; 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, 2011, was discussed during the exit conference held on December 1, 2011. Present for the Public Housing Authority was James Cook, chairperson; and Jolene Padilla, executive director. Present for the City of Bayard was Louis F. Baum, Sr., councilor; 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, 2011. 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.