

**TOWN OF BERNALILLO, NEW MEXICO
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2007**



TOWN OF BERNALILLO, NEW MEXICO

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TOWN OF BERNALILLO, NEW MEXICO
OFFICIAL ROSTER
JUNE 30, 2007

Board of Trustees

Patricia Chavez
Mayor

Ronnie A. Sisneros
Town Councilor

Marian A. Jaramillo
Town Councilor

Edward W. Torres III
Town Councilor

Santiago Montoya
Town Councilor

Administrative Officials

Santiago Chavez
Town Treasurer

Ida Fierro
Town Clerk

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**TOWN OF BERNALILLO, NEW MEXICO
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Gary Heinfeld, CPA, CGFM
Nancy A. Meech, CPA, CGFM
Jennifer L. Shields, CPA
Corey Arvizu, CPA

Scott W. Kies, CPA
Kimberly A. Robinson, CPA
Kera Badalamenti, CPA, CGFM

10120 N. Oracle Rd.
Tucson, Arizona 85704
(520) 742-2611
Fax (520) 742-2718

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Town Council
Town of Bernalillo, New Mexico

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund (General, Water and Sewer, and Housing Assistance Funds), and the aggregate remaining fund information of the Town of Bernalillo, New Mexico (Town), as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental and fiduciary funds presented as Supplementary Information as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Town of Bernalillo, New Mexico does not maintain adequate records of its capital assets accounted for in the governmental activities, the business-type activities, the Water and Sewer Fund, and the Housing Assistance Fund financial statements. In addition, the Town does not maintain adequate records of the utility accounts receivable and related allowance accounts reported in the business-type activities and the Water and Sewer Fund. Accordingly, we were unable to perform procedures sufficient to achieve the audit objectives of the balances presented for these accounts.

In our opinion, except for the effects, if any, of not providing adequate records of capital assets and utility accounts receivable as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the Water and Sewer Fund, and the Housing Assistance Fund of the Town of Bernalillo, New Mexico, as of June 30, 2007, and the respective changes in financial position, where applicable, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the aggregate remaining fund information of the Town of Bernalillo, New Mexico, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary fund of the Town of Bernalillo, New Mexico, as of June 30, 2007, and the respective changes in financial position thereof and the respective budgetary comparison information for all nonmajor governmental, nonmajor enterprise, and enterprise funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2008, on our consideration of the Town of Bernalillo, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

June 27, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

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**TOWN OF BERNALILLO, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2007**

As management of the Town of Bernalillo, New Mexico (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2007.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2006-07 as follows.

- The Town's total net assets of governmental activities increased \$1.5 million to \$12.6 million and business-type activities increased \$1.3 million to \$12.1 million representing 51 percent and 49 percent respectively, of the total net assets of \$24.7 million.
- General revenues from governmental activities accounted for \$4.5 million in revenue, or 73 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1.7 million or 27 percent of total governmental activities revenues. The Town had \$7.0 million of program revenues and \$491,552 in general revenues related to business-type activities.
- The Town had \$4.8 million in expenses related to governmental activities, a decrease of 4 percent from the prior fiscal year. The Town had \$6.1 million in expenses related to business-type activities a decrease of 5 percent from the prior fiscal year.
- The General Fund had \$5.1 million in revenues, which primarily consisted of gross receipts taxes and intergovernmental revenues. The total expenditures of the General Fund were \$3.8 million. The General Fund's fund balance increased from \$435,069 to \$1.7 million, due primarily to an increase in the Town's intergovernmental income.
- The Water and Sewer Fund operating expenses of \$4.7 million exceeded operating revenues of \$2.9 million. However, the Water and Sewer Fund's net assets increased from \$9.0 million to \$10.2 million due to the capital contributions of \$2.3 million.

**TOWN OF BERNALILLO, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2007**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the government-wide financial statements the Town's activities are presented in the following categories:

- **Governmental activities** – Most of the Town's basic services are included here, such as general government, public safety, public works, and culture and recreation. Gross receipts taxes, charges for services, and grants and contributions finance most of these activities.
- **Business-type activities** – The services provided by the Town included here are water and sewer, housing assistance, and campground. The services are primarily financed through charges for services.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**TOWN OF BERNALILLO, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2007**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be the Town's only major governmental fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

Proprietary funds. The Town of Bernalillo maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Bernalillo uses enterprise funds to account for its water and sewer, housing assistance, and campground.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Under New Mexico Administrative Code Section 2.2.2, governments in New Mexico must include the budgetary comparison statement for the General Fund as a component of the fund financial statements within the basic financial statements.

**TOWN OF BERNALILLO, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2007**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$24.7 million as of June 30, 2007.

The largest portion of the Town's net assets (76 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings and improvements, and vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table presents a summary of the Town's net assets for the fiscal years ended June 30, 2007 and June 30, 2006. (Prior year tabular data has not been restated for the adjustments referenced in Note 12 on page 49.)

	2007 Governmental Activities	2006 Governmental Activities	2007 Business-type Activities	2006 Business-type Activities	2007 Total	2006 Total
Current and other assets	\$ 1,806,594	\$ 1,440,196	\$14,473,465	\$ 2,921,601	\$ 16,280,059	\$ 4,361,797
Capital assets, net	11,213,192	7,249,737	13,351,089	11,050,161	24,564,281	18,299,898
Total assets, net	<u>13,019,786</u>	<u>8,689,933</u>	<u>27,824,554</u>	<u>13,971,762</u>	<u>40,844,340</u>	<u>22,661,695</u>
Current and other liabilities	199,757	224,368	1,047,071	837,993	1,246,828	1,062,361
Long-term liabilities	258,129	103,644	14,648,613	2,667,307	14,906,742	2,770,951
Total liabilities	<u>457,886</u>	<u>328,012</u>	<u>15,695,684</u>	<u>3,505,300</u>	<u>16,153,570</u>	<u>3,833,312</u>
Invested in capital assets, net of related debt	11,037,177	7,249,737	7,819,174	7,954,024	18,856,351	15,203,761
Unrestricted	1,524,723	1,112,184	4,309,696	2,512,438	5,834,419	3,624,622
Total net assets	<u>\$ 12,561,900</u>	<u>\$ 8,361,921</u>	<u>\$12,128,870</u>	<u>\$10,466,462</u>	<u>\$ 24,690,770</u>	<u>\$ 18,828,383</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The addition of \$796,005 in governmental activities capital assets, including \$283,370 for vehicles, furniture and equipment, and \$512,635 for infrastructure. The increase in infrastructure consisted of developer contributed assets.
- An increase in cash and investments in the business-type activities due to a sale of revenue bonds during the year.

**TOWN OF BERNALILLO, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2007**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The Town's total revenues for the fiscal year ended June 30, 2007, were \$13.7 million. The total cost of all programs and services was \$11.0 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2007 and June 30, 2006.

	2007 Governmental Activities	2006 Governmental Activities	2007 Business-type Activities	2006 Business-type Activities	2007 Total	2006 Total
Revenues:						
Program revenues:						
Charges for services	\$ 757,193	\$ 968,300	\$ 3,221,666	\$ 6,235,886	\$ 3,978,859	\$ 7,204,186
Operating grants and contributions	416,658	191,860	755,371	1,572,187	1,172,029	1,764,047
Capital grants and contributions	512,635	91,125	3,037,327		3,549,962	91,125
General revenues:						
Property taxes, levied for general purposes	367,648	375,842			367,648	375,842
Franchise taxes	196,307	185,379			196,307	185,379
Gross receipts taxes	3,589,655	3,384,423			3,589,655	3,384,423
Investment income	45,624	9,648	411,532	13,834	457,156	23,482
Miscellaneous income		23,662		12,826		36,488
Unrestricted grants, aid, and state shared revenues	325,780	379,028	80,020		405,800	379,028
Total revenues	<u>6,211,500</u>	<u>5,609,267</u>	<u>7,505,916</u>	<u>7,834,733</u>	<u>13,717,416</u>	<u>13,444,000</u>
Expenses:						
General government	1,383,481	3,135,907			1,383,481	3,135,907
Public safety	2,156,306	871,414			2,156,306	871,414
Public works	502,850	119,431			502,850	119,431
Culture and recreation	770,083	913,645			770,083	913,645
Interest on long-term debt	2,004				2,004	
Water and Sewer			5,169,805	4,709,321	5,169,805	4,709,321
Housing Assistance			856,265	1,658,691	856,265	1,658,691
Campground			111,247	125,192	111,247	125,192
Total expenses	<u>4,814,724</u>	<u>5,040,397</u>	<u>6,137,317</u>	<u>6,493,204</u>	<u>10,952,041</u>	<u>11,533,601</u>
Transfers	<u>100,000</u>	<u>(36,026)</u>	<u>(100,000)</u>			<u>(36,026)</u>
Increase in net assets	<u>\$ 1,496,776</u>	<u>\$ 532,844</u>	<u>\$ 1,268,599</u>	<u>\$ 1,341,529</u>	<u>\$ 2,765,375</u>	<u>\$ 1,874,373</u>

Total revenues increased \$273,416 or 2 percent primarily as a result of the increased capital grants and contributions revenues.

Expenses decreased \$581,560 due to the decreased governmental activities expenses.

**TOWN OF BERNALILLO, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2007**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

Governmental and Business-type activities. The following table presents the cost of the eight (8) major Town functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and Town's taxpayers by each of these functions.

	2007		2006	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 1,383,481	\$ (1,263,406)	\$ 3,135,907	\$ (2,558,301)
Public safety	2,156,306	(1,567,452)	871,414	(455,117)
Public works	502,850	308,590	119,431	(28,306)
Culture and recreation	770,083	(603,966)	913,645	(747,388)
Interest on long-term debt	2,004	(2,004)		
Total	<u>\$ 4,814,724</u>	<u>\$ (3,128,238)</u>	<u>\$ 5,040,397</u>	<u>\$ (3,789,112)</u>
Business-type Activities				
Water and Sewer	\$ 5,169,805	\$ 857,088	\$ 4,709,321	\$ 1,266,933
Housing Assistance	856,265	7,853	1,658,691	46,253
Campground	111,247	12,106	125,192	1,683
Total	<u>\$ 6,137,317</u>	<u>\$ 877,047</u>	<u>\$ 6,493,204</u>	<u>\$ 1,314,869</u>

- The cost of all governmental activities this year was \$4.8 million, a decrease of \$225,673.
- The cost of all business-type activities this year was \$6.1 million. The decrease of \$355,887 from the prior year was primarily due to the decreased housing assistance expenses.
- Federal and State governments and charges for services subsidized certain governmental programs and business-type programs with revenues of \$8.7 million.
- Net cost of governmental activities of \$3.1 million was financed by general revenues, which are made up of primarily gross receipts taxes of \$3.6 million.

**TOWN OF BERNALILLO, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2007**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

The financial performance of the Town as a whole is reflected in its governmental funds. As the Town completed the year, its governmental funds reported a combined fund balance of \$1.7 million, an increase of \$1.3 million.

The General Fund is the principal operating fund of the Town. The increase in fund balance of \$1.3 million in the General Fund for the fiscal year to \$1.7 million was due primarily to increased gross receipts taxes and decreased general government expenditures.

Proprietary funds. Net assets of the Enterprise Funds at the end of the year amounted to \$12.1 million. The increase of \$1.3 million from fiscal year 2005-06 was primarily due to increased capital contributions and decreased housing assistance payments expenses.

BUDGETARY HIGHLIGHTS

There were several amendments to the Town of Bernalillo's fiscal year 2006-07 operating and capital budget. A statement reporting the original and final budget amounts compared to the Town's actual financial activity for the General Fund is provided in this report as a basic financial statement. The favorable variance of \$703,696 in General Fund revenues was mainly attributed to the municipal and state shared taxes, intergovernmental, and licenses and permits revenues exceeding the budgeted amounts. Expenditures had a negative variance of \$19,244 due to higher than anticipated public safety expenditures.

**TOWN OF BERNALILLO, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2007**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the Town had invested \$31.9 million in capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase prior to depreciation of \$1.4 million from last year, primarily due to an addition of infrastructure assets of \$512,635. Total depreciation expense for the year was \$710,691.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2007 and June 30, 2006.

<u>Governmental Activities</u>	As of <u>June 30, 2007</u>	As of <u>June 30, 2006</u>
Land	\$ 1,506,262	\$ 1,506,262
Infrastructure	5,494,627	4,981,992
Buildings and improvements	4,206,533	4,206,533
Vehicles, machinery and equipment	1,764,434	1,481,064
Less: Accumulated depreciation	<u>(1,758,664)</u>	<u>(1,456,060)</u>
Total	<u>\$ 11,213,192</u>	<u>\$ 10,719,791</u>
<u>Business-type Activities</u>	As of <u>June 30, 2007</u>	As of <u>June 30, 2006</u>
Land	\$ 806,897	\$ 456,897
Construction in progress		69,967
Infrastructure	13,601,964	13,448,173
Buildings and improvements	4,043,352	3,938,402
Vehicles, furniture and equipment	437,817	389,648
Less: Accumulated depreciation	<u>(5,538,941)</u>	<u>(5,130,854)</u>
Total	<u>\$ 13,351,089</u>	<u>\$ 13,172,233</u>

The increase in governmental assets is primarily attributed to developer donated infrastructure and vehicle and equipment purchases. The business-type increase is mainly due to the purchase of land for the future expansion of the wastewater treatment plant. Additional information on the Town's capital assets can be found in Note 4.

**TOWN OF BERNALILLO, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2007**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

Debt Administration. At year-end, the Town had \$15.2 million in long-term debt outstanding, \$420,170 due within one year. The following table presents a summary of the Town's outstanding long-term debt for the fiscal years ended June 30, 2007 and June 30, 2006.

	Governmental Activities	
	2007	2006
Loans payable	\$ 190,122	\$
Total	\$ 190,122	\$
	Business-type Activities	
	2007	2006
Loans payable	\$ 3,806,987	\$ 158,026
Revenue bonds payable	11,089,498	2,938,111
Deferred bond premium	98,748	
Total	\$ 14,995,233	\$ 3,096,137

Increases to long-term debt are due to loans to fund the purchase of a fire pumper truck, to design and construct an arsenic removal system, and to purchase land. Additionally, the Town issued water and sewer revenue bonds to provide funds to acquire and construct certain improvements to the water and sewer systems.

State statutes currently limit the amount of general obligation debt a Town may issue to 4 percent of its total assessed valuation for general purposes. The current debt limitation for general purposes for the Town is \$4.2 million. State statute currently does not limit the amount of general obligation debt a Town may issue for a water and sewer system.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The adopted combined operating and capital expenditure budget for fiscal year 2007-08 totals \$4.8 million, an increase of \$1.4 million or 43% more than fiscal year 2006-07. This increase is attributed to the following factors:

- Actual revenues exceeded budgeted revenues for fiscal year 2006-07.
- An increase of approximately \$800,000 in one-time construction gross receipts taxes related to the new Wal-Mart.
- An increase in businesses on US Highway 550.
- Significant housing expansion occurred during fiscal year 2006-07.

**TOWN OF BERNALILLO, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2007**

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Finance Department, Town of Bernalillo, 829 South Camino del Pueblo, Bernalillo, New Mexico 87004.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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TOWN OF BERNALILLO, NEW MEXICO
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 1,330,695	\$ 13,631,887	\$ 14,962,582
Accounts receivable	41,116	484,072	525,188
Due from federal government	43,467		43,467
Due from state government	367,522		367,522
Due from county government	7,897		7,897
Internal balances	15,897	(15,897)	
Prepaid items		8,733	8,733
Inventory		4,300	4,300
Total current assets	1,806,594	14,113,095	15,919,689
Noncurrent assets:			
Deferred bond issuance costs		360,370	360,370
Land	1,506,262	806,897	2,313,159
Infrastructure	5,494,627	13,601,964	19,096,591
Buildings and improvements	4,206,533	4,043,352	8,249,885
Vehicles, furniture and equipment	1,764,434	437,817	2,202,251
Accumulated depreciation	(1,758,664)	(5,538,941)	(7,297,605)
Total noncurrent assets	11,213,192	13,711,459	24,924,651
Total assets	13,019,786	27,824,554	40,844,340
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	66,364	246,194	312,558
Accrued payroll	25,262	13,147	38,409
Accrued interest payable	2,004	44,521	46,525
Compensated absences payable	92,291	26,459	118,750
Unearned revenue		300,838	300,838
Customer deposits		9,578	9,578
Loans payable	13,836	20,303	34,139
Revenue bonds payable		386,031	386,031
Total current liabilities	199,757	1,047,071	1,246,828
Noncurrent liabilities:			
Compensated absences payable	81,843	59,714	141,557
Loans payable	176,286	3,786,684	3,962,970
Revenue bonds payable		10,703,467	10,703,467
Deferred bond premium		98,748	98,748
Total non-current liabilities	258,129	14,648,613	14,906,742
Total liabilities	457,886	15,695,684	16,153,570
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	11,037,177	7,819,174	18,856,351
Unrestricted	1,524,723	4,309,696	5,834,419
Total net assets	\$ 12,561,900	\$ 12,128,870	\$ 24,690,770

The notes to the financial statements are an integral part of this statement.

**TOWN OF BERNALILLO, NEW MEXICO
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental activities:					
General government	\$ 1,383,481	\$	\$ 120,075	\$	\$ (1,263,406)
Public safety	2,156,306	292,271	296,583		(1,567,452)
Public works	502,850	298,805		512,635	308,590
Culture and recreation	770,083	166,117			(603,966)
Interest on long-term debt	2,004				(2,004)
Total governmental activities	4,814,724	757,193	416,658	512,635	(3,128,238)
Business-type activities:					
Water and sewer	5,169,805	2,895,769	140,005	2,991,119	
Housing assistance	856,265	202,544	615,366	46,208	
Campground	111,247	123,353			
Total business-type activities	6,137,317	3,221,666	755,371	3,037,327	
Total primary government	\$ 10,952,041	\$ 3,978,859	\$ 1,172,029	\$ 3,549,962	(3,128,238)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					367,648
Gross receipts taxes					3,589,655
Franchise taxes					196,307
Unrestricted grants, aid and state shared revenues					325,780
Investment income					45,624
Transfers					100,000
Total general revenues and transfers					4,625,014
Changes in net assets					1,496,776
Net assets, beginning of year, as restated					11,065,124
Net assets, end of year					\$ 12,561,900

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue
and Changes in Net Assets

Business-type Activities	Totals
\$	\$ (1,263,406)
	(1,567,452)
	308,590
	(603,966)
	(2,004)
	(3,128,238)
857,088	857,088
7,853	7,853
12,106	12,106
877,047	877,047
877,047	(2,251,191)
	367,648
	3,589,655
	196,307
80,020	405,800
411,532	457,156
(100,000)	
391,552	5,016,566
1,268,599	2,765,375
10,860,271	21,925,395
\$ 12,128,870	\$ 24,690,770

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FUND FINANCIAL STATEMENTS

**TOWN OF BERNALILLO, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$ 1,296,413	\$ 34,282	\$ 1,330,695
Accounts receivable	28,160	12,956	41,116
Due from federal government	43,467		43,467
Due from state government	351,055	16,467	367,522
Due from county government	7,897		7,897
Due from other funds	234,406		234,406
Total assets	\$ 1,961,398	\$ 63,705	\$ 2,025,103
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 34,532	\$ 31,832	\$ 66,364
Accrued payroll	22,663	2,599	25,262
Due to other funds	185,603	32,906	218,509
Total liabilities	242,798	67,337	310,135
Fund balances (deficits):			
Unreserved:			
Undesignated	1,718,600		1,718,600
Unreserved reported in:			
Special revenue funds		(3,632)	(3,632)
Total fund balances	1,718,600	(3,632)	1,714,968
Total liabilities and fund balances	\$ 1,961,398	\$ 63,705	\$ 2,025,103

The notes to the financial statements are an integral part of this statement.

**TOWN OF BERNALILLO, NEW MEXICO
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Total governmental fund balances		\$ 1,714,968
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:</p>		
Governmental capital assets	\$ 12,971,856	
Less accumulated depreciation	<u>(1,758,664)</u>	11,213,192
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:</p>		
Accrued interest payable	(2,004)	
Loans payable	(190,122)	
Compensated absences payable	<u>(174,134)</u>	<u>(366,260)</u>
Net assets of governmental activities		<u><u>\$ 12,561,900</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF BERNALILLO, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 367,648	\$	\$ 367,648
Municipal and state shared taxes	3,596,249	319,186	3,915,435
Intergovernmental	320,593	96,065	416,658
Charges for services	47,710	89,746	137,456
Licenses and permits	298,805		298,805
Fines and forfeits	219,350	60,495	279,845
Franchise fees	196,307		196,307
Investment income	44,999	625	45,624
Other revenues	37,742	3,345	41,087
Total revenues	<u>5,129,403</u>	<u>569,462</u>	<u>5,698,865</u>
Expenditures:			
Current -			
General government	1,336,458	19,239	1,355,697
Public safety	1,617,758	406,693	2,024,451
Public works	258,725	125,558	384,283
Culture and recreation	521,019	155,567	676,586
Capital outlay	111,912	179,016	290,928
Total expenditures	<u>3,845,872</u>	<u>886,073</u>	<u>4,731,945</u>
Excess (deficiency) of revenues over expenditures	<u>1,283,531</u>	<u>(316,611)</u>	<u>966,920</u>
Other financing sources (uses):			
Loan proceeds		190,122	190,122
Transfers in	100,000	100,000	200,000
Transfers out	(100,000)		(100,000)
Total other financing sources (uses)		<u>290,122</u>	<u>290,122</u>
Changes in fund balances	<u>1,283,531</u>	<u>(26,489)</u>	<u>1,257,042</u>
Fund balances, beginning of year, as restated	435,069	22,857	457,926
Fund balances (deficits), end of year	<u>\$ 1,718,600</u>	<u>\$ (3,632)</u>	<u>\$ 1,714,968</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF BERNALILLO, NEW MEXICO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Net changes in fund balances - total governmental funds		\$ 1,257,042
<p>Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:</p>		
<p>Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.</p>		
Expenditures for capitalized assets	\$ 283,370	
Less current year depreciation	<u>(302,604)</u>	(19,234)
<p>Capital assets contributed by developers to the Town are not recorded in the governmental funds as they do not provide current financial resources but are recognized in the Statement of Activities as program revenues.</p>		
		512,635
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported in governmental funds.</p>		
Accrued interest payable	(2,004)	
Compensated absences payable	<u>(61,541)</u>	(63,545)
<p>The issuance of long-term debt provides and uses current financial resources in the governmental funds, but the issuance increases long-term liabilities and the related deferred items in the Statement of Net Assets.</p>		
		<u>(190,122)</u>
Change in net assets in governmental activities		<u>\$ 1,496,776</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF BERNALILLO, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 275,344	\$ 275,344	\$ 367,648	\$ 92,304
Municipal and state shared taxes	3,461,425	3,461,425	3,596,249	134,824
Intergovernmental	173,113	173,113	320,593	147,480
Charges for services			47,710	47,710
Licenses and permits	176,025	176,025	298,805	122,780
Fines and forfeits	138,900	138,900	219,350	80,450
Franchise fees	175,000	175,000	196,307	21,307
Investment income			44,999	44,999
Other revenues	25,900	25,900	37,742	11,842
Total revenues	4,425,707	4,425,707	5,129,403	703,696
Expenditures:				
Current -				
General government	1,394,135	1,430,933	1,336,458	94,475
Public safety	1,554,288	1,451,805	1,617,758	(165,953)
Public works	367,930	287,871	258,725	29,146
Culture and recreation	641,797	542,569	521,019	21,550
Capital outlay	127,800	113,450	111,912	1,538
Total expenditures	4,085,950	3,826,628	3,845,872	(19,244)
Excess (deficiency) of revenues over expenditures	339,757	599,079	1,283,531	684,452
Other financing sources (uses):				
Transfers in	286,613	286,613	100,000	(186,613)
Transfers out	(50,000)	(275,985)	(100,000)	175,985
Total other financing sources (uses)	236,613	10,628		(10,628)
Change in fund balances	576,370	609,707	1,283,531	673,824
Fund balances, July 1, 2006, as restated			435,069	435,069
Fund balances, June 30, 2007	\$ 576,370	\$ 609,707	\$ 1,718,600	\$ 1,108,893

The notes to the financial statements are an integral part of this statement.

TOWN OF BERNALILLO, NEW MEXICO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Enterprise Funds			Total
	Water and Sewer	Housing Assistance	Non-Major Enterprise Fund	
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 13,282,280	\$ 349,607	\$	\$ 13,631,887
Accounts receivable	410,325	73,747		484,072
Due from other funds	185,603			185,603
Prepaid items		8,733		8,733
Inventory		4,300		4,300
Total current assets	13,878,208	436,387		14,314,595
Noncurrent assets:				
Deferred bond issuance costs	360,370			360,370
Land	774,897	32,000		806,897
Infrastructure	13,601,964			13,601,964
Buildings and improvements	89,578	3,953,774		4,043,352
Vehicles, furniture and equipment	372,387	65,430		437,817
Accumulated depreciation	(3,174,528)	(2,364,413)		(5,538,941)
Total noncurrent assets	12,024,668	1,686,791		13,711,459
Total assets	25,902,876	2,123,178		28,026,054
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	243,245	2,949		246,194
Accrued payroll	7,294	4,919	934	13,147
Accrued interest payable	44,521			44,521
Compensated absences payable	19,252	4,039	3,168	26,459
Due to other funds		201,500		201,500
Unearned revenue	298,628	2,210		300,838
Customer deposits		9,578		9,578
Loans payable	20,303			20,303
Revenue bonds payable	386,031			386,031
Total current liabilities	1,019,274	225,195	4,102	1,248,571
Noncurrent liabilities:				
Compensated absences payable	49,668	8,204	1,842	59,714
Loans payable	3,786,684			3,786,684
Revenue bonds payable	10,703,467			10,703,467
Deferred bond premium	98,748			98,748
Total non-current liabilities	14,638,567	8,204	1,842	14,648,613
Total liabilities	15,657,841	233,399	5,944	15,897,184
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	6,132,383	1,686,791		7,819,174
Unrestricted	4,112,652	202,988	(5,944)	4,309,696
Total net assets	\$ 10,245,035	\$ 1,889,779	\$ (5,944)	\$ 12,128,870

The notes to the financial statements are an integral part of this statement.

TOWN OF BERNALILLO, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Enterprise Funds			Total
	Water and Sewer	Housing Assistance	Non-Major Enterprise Fund	
Operating revenues:				
Charges for services	\$ 2,895,769	\$ 202,544	\$ 123,353	\$ 3,221,666
Total operating revenues	<u>2,895,769</u>	<u>202,544</u>	<u>123,353</u>	<u>3,221,666</u>
Operating expenses:				
Payroll and benefits	747,373	198,587	71,117	1,017,077
Supplies and services	3,681,915	192,236	40,130	3,914,281
Housing assistance payments		364,712		364,712
Depreciation	307,357	100,730		408,087
Total operating expenses	<u>4,736,645</u>	<u>856,265</u>	<u>111,247</u>	<u>5,704,157</u>
Operating income (loss)	<u>(1,840,876)</u>	<u>(653,721)</u>	<u>12,106</u>	<u>(2,482,491)</u>
Nonoperating revenues (expenses):				
Municipal and state shared taxes	80,020			80,020
Intergovernmental	140,005	615,366		755,371
Impact fees	646,240			646,240
Investment income	411,532			411,532
Interest expense	(433,160)			(433,160)
Total nonoperating revenues (expenses)	<u>844,637</u>	<u>615,366</u>		<u>1,460,003</u>
Income (loss) before capital contributions and transfers	<u>(996,239)</u>	<u>(38,355)</u>	<u>12,106</u>	<u>(1,022,488)</u>
Capital contributions	2,344,879	46,208		2,391,087
Transfers out	<u>(100,000)</u>			<u>(100,000)</u>
Changes in net assets	<u>1,248,640</u>	<u>7,853</u>	<u>12,106</u>	<u>1,268,599</u>
Total net assets, beginning of year, as restated	8,996,395	1,881,926	(18,050)	10,860,271
Total net assets, end of year	<u>\$ 10,245,035</u>	<u>\$ 1,889,779</u>	<u>\$ (5,944)</u>	<u>\$ 12,128,870</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF BERNALILLO, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Enterprise Funds			Totals
	Water and Sewer	Housing Assistance	Non-major Enterprise	
<u>Increase In Cash and Cash Equivalents</u>				
Cash flows from operating activities:				
Cash received from customers	\$ 3,465,768	\$ 156,656	\$ 123,353	\$ 3,745,777
Cash payments to suppliers for goods and services	(3,704,087)	(398,591)	(42,361)	(4,145,039)
Cash payments to employees for services	(800,179)	(194,418)	(66,691)	(1,061,288)
Net cash provided by (used for) operating activities	(1,038,498)	(436,353)	14,301	(1,460,550)
Cash flows from noncapital and related financing activities:				
Intergovernmental revenues	220,025	615,366		835,391
Transfers out	(100,000)			(100,000)
Net cash provided by noncapital financing activities	120,025	615,366		735,391
Cash flows from capital and related financing activities:				
Development impact fees	646,240			646,240
Proceeds from bonds and loans	12,209,113			12,209,113
Principal paid on bonds and loans	(632,409)			(632,409)
Interest paid on bonds and loans	(362,596)			(362,596)
Acquisition and construction of capital assets	(782,918)	38,823		(744,095)
Proceeds from capital grants	836,508	46,208		882,716
Net cash provided by capital and related financing activities	11,913,938	85,031		11,998,969
Cash flows from investing activities:				
Interest on investments	411,532			411,532
Net cash provided by investing activities	411,532			411,532
Net increase in cash and cash equivalents	11,406,997	264,044	14,301	11,685,342
Cash and cash equivalents, July 1, 2006, as restated	1,875,283	85,563	(14,301)	1,946,545
Cash and cash equivalents, June 30, 2007	\$ 13,282,280	\$ 349,607	\$	\$ 13,631,887
<u>Reconciliation of Operating Income (Loss) to</u>				
<u>Net Cash Provided by (Used for) Operating Activities</u>				
Operating income (loss)	\$ (1,840,876)	\$ (653,721)	\$ 12,106	\$ (2,482,491)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	307,357	100,730		408,087
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	222,304	(40,908)		181,396
Decrease in due from other funds	187,399			187,399
Increase in inventory		4,300		4,300
Increase in prepaid items		1,294		1,294
Increase (decrease) in accounts payable	144,154	(16,276)	(2,176)	125,702
Increase (decrease) in accrued payroll and employee benefits	(70,657)	350	111	(70,196)
Increase in compensated absences payable	17,851	3,819	4,315	25,985
Decrease in deposits held for others	(138,332)	(2,770)		(141,102)
Increase (decrease) in deferred revenues	298,628	(2,210)		296,418
Increase (decrease) in due to other funds	(166,326)	169,039	(55)	2,658
Total adjustments	802,378	217,368	2,195	1,021,941
Net cash provided by operating activities	\$ (1,038,498)	\$ (436,353)	\$ 14,301	\$ (1,460,550)

TOWN OF BERNALILLO, NEW MEXICO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2007

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 68,251
Total assets	<u>\$ 68,251</u>
<u>LIABILITIES</u>	
Deposits held for others	68,251
Total liabilities	<u>\$ 68,251</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Bernalillo (Town) was incorporated under the provisions of Article 16, Chapter 75 of the New Mexico Statutes of 1915, codification and amendments thereto. The Town operates under an elected Mayor-Council form of government.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Town's significant accounting policies are described below.

A. Reporting Entity

The Town's major operations include police and fire protection, library, parks and recreation, certain community and social services and general administrative services. In addition, the Town operates three enterprise funds, which include a Water and Sewer Fund, a Housing Assistance Fund, and a Campground Fund.

The financial reporting entity consists of a primary government and its component units. The Town is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Town for financial statement presentation purposes, and the Town is not included in any other governmental reporting entity. Consequently, the Town's financial statements include only the financial activity of those organizational entities for which its elected governing body is financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the Town as a whole. The reported information includes all of the nonfiduciary activities of the Town and its component units. For the most part, the effect of internal activity has been removed from these statements. These statements distinguish between governmental and business-type activities of the Town. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other items not included among program revenues, but are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. In addition, the fiduciary fund financial statements are reported on 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect of internal activity has been eliminated from the government-wide financial statements, however the effect of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their exchange value. The Town does not allocate indirect expenses to functions in the statement of activities.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In addition, derived tax revenues, such as gross receipts and gasoline taxes, are recognized as revenues when the underlying exchange transaction has occurred. 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 taxes, gross receipts taxes, state shared taxes, franchise fees, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received.

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenue also arise when resources are received by the Town before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Property taxes recognized are net of estimated refunds and uncollectible amounts. Delinquent property taxes have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

The Town reports the following major governmental fund.

General Fund – This fund accounts for all financial resources of the Town, except those required to be accounted for in other funds.

The Town reports the following major proprietary funds.

Water and Sewer Fund – This enterprise fund is used to account for all operations of the water and wastewater systems.

Housing Assistance Fund – This enterprise fund is used to account for all low-rent housing operations of the Town.

Additionally, the Town reports the following fund type:

Fiduciary Fund – The Fiduciary Fund consists of the agency fund which accounts for assets held by the Town on behalf of the New Mexico Motor Vehicle Division field office operated at Town Hall.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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.

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The principal operating revenues of the Town's enterprise funds are charges to customers for water and wastewater services. Operating expenses for this fund include production costs, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

D. Investments

New Mexico Statutes Annotated (NMSA) authorizes the Town to invest public monies in the State Treasurer's Local Government Investment Pool, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of New Mexico, counties, cities, towns, school districts, and special districts as specified by statute.

The State of New Mexico local government investment pool is a pool that is not registered with the United States Securities Exchange Commission. Section 6-10-101, NMSA 1978, empowers the State Treasurer, with the advise and consent of the State Board of Finance, to invest money held in the short-term investment 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 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 fund amounts were invested. Participation in the local government investment pool is voluntary. The investment in the State of New Mexico local government investment pool approximates the value of the participant's pool share.

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

A significant portion of the cash and investments of funds of the Town is pooled for investment purposes. The balance reported for each participating fund as “Cash and Investments” represents the equity of that fund in the pooled cash and investments. Interest earnings on pooled investments are allocated to the participating funds based on average daily balances.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Investment Income

Investment income is composed of interest and net changes in the fair value of applicable investments.

F. 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 either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” All trade receivables are shown net of allowance for uncollectibles.

Property taxes attach as a lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property located within the Town as of the preceding January 1. The taxable valuation for the various classes of property are determined by the Sandoval County Assessor and the State of New Mexico Department of Finance and Administration (DFA), Local Government Division at one-third of assessed valuation. Property taxes are payable in two equal installments due on November 10 of the current year and April 10 of the following year and become delinquent after 30 days.

G. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, vehicles, furniture, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Software is capitalized when acquired while library books are not capitalized because the aggregated cost of books is considered immaterial. Donated capital assets are recorded at estimated fair market value at the date of donation.

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Certain capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements other than buildings	40
Public domain infrastructure	25
Machinery and equipment	3-10

H. Compensated Absences

The Town's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Vacation benefits vest immediately at the employee's current rate of pay. Sick leave benefits may be converted to vacation leave at specified rates; however, the sick leave benefits do not vest. The current and long-term liabilities for accumulated vacation leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Resources from the General Fund are typically used to pay for compensated absences.

I. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method 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 current 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.

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

J. Net Assets Restriction and Fund Balance Reservations

In the government-wide financial statements only restrictions imposed by external sources or enabling legislation are identified as restricted net assets.

In the fund financial statements, governmental funds report reservations or designations of fund balance for amounts that are not available for expenditures or identified for use of a specific purpose by the Town. At June 30, 2007, the Town had no reservations of fund balance in the governmental funds.

K. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

L. Budgets

The General, Special Revenue, and Proprietary Fund budgets are subject to approval by the New Mexico Department of Finance and Administration (DFA), Local Government Division.

During the month of May, public hearings are conducted to obtain taxpayer comments. Prior to June 1, the Town submits to the DFA a proposed operating budget for the fiscal year commencing the following July 1. The budget is prepared by fund and function and includes proposed expenditures, which include carryover encumbrances and accounts payable, and the means of financing them. Prior to July 1, DFA grants interim approval for the Town to operate on the proposed budget subject to adjustments and/or revisions prior to final subsequent approval before the first Monday in September. Such approval is contingent upon the Town Council adopting the proposed budget in accordance with applicable state statutes, and sufficient funds being available for anticipated fiscal year expenditures. Prior to July 31, the Town Council adopts by resolution a formal budget and such budget is presented to DFA for final approval.

Section 6-6-6, NMSA, 1978 Compilation prohibits municipalities from making expenditures in excess of the approved budget. For these purposes the budget referred to is the fund's total budget.

The adopted budget of the Town is prepared on a basis consistent with accounting principles generally accepted in the United States of America.

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

M. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2007 were cash in bank and investments held by the Town.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Individual Deficit Fund Balances – At June 30, 2007, the following individual non-major funds reported deficits in fund balance.

	<u>Deficit</u>
Non-Major Funds:	
Corrections	\$ (3,008)
Gas Tax	(30,263)
Campground	(5,944)

The deficits arose because of operations during the year and prior years. Additional revenues received in fiscal year 2007-08 are expected to eliminate the deficits.

Excess Expenditures Over Appropriations – For the year ended June 30, 2007, expenditures/expenses exceeded appropriations in the following fund:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 3,826,628	\$ 3,845,872	\$ (19,244)
Non-Major Governmental Funds:			
Corrections	9,600	12,608	(3,008)
Law Enforcement	83,648	83,666	(18)
Gas Tax	169,949	205,715	(35,766)
Lodger's Tax	19,210	19,239	(29)
Community Development	116,611	144,331	(27,720)
Proprietary Funds:			
Water and Sewer	3,130,083	4,862,448	(1,732,365)
Housing Assistance	303,469	755,535	(452,066)
Campground	106,949	111,247	(4,298)

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 – CASH AND INVESTMENTS

At June 30, 2007, the carrying amount of the Town’s deposits was \$9,559,331 and the bank was \$10,411,457. The difference represents outstanding checks, deposits, and other reconciling items.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned. The Town does not have a specific deposit policy for custodial credit risk; however, under New Mexico law, all deposits with financial institutions must be collateralized in an amount not less than 50% of the uninsured balance. The Town’s agreement with its sole depository requires pledged collateral of 102% of the public money in each account. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2007, \$9,988,802 of the Town’s bank balance was exposed to custodial credit risk as uninsured and collateralized with securities held by the pledging financial institution’s trust department.

The pledged collateral by bank at June 30, 2007, consists of the following.

Deposits	\$ 10,411,457
Less FDIC coverage	<u>422,655</u>
Total unsecured public funds	9,988,802
50% collateral requirement	4,994,401
Pledged securities, fair value	<u>10,424,413</u>
Pledged in excess of requirement	<u>\$ 5,430,012</u>

At June 30, 2007 the Town’s investments consisted of the following.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1-5
U.S. Treasuries	\$ 3,321,863	\$ 3,321,863	\$
U.S. Agencies:			
Federal Home Loan Mortgage Loan Corporation (FHLMC)	1,508,150	1,508,150	
Federal National Mortgage Association (FNMA)	<u>641,307</u>		<u>641,307</u>
Total	<u>\$ 5,471,320</u>	<u>\$ 4,830,013</u>	<u>\$ 641,307</u>

Interest Rate Risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 – CASH AND INVESTMENTS (Concl'd)

Credit Risk. The Town has no investment policy that would further limit its investment choices. All of the Town's investments in U.S. Agencies in the preceding table were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's.

Custodial Credit Risk - Investments. To control custody risk State law and the Town adopted Investment Policy requires all securities and all collateral for time and demand deposits as well as repurchase agreement collateral be transferred delivery versus payment and held by an independent party required to provide original safekeeping receipts. Repurchase agreements and deposits must be collateralized to 102% and 100% respectively.

NOTE 4 – CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2007 follows.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,506,262	\$	\$	\$ 1,506,262
Total capital assets, not being depreciated	<u>1,506,262</u>			<u>1,506,262</u>
Capital assets, being depreciated:				
Infrastructure	4,981,992	512,635		5,494,627
Buildings and improvements	4,206,533			4,206,533
Vehicles, furniture and equipment	1,481,064	283,370		1,764,434
Total capital assets being depreciated	<u>10,669,589</u>	<u>796,005</u>		<u>11,465,594</u>
Less accumulated depreciation for:				
Infrastructure	(97,967)	(109,892)		(207,859)
Buildings and improvements	(381,784)	(73,623)		(455,407)
Vehicles, furniture and equipment	(976,309)	(119,089)		(1,095,398)
Total accumulated depreciation	<u>(1,456,060)</u>	<u>(302,604)</u>		<u>(1,758,664)</u>
Total capital assets, being depreciated, net	<u>9,213,529</u>	<u>493,401</u>		<u>9,706,930</u>
Governmental activities capital assets, net	<u>\$10,719,791</u>	<u>\$ 493,401</u>	<u>\$</u>	<u>\$ 11,213,192</u>

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4 – CAPITAL ASSETS (Concl'd)

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 456,897	\$ 350,000	\$	\$ 806,897
Construction in process	69,967	34,983	104,950	
Total capital assets, not being depreciated	<u>526,864</u>	<u>384,983</u>	<u>104,950</u>	<u>806,897</u>
Capital assets, being depreciated:				
Infrastructure	13,448,173	153,791		13,601,964
Buildings and improvements	3,938,402	104,950		4,043,352
Vehicles, furniture and equipment	389,648	48,169		437,817
Total capital assets being depreciated	<u>17,776,223</u>	<u>306,910</u>		<u>18,083,133</u>
Less accumulated depreciation for:				
Infrastructure	(2,706,587)	(272,039)		(2,978,626)
Buildings and improvements	(2,260,752)	(98,201)		(2,358,953)
Vehicles, furniture and equipment	(163,515)	(37,847)		(201,362)
Total accumulated depreciation	<u>(5,130,854)</u>	<u>(408,087)</u>		<u>(5,538,941)</u>
Total capital assets, being depreciated, net	<u>12,645,369</u>	<u>(101,177)</u>		<u>12,544,192</u>
Governmental activities capital assets, net	<u>\$ 13,172,233</u>	<u>\$ 283,806</u>	<u>\$ 104,950</u>	<u>\$ 13,351,089</u>

Depreciation expense was charged to functions/programs as follows.

Governmental Activities:	
General government	\$ 15,727
Public safety	98,127
Public works	109,892
Culture and recreation	78,858
Total depreciation expense – governmental activities	<u>\$ 302,604</u>
Business-Type Activities:	
Water and Sewer	\$ 307,357
Housing Assistance	100,730
Total depreciation expense – business-type activities	<u>\$ 408,087</u>

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 – LOANS PAYABLE

The Town has received loans to fund the purchase of a fire pumper truck, to design and construct an arsenic removal system, and to purchase land. The loans payable at June 30, 2007, are presented below.

<u>Purpose</u>	<u>Interest Rates (Including Fees)</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2007</u>	<u>Due Within One Year</u>
Governmental activities:				
NMFA Loan (Fire Truck)	3.82%	5/1/17	\$ 190,122	\$ 13,836
Total			<u>\$ 190,122</u>	<u>\$ 13,836</u>
Business-type activities:				
San Juan-Chama Project	3.05%	9/1/22	\$ 149,230	\$ 7,376
Arsenic Removal Loan	3.88%	5/1/27	3,280,329	
Land Purchase Loan	3.88%	5/1/27	377,428	12,927
Total			<u>\$ 3,806,987</u>	<u>\$ 20,303</u>

Principal and interest payments on the governmental and business-type activities loans payable at June 30, 2007, are summarized as follows.

		<u>Governmental Activities</u>	
		<u>Principal</u>	<u>Interest</u>
Year ending June 30:			
	2008	\$ 13,836	\$ 9,595
	2009	16,860	6,672
	2010	17,468	6,066
	2011	18,104	5,432
	2012	18,768	4,770
	2013-17	105,086	12,632
Total		<u>\$ 190,122</u>	<u>\$ 45,167</u>
		<u>Business-type Activities</u>	
		<u>Principal</u>	<u>Interest</u>
Year ending June 30:			
	2008	\$ 20,303	\$ 142,227
	2009	21,109	144,101
	2010	152,658	143,381
	2011	158,152	137,899
	2012	163,860	132,207
	2013-17	913,635	566,924
	2018-22	1,098,725	194,487
	2023-27	1,278,545	77,842
Total		<u>\$ 3,806,987</u>	<u>\$ 1,539,068</u>

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 6 – BONDS PAYABLE

Water and sewer revenue bonds are issued and authorized by the governing body to provide funds to acquire and construct certain improvements to the water and sewer systems of the Town and to pay the costs incurred in connection with the issuance of the bonds. These bonds are secured by a pledge of revenues of the systems, and do not constitute a general obligation of the Town backed by the general taxing authority. Water and sewer system revenue bonds outstanding as reported in business-type activities at June 30, 2007 were as follows.

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2007</u>	<u>Due Within One Year</u>
Business-type activities:					
Refunding Revenue Bonds, 2005	\$ 2,938,111	4.07%	6/1/08-15	\$ 2,469,498	\$ 266,031
Revenue Bonds, 2006	8,775,000	3.05%	6/1/08-28	8,620,000	120,000
Total				<u>\$ 11,089,498</u>	<u>\$ 386,031</u>

Annual debt service requirements to maturity on revenue and refunding bonds for business-type activities at June 30, 2007, are summarized as follows.

<u>Year ending June 30:</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 386,031	\$ 460,440
2009	456,949	444,814
2010	518,212	426,338
2011	614,679	405,404
2012	635,588	380,604
2013-17	2,833,039	1,503,474
2018-22	2,255,000	998,250
2023-27	2,765,000	485,564
2028	625,000	51,975
Total	<u>\$ 11,089,498</u>	<u>\$ 5,156,863</u>

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2007 was as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>One Year</u>
Governmental Activities:					
Loans payable	\$	\$ 190,122	\$	\$ 190,122	\$ 13,836
Compensated absences	112,593	133,760	72,219	174,134	92,291
Total	<u>\$ 112,593</u>	<u>\$ 323,882</u>	<u>\$ 72,219</u>	<u>\$ 364,256</u>	<u>\$ 106,127</u>
Business-type Activities:					
Loans payable	\$ 158,026	\$ 3,657,757	\$ 8,796	\$ 3,806,987	\$ 20,303
Revenue bonds payable	2,938,111	8,775,000	623,613	11,089,498	386,031
Compensated absences	62,596	43,142	19,565	86,173	26,459
Total	<u>\$ 3,158,733</u>	<u>\$12,475,899</u>	<u>\$ 651,974</u>	<u>\$ 14,982,658</u>	<u>\$ 432,793</u>

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2007, interfund balances were as follows.

Due to/from other funds:

<u>Due to</u>	<u>Due from</u>			<u>Total</u>
	<u>General Fund</u>	<u>Gas Tax Fund</u>	<u>Housing Assistance Fund</u>	
General Fund	\$	\$ 32,906	\$ 201,500	\$ 234,406
Water and Sewer Fund	185,603			185,603
Total	<u>\$ 185,603</u>	<u>\$ 32,906</u>	<u>\$ 201,500</u>	<u>\$ 420,009</u>

At June 30, 2007, several funds were involved in borrowing arrangements due to the existence of a negative cash balance. All interfund balances are expected to be paid within one year.

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Concl'd)

Interfund transfers:

	Transfers in		
	General	Non-Major Governmental	Total
Transfers out	Fund	Funds	
General Fund	\$	\$ 100,000	\$ 100,000
Water and Sewer Fund	100,000		100,000
Total	\$ 100,000	\$ 100,000	\$ 200,000

Interfund transfers were made by the Town during the fiscal year to ensure that sufficient resources were available to cover expenditures in the applicable funds.

NOTE 9 – CONTINGENT LIABILITIES

Federal and State grants and loans – The Town has received a number of grants and loans from both the Federal and State governments. Although the programs have been audited, not all audits have been approved as of June 30, 2007; however, the Town expects no material disallowance of expenditures.

Lawsuits – The Town is a defendant in a number of lawsuits as of June 30, 2007. It is the opinion of management and Town counsel that the amount of losses resulting from these litigations at June 30, 2007, would not be material to the financial position of the Town.

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 10 – RISK MANAGEMENT

The Town 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. Therefore, the Town joined the New Mexico Self-Insurers' Fund Risk Pool (Pool), together with other cities and towns in the State. The Pool is a public entity risk pool currently operating as a common risk management and insurance program for member cities and towns. The Town pays an annual premium to the Pool for its general insurance coverage. The agreement provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the annual aggregate per policy for general liability, property, and workers' compensation claims.

The Town carries commercial insurance for all other risks of loss including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 – RETIREMENT PLAN

Plan Description – Substantially all of the full-time employees of the Town participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article II NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit public employee retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost of living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy – Plan members (other than police) are required to contribute 15.65% of their gross salary; police are required to contribute 12.35% of their gross salary. The Town is required to contribute 18.5% for police and 11.65% for all other plan members. The contribution requirements of the plan members and the Town are established under State statute. The Town's contributions to PERA for the years ended 2007, 2006, and 2005 were \$247,975, \$252,408 and \$253,617, respectively, which were equal to the amount of the required contributions for each year.

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

The July 1, 2006, government-wide net assets and the fund balances/net assets do not agree to the prior year financial statements due to the correction of various errors consisting primarily of the following items.

- 1) The Town is in the process of performing an inventory and valuation of capital assets. The balances have been adjusted for corrections identified during this ongoing process.
- 2) The prior year financial statements were in error due to the reporting of unreconciled cash balances in all of the funds of the Town. The cash balances have been properly reconciled for the fiscal year ended June 30, 2007.
- 3) The prior year financial statements were in error due to numerous interfund borrowing balances that were unsubstantiated and unsupported.
- 4) The prior year financial statements consisted of several revenue posting errors detected during the fiscal year 2006-07 audit.
- 5) The compensated absence liability reported in the prior year financials was misstated.

	June 30, 2006, as previously reported	Capital assets	Reconciled cash balances	Interfund borrowing	Revenue posting	Compensated absences	July 1, 2006, as restated
Governmental activities	\$ 8,361,921	\$ 3,470,024	\$ (51,874)	\$ (892,173)	\$ 177,226	\$	\$11,065,124
Business-type activities	10,466,462	2,122,072	(64,023)	(2,419,580)	757,748	(2,408)	10,860,271
Governmental Funds:							
General	1,712,008		(311,536)	(1,142,629)	177,226		435,069
Fire	(63,729)		30,462	59,819			26,552
Recreation	67,652		(69,610)				(1,958)
Corrections	36,150		(87,045)				(50,895)
Law Enforcement	12,913		41,753				54,666
Gas Tax	187,720		(295,988)	87,414			(20,854)
Lodger's Tax	150,404		(238,113)				(87,709)
Ambulance	(757,746)		756,119				(1,627)
EMS Grant	18,364		(5,097)	(13,267)			
Rescue	(65,201)		36,110	60,099			31,008
Rotary Park Soccer Field	12,969			(12,969)			
Community Development	(65,325)		91,071	47,928			73,674
Library Bond	(79,224)			79,224			
Proprietary Funds:							
Water and Sewer	8,550,559	2,122,072		(2,452,096)	778,268	(2,408)	8,996,395
Housing Assistance	1,869,985			32,461	(20,520)		1,881,926
Campground	45,918		(64,023)	55			(18,050)

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 13 – POSTEMPLOYMENT BENEFITS

The Town provides certain health care benefits for retired employees. Substantially all of the Town's employees may become eligible for those benefits if they reach the normal retirement eligibility conditions while working for the Town.

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public services in New Mexico. The Retiree Health Care Authority is the administrator of the plan. 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 the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, or the Magistrate Retirement Act. The Town of Bernalillo remitted \$403,282 in employer contributions and \$102,528 in employee contributions in the fiscal year ended June 30, 2007.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd NE, Suite 104, Albuquerque, New Mexico 87109.

NOTE 14 – FUTURE REPORTING REQUIREMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires the Town to recognize the cost of these benefits in periods when the related services are received by the Town. In addition, the statement also requires additional disclosures about the actuarial accrued liabilities for promised benefits associated with past services in notes to the financial statements. The Town will implement GASB Statement No. 45 for fiscal year ending 2009. Management is in the process of evaluating the effect of this statement on the Town's financial statements.

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Fire – to account for the operation and maintenance of the fire department, pursuant to Section 59A-53 of New Mexico Statutes Annotated (NMSA) 1978. Financing is provided to the Town by insurance companies fees allocated by the State. State law requires that the Town's fire allotment be used only to provide for maintaining the fire department.

Recreation – to account for the operation and maintenance of the town's recreation and park facilities, pursuant to Section 3-18 and 5-4 of NMSA. Financing is provided by the Town's share of State cigarette tax and fees charged for swimming pool use.

Corrections – to account for payments made for housing costs of the Town's prisoners in other detention facilities. Financing is provided by fees collected pursuant to offenses committed within the Town's boundaries, as provided by Section 35-14 of NMSA.

Law Enforcement – to account for funds used in maintaining and improving the Town's police department in order to enhance its efficiency and effectiveness. Financing is provided by a State appropriation authorized by Section 29-13 of NMSA.

Gas Tax – to account for funds used for construction and maintenance of streets and bridges and for transit uses. Financing is provided by a one (1) cent per gallon tax on gasoline purchased in the community as authorized by HB 673.

Lodger's Tax – to account for advertising, publication and promotion of tourist attraction facilities for the Town of Bernalillo, pursuant to NMSA 1978 Section 3-38-13 thru 3-38-24. Financing is provided by a 3% lodgers' tax.

Ambulance – to account for funds used in the operation of the Town's ambulances.

Rescue – to account for funds used to purchase and install a radio dispatch system for police, fire and emergency medical services in Bernalillo in Sandoval County. Funding authority is NMSA 24-10A-1 and contract number 98-L-1-3-G7335.

Community Development – to account for funds used for the New Mexico Wine Festival and other activities to promote Community Development. Authority of creation is NMSA 6-1-6.

TOWN OF BERNALILLO, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Fire	Corrections	Gas Tax	Lodger's Tax
<u>ASSETS</u>				
Cash and investments	\$ 14,107	\$	\$	\$
Accounts receivable				12,956
Due from state government			16,467	
Total assets	\$ 14,107	\$	\$ 16,467	\$ 12,956
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$ 3,008	\$ 13,824	\$
Accrued payroll	668			28
Due to other funds			32,906	
Total liabilities	668	3,008	46,730	28
Fund balances (deficits):				
Unreserved:				
Undesignated	13,439	(3,008)	(30,263)	12,928
Total fund balances	13,439	(3,008)	(30,263)	12,928
Total liabilities and fund balances	\$ 14,107	\$	\$ 16,467	\$ 12,956

Community Development	Totals
\$ 20,175	\$ 34,282
	12,956
	<u>16,467</u>
<u>\$ 20,175</u>	<u>\$ 63,705</u>

\$ 15,000	\$ 31,832
1,903	2,599
	<u>32,906</u>
<u>16,903</u>	<u>67,337</u>

<u>3,272</u>	<u>(3,632)</u>
<u>3,272</u>	<u>(3,632)</u>

<u>\$ 20,175</u>	<u>\$ 63,705</u>
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TOWN OF BERNALILLO, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007

	<u>Fire</u>	<u>Recreation</u>	<u>Corrections</u>
Revenues:			
Municipal and state shared taxes	\$	\$ 3,004	\$
Intergovernmental	57,938		
Charges for services		14,190	
Fines and forfeits			60,495
Investment income	625		
Other revenues	3,345		
Total revenues	<u>61,908</u>	<u>17,194</u>	<u>60,495</u>
Expenditures:			
Current -			
General government			
Public safety	281,169		12,608
Public works			
Culture and recreation		15,236	
Capital outlay	8,974		
Total expenditures	<u>290,143</u>	<u>15,236</u>	<u>12,608</u>
Excess (deficiency) of revenues over expenditures	<u>(228,235)</u>	<u>1,958</u>	<u>47,887</u>
Other financing sources (uses):			
Loan proceeds	190,122		
Transfers in	25,000		
Total other financing sources (uses)	<u>215,122</u>		
Change in fund balances	<u>(13,113)</u>	<u>1,958</u>	<u>47,887</u>
Fund balances (deficits), beginning of year, as restated	26,552	(1,958)	(50,895)
Fund balances (deficits), end of year	<u>\$ 13,439</u>	<u>\$</u>	<u>\$ (3,008)</u>

<u>Law Enforcement</u>	<u>Gas Tax</u>	<u>Lodger's Tax</u>	<u>Ambulance</u>	<u>Rescue</u>	<u>Community Development</u>
\$ 29,000	\$ 196,306	\$ 119,876	\$	\$ 9,127	\$
			1,627		73,929
<u>29,000</u>	<u>196,306</u>	<u>119,876</u>	<u>1,627</u>	<u>9,127</u>	<u>73,929</u>
		19,239		112,916	
	125,558				140,331
83,666	80,157			2,219	4,000
<u>83,666</u>	<u>205,715</u>	<u>19,239</u>		<u>115,135</u>	<u>144,331</u>
(54,666)	(9,409)	100,637	1,627	(106,008)	(70,402)
				75,000	
				<u>75,000</u>	
(54,666)	(9,409)	100,637	1,627	(31,008)	(70,402)
54,666	(20,854)	(87,709)	(1,627)	31,008	73,674
<u>\$</u>	<u>\$ (30,263)</u>	<u>\$ 12,928</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,272</u>

(Continued)

TOWN OF BERNALILLO, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007
(Concluded)

	Totals
Revenues:	
Municipal and state shared taxes	\$ 319,186
Intergovernmental	96,065
Charges for services	89,746
Fines and forfeits	60,495
Investment income	625
Other revenues	3,345
Total revenues	569,462
Expenditures:	
Current -	
General government	19,239
Public safety	406,693
Public works	125,558
Culture and recreation	155,567
Capital outlay	179,016
Total expenditures	886,073
Excess (deficiency) of revenues over expenditures	(316,611)
Other financing sources (uses):	
Loan proceeds	190,122
Transfers in	100,000
Total other financing sources (uses)	290,122
Change in fund balances	(26,489)
Fund balances (deficits), beginning of year, as restated	22,857
Fund balances (deficits), end of year	\$ (3,632)

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FIRE
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 46,251	\$ 46,251	\$ 57,938	\$ 11,687
Investment income			625	625
Other revenues			3,345	3,345
Total revenues	46,251	46,251	61,908	15,657
Expenditures:				
Current -				
Public safety	120,313	284,190	281,169	3,021
Capital outlay	9,587	9,587	8,974	613
Total expenditures	129,900	293,777	290,143	3,634
Excess (deficiency) of revenues over expenditures	(83,649)	(247,526)	(228,235)	19,291
Other financing sources (uses):				
Loan proceeds			190,122	190,122
Transfers in	83,649	247,526	25,000	(222,526)
Total other financing sources (uses)	83,649	247,526	215,122	(32,404)
Change in fund balances			(13,113)	(13,113)
Fund balances, July 1, 2006, as restated			26,552	26,552
Fund balances, June 30, 2007	\$	\$	\$ 13,439	\$ 13,439

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - RECREATION
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal and state shared taxes	\$ 3,000	\$ 3,000	\$ 3,004	\$ 4
Charges for services	5,000	5,000	14,190	9,190
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>17,194</u>	<u>9,194</u>
Expenditures:				
Current -				
Culture and recreation	20,650	15,262	15,236	26
Total expenditures	<u>20,650</u>	<u>15,262</u>	<u>15,236</u>	<u>26</u>
Change in fund balances	<u>(12,650)</u>	<u>(7,262)</u>	<u>1,958</u>	<u>9,220</u>
Fund balances (deficits), July 1, 2006, as restated	25,000	25,000	(1,958)	(26,958)
Fund balances, June 30, 2007	<u>\$ 12,350</u>	<u>\$ 17,738</u>	<u>\$</u>	<u>\$ (17,738)</u>

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CORRECTIONS
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeits	\$ 42,000	\$ 42,000	\$ 60,495	\$ 18,495
Total revenues	<u>42,000</u>	<u>42,000</u>	<u>60,495</u>	<u>18,495</u>
Expenditures:				
Current -				
Public safety	20,000	9,600	12,608	(3,008)
Total expenditures	<u>20,000</u>	<u>9,600</u>	<u>12,608</u>	<u>(3,008)</u>
Change in fund balances	<u>22,000</u>	<u>32,400</u>	<u>47,887</u>	<u>15,487</u>
Fund balances (deficits), July 1, 2006, as restated			(50,895)	(50,895)
Fund balances (deficits), June 30, 2007	<u>\$ 22,000</u>	<u>\$ 32,400</u>	<u>\$ (3,008)</u>	<u>\$ (35,408)</u>

TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 29,000	\$ 29,000	\$ 29,000	\$
Total revenues	<u>29,000</u>	<u>29,000</u>	<u>29,000</u>	
Expenditures:				
Capital outlay	29,000	83,648	83,666	(18)
Total expenditures	<u>29,000</u>	<u>83,648</u>	<u>83,666</u>	<u>(18)</u>
Excess (deficiency) of revenues over expenditures		<u>(54,648)</u>	<u>(54,666)</u>	<u>(18)</u>
Other financing sources (uses):				
Transfers in		54,648		(54,648)
Total other financing sources (uses)		<u>54,648</u>		<u>(54,648)</u>
Change in fund balances			<u>(54,666)</u>	<u>(54,666)</u>
Fund balances, July 1, 2006, as restated			54,666	54,666
Fund balances, June 30, 2007	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAS TAX
YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal and state shared taxes	\$ 301,125	\$ 301,125	\$ 196,306	\$ (104,819)
Total revenues	<u>301,125</u>	<u>301,125</u>	<u>196,306</u>	<u>(104,819)</u>
Expenditures:				
Current -				
Public works	239,275	79,792	125,558	(45,766)
Capital outlay	99,157	90,157	80,157	10,000
Total expenditures	<u>338,432</u>	<u>169,949</u>	<u>205,715</u>	<u>(35,766)</u>
Change in fund balances	<u>(37,307)</u>	<u>131,176</u>	<u>(9,409)</u>	<u>(140,585)</u>
Fund balances (deficits), July 1, 2006, as restated	140,000	140,000	(20,854)	(160,854)
Fund balances (deficits), June 30, 2007	<u>\$ 102,693</u>	<u>\$ 271,176</u>	<u>\$ (30,263)</u>	<u>\$ (301,439)</u>

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LODGER'S TAX
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Municipal and state shared taxes	\$ 88,000	\$ 88,000	\$ 119,876	\$ 31,876
Total revenues	<u>88,000</u>	<u>88,000</u>	<u>119,876</u>	<u>31,876</u>
Expenditures:				
Current -				
General government	88,000	19,210	19,239	(29)
Total expenditures	<u>88,000</u>	<u>19,210</u>	<u>19,239</u>	<u>(29)</u>
Change in fund balances		<u>68,790</u>	<u>100,637</u>	<u>31,847</u>
Fund balances (deficits), July 1, 2006, as restated			(87,709)	(87,709)
Fund balances, June 30, 2007	<u>\$</u>	<u>\$ 68,790</u>	<u>\$ 12,928</u>	<u>\$ (55,862)</u>

TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - AMBULANCE
YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Charges for services	\$ 3,000	\$ 1,627	\$ (1,373)
Total revenues	<u>3,000</u>	<u>1,627</u>	<u>(1,373)</u>
Change in fund balances	<u>3,000</u>	<u>1,627</u>	<u>(1,373)</u>
Fund balances (deficits), July 1, 2006, as restated		(1,627)	(1,627)
Fund balances, June 30, 2007	<u><u>\$ 3,000</u></u>	<u><u>\$</u></u>	<u><u>\$ (3,000)</u></u>

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - RESCUE
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 11,872	\$ 11,872	\$ 9,127	\$ (2,745)
Total revenues	<u>11,872</u>	<u>11,872</u>	<u>9,127</u>	<u>(2,745)</u>
Expenditures:				
Current -				
Public safety	110,836	118,296	112,916	5,380
Capital outlay	4,000	4,000	2,219	1,781
Total expenditures	<u>114,836</u>	<u>122,296</u>	<u>115,135</u>	<u>7,161</u>
Excess (deficiency) of revenues over expenditures	<u>(102,964)</u>	<u>(110,424)</u>	<u>(106,008)</u>	<u>4,416</u>
Other financing sources (uses):				
Transfers in	102,964	110,424	75,000	(35,424)
Total other financing sources (uses)	<u>102,964</u>	<u>110,424</u>	<u>75,000</u>	<u>(35,424)</u>
Change in fund balances			<u>(31,008)</u>	<u>(31,008)</u>
Fund balances, July 1, 2006, as restated			31,008	31,008
Fund balances, June 30, 2007	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 129,300	\$ 129,300	\$ 73,929	\$ (55,371)
Other revenues	22,000	22,000		(22,000)
Total revenues	151,300	151,300	73,929	(77,371)
Expenditures:				
Current -				
Culture and recreation	130,666	107,723	140,331	(32,608)
Capital outlay	8,888	8,888	4,000	4,888
Total expenditures	139,554	116,611	144,331	(27,720)
Change in fund balances	11,746	34,689	(70,402)	(105,091)
Fund balances, July 1, 2006, as restated			73,674	73,674
Fund balances, June 30, 2007	\$ 11,746	\$ 34,689	\$ 3,272	\$ (31,417)

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PROPRIETARY FUNDS

TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL - WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 2,831,600	\$ 2,831,600	\$ 2,895,769	\$ 64,169
Municipal and state shared taxes	10,000	10,000	80,020	70,020
Impact fees			646,240	646,240
Investment income	2,175	2,175	411,532	409,357
Intergovernmental revenues			140,005	140,005
Total revenues	<u>2,843,775</u>	<u>2,843,775</u>	<u>4,173,566</u>	<u>1,329,791</u>
Expenditures:				
Operations	2,314,359	3,130,083	4,429,288	(1,299,205)
Interest and fiscal charges			433,160	(433,160)
Total expenditures	<u>2,314,359</u>	<u>3,130,083</u>	<u>4,862,448</u>	<u>(1,732,365)</u>
Excess (deficiency) of revenues over expenditures	<u>529,416</u>	<u>(286,308)</u>	<u>(688,882)</u>	<u>(402,574)</u>
Other financing sources (uses):				
Transfers in	50,000	50,000		(50,000)
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(100,000)</u>	<u>(50,000)</u>
Changes in net assets	<u>\$ 479,416</u>	<u>\$ (336,308)</u>	<u>(788,882)</u>	<u>\$ (452,574)</u>
Expenses not budgeted:				
Depreciation			(307,357)	
Changes to conform to generally accepted accounting principles:				
Capital contributions			<u>2,344,879</u>	
Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets			<u>\$ 1,248,640</u>	

TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL - HOUSING ASSISTANCE FUND
YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Charges for services	\$ 103,689	\$ 202,544	\$ 98,855
Intergovernmental	199,390	615,366	415,976
Total revenues	<u>303,079</u>	<u>817,910</u>	<u>514,831</u>
Expenditures:			
Operations	303,469	755,535	(452,066)
Total expenditures	<u>303,469</u>	<u>755,535</u>	<u>(452,066)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (390)</u>	<u>62,375</u>	<u>\$ 62,765</u>
Expenses not budgeted:			
Depreciation		(100,730)	
Changes to conform to generally accepted accounting principles:			
Capital contributions		<u>46,208</u>	
Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>\$ 7,853</u>	

TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL - CAMPGROUND FUND
YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 96,000	\$ 96,000	\$ 123,353	\$ 27,353
Total revenues	<u>96,000</u>	<u>96,000</u>	<u>123,353</u>	<u>27,353</u>
Expenditures:				
Operations	115,955	106,949	111,247	(4,298)
Total expenditures	<u>115,955</u>	<u>106,949</u>	<u>111,247</u>	<u>(4,298)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (19,955)</u>	<u>\$ (10,949)</u>	<u>12,106</u>	<u>\$ 23,055</u>
Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets			<u>\$ 12,106</u>	

TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
YEAR ENDED JUNE 30, 2007

<u>MOTOR VEHICLE DIVISION</u>	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>Assets</u>				
Cash and investments	\$ 31,910	\$ 827,052	\$ 790,711	\$ 68,251
Total assets	<u>\$ 31,910</u>	<u>\$ 827,052</u>	<u>\$ 790,711</u>	<u>\$ 68,251</u>
<u>Liabilities</u>				
Deposits held for others	\$ 31,910	\$ 827,052	\$ 790,711	\$ 68,251
Total liabilities	<u>\$ 31,910</u>	<u>\$ 827,052</u>	<u>\$ 790,711</u>	<u>\$ 68,251</u>

OTHER SUPPLEMENTAL INFORMATION

TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2007

	<u>First Community Bank</u>	<u>Wells Fargo Bank</u>	<u>Linsco Bank</u>
Bank Accounts:			
Savings	\$ 637,210	\$	\$
Checking	428,519		
Certificates of deposit	7,265,468		
Money market	373,609	1,683,996	22,655
Total amount of deposits in bank	<u>8,704,806</u>	<u>1,683,996</u>	<u>22,655</u>
Less: FDIC coverage	300,000	100,000	22,655
Total uninsured public funds	<u>8,404,806</u>	<u>1,583,996</u>	<u></u>
Collateral requirements (Per 6-10-10 & 6-10-17, NMSA 1978)			
50% of uninsured time and demand accounts	4,202,403	791,998	
Pledged collateral:			
FHLB, matures November 15, 2007, CUSIP 3133MTQB7	99,314		
FHLB, matures November 15, 2007, CUSIP 3133MTQB7	29,794		
FFCB, matures February 15, 2008, CUSIP 3133MVZA4	98,808		
FHLB, matures June 30, 2008, CUSIP 31339Y6T4	97,714		
FHLB, matures July 21, 2008, CUSIP 31339YVV1	539,571		
FHLB, matures November 14, 2008, CUSIP 3133X2BZ7	24,472		
FHLB, matures November 14, 2008, CUSIP 3133X2BZ7	146,831		
FHLB, matures December 30, 2008, CUSIP 31339YEL2	155,070		
FHLB, matures August 14, 2009, CUSIP 3133X8CS9	34,100		
LLSD, matures July 15, 2014, CUSIP 545562KY5	243,843		
FHR, matures March 15, 2020, CUSIP 31392PF91	63,022		
FHR, matures April 15, 2033, CUSIP 31393QN81	1,814,574		
FHR, matures September 15, 2031, CUSIP 31393WSN0	2,695,166		
MASTR, matures May 25, 2033, CUSIP 55265KVM8	2,612,438		
FHLB, matures August 15, 2008, CUSIP 3133X0LJ6	24,584		
FNIONP, matures July 1, 2036, CUSIP 31371MVU8		331,373	
FNCL, matures June 1, 2036, CUSIP 31410CLX8		492,097	
FNCL, matures May 1, 2036, CUSIP 31410SA80		921,642	
Total collateral	<u>8,679,301</u>	<u>1,745,112</u>	<u></u>
Over / (under) secured	<u>\$ 4,476,898</u>	<u>\$ 953,114</u>	<u>\$</u>
Custodial Credit Risk:			
Insured	\$ 300,000	\$ 100,000	\$ 22,655
Collateralized with securities held by pledging financial institutions trust department	8,404,806	1,583,996	
Uninsured and uncollateralized			
Total deposits	<u>\$ 8,704,806</u>	<u>\$ 1,683,996</u>	<u>\$ 22,655</u>

Location of collateral:

First Community Bank, Dallas, TX
Wells Fargo Bank, San Francisco, CA

TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2007

<u>Bank Account Type / Name</u>	<u>First Community</u>	<u>Wells Fargo</u>	<u>Linsco</u>	<u>Bank of Albuquerque</u>	<u>Total</u>
Checking - General	\$ 335,004	\$	\$	\$	\$ 335,004
Money market - General		1,078,280			1,078,280
CD - General	527,464				527,464
Investment - Fire				14,107	14,107
Savings - Community Development	20,175				20,175
Money market - Water	373,230		22,655		395,885
Money market - Agency		51,097			51,097
CD - Water	6,738,004				6,738,004
Savings - Water	594,309				594,309
Money market - Water		299,571			299,571
Investment - Water			2,149,457	3,307,756	5,457,213
Savings - Agency	22,002				22,002
Checking - Housing	93,515				93,515
Savings - Housing	1,103				1,103
Money market - Housing		255,048			255,048
Total on deposit	8,704,806	1,683,996	2,172,112	3,321,863	15,882,777
Reconciling items	(843,062)	(9,064)			(852,126)
Reconciled balance, June 30, 2007	7,861,744	1,674,932	2,172,112	3,321,863	15,030,651
Total deposits and investments	<u>\$ 7,861,744</u>	<u>\$ 1,674,932</u>	<u>\$ 2,172,112</u>	<u>\$ 3,321,863</u>	<u>\$ 15,030,651</u>

TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2007

Participants:	The Town of Bernalillo and El Pueblo Health Services Inc.
Responsible Party:	The Town of Bernalillo
Description:	Fiscal Agent, the Town of Bernalillo is the fiscal agent to distribute State awards to El Pueblo Health
Date of Agreement:	November 13, 2006
Total Amount/Town Share:	\$250,000 in State awards, no Town share
Fiscal Year 2007 Amount:	\$250,000
Audit Responsibility:	Town of Bernalillo

Participants:	The Town of Bernalillo and Bernalillo Public Schools
Responsible Party:	Bernalillo Public Schools
Description:	Agreement to provide School Resource Police Officer to Bernalillo Public Schools
Dates of Agreement:	March 2007
Total Amount/Town Share:	Town Share \$40,000
Fiscal Year 2008 Amount:	\$40,000
Audit Responsibility:	The Town of Bernalillo

TOWN OF BERNALILLO, NEW MEXICO
HOUSING ASSISTANCE PROGRAMS
FINANCIAL DATA SCHEDULES
COMBINING STATEMENT OF NET ASSETS - ALL HUD PROGRAMS
JUNE 30, 2007

FDS Line #	Account Description	Low Rent Public Housing 14.850a	Housing Choice Vouchers 14.871	Capital Fund Program 14.872	TOTAL
ASSETS:					
111	Cash - unrestricted	\$ 129,022	\$ 211,007	\$	\$ 340,029
113	Cash - other restricted	974			974
114	Cash - tenant security deposits	8,604			8,604
122	Accounts receivable - HUD other projects		73,321		73,321
126	Accounts receivable- tenants - dwelling rents	2,426			2,426
126.1	Allowance for doubtful accounts - dwelling rents	(2,000)			(2,000)
142	Prepaid expenses and other assets	8,733			8,733
143	Inventories	4,500			4,500
143.1	Allowance for obsolete inventories	(200)			(200)
144	Interprogram - due from	87,010			87,010
161	Land	32,000			32,000
162	Buildings	3,948,909			3,948,909
164	Furniture, equipment & machinery - administration	65,430			65,430
165	Leasehold improvements	4,865			4,865
166	Accumulated depreciation	(2,364,413)			(2,364,413)
TOTAL ASSETS		<u>\$ 1,925,860</u>	<u>\$ 284,328</u>	<u>\$</u>	<u>\$ 2,210,188</u>
LIABILITIES:					
312	Accounts payable < 90 days	\$ 2,949	\$	\$	\$ 2,949
321	Accrued wage/payroll taxes payable	7,201	1,757		8,958
322	Accrued compensated absences - current portion	3,668	4,536		8,204
333	Accounts payable - other government	126,758	74,742		201,500
341	Tenant security deposits	8,604			8,604
342	Deferred revenues	2,210			2,210
347	Inter-program - due to		87,010		87,010
353	Noncurrent liabilities- other	974			974
TOTAL LIABILITIES		<u>152,364</u>	<u>168,045</u>	<u></u>	<u>320,409</u>
NET ASSETS					
508.1	Invested in Capital Assets, Net of Related Debt	1,686,791			1,686,791
512.1	Unrestricted Net Assets	86,705	116,283		202,988
TOTAL NET ASSETS		<u>1,773,496</u>	<u>116,283</u>	<u></u>	<u>1,889,779</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,925,860</u>	<u>\$ 284,328</u>	<u>\$</u>	<u>\$ 2,210,188</u>

TOWN OF BERNALILLO, NEW MEXICO
HOUSING ASSISTANCE PROGRAMS
FINANCIAL DATA SCHEDULES
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - ALL HUD PROGRAMS
JUNE 30, 2007

FDS Line #	Account Description	Low Rent Public Housing 14.850a	Housing Choice Vouchers 14.871	Capital Fund Program 14.872	TOTAL
REVENUE:					
703	Net tenant rental revenue	\$ 152,605	\$ 426,437	\$ 26,952	\$ 599,406
706	HUD PHA operating grants	146,017		46,208	46,208
706.1	Capital Grants			46,208	46,208
715	Other revenue		49,939		49,939
	TOTAL REVENUE	<u>298,622</u>	<u>476,376</u>	<u>73,160</u>	<u>848,158</u>
EXPENSES:					
911	Administrative salaries	49,131	66,497		115,628
912	Auditing fees	2,187			2,187
914	Compensated absences		4,536		4,536
915	Employee benefit contributions- administrative	21,309	24,077		45,386
916	Other operating- administrative	31,413	3,261	8,031	42,705
931	Water	22,215			22,215
932	Electricity	3,026			3,026
933	Gas	40,612			40,612
941	Ordinary maintenance and operations - labor	25,238			25,238
942	Ordinary maintenance and operations - materials & other	16,294			16,294
943	Ordinary maintenance and operations - contract costs	28,274			28,274
945	Employee benefit contributions- ordinary maintenance	5,468			5,468
961	Insurance premiums	18,558			18,558
963	Payments in lieu of taxes	1,851			1,851
	TOTAL OPERATING EXPENSES	<u>265,576</u>	<u>98,371</u>	<u>8,031</u>	<u>371,978</u>
971	Extraordinary maintenance			18,920	18,920
973	Housing assistance payments		364,712		364,712
974	Depreciation expense	100,730			100,730
	TOTAL EXPENSES	<u>366,306</u>	<u>463,083</u>	<u>26,951</u>	<u>856,340</u>
OTHER FINANCING SOURCES (USES)					
1001	Operating transfers in	116,175			116,175
1002	Operating transfers out			(116,175)	(116,175)
	TOTAL OTHER FINANCING SOURCES (USES)	<u>116,175</u>		<u>(116,175)</u>	
	CHANGE IN NET ASSETS	<u>48,491</u>	<u>13,293</u>	<u>(69,966)</u>	<u>(8,182)</u>
	NET ASSETS, BEGINNING OF YEAR	<u>1,725,005</u>	<u>102,990</u>	<u>69,966</u>	<u>1,897,961</u>
	NET ASSETS, END OF YEAR	<u>\$ 1,773,496</u>	<u>\$ 116,283</u>	<u>\$</u>	<u>\$ 1,889,779</u>
MEMO account information					
1103	Beginning equity	1,725,005	87,030	69,966	1,882,001
1104	Prior period adjustments, equity transfers and correction of errors		15,960		15,960
1120	Unit months available		900		900

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SINGLE AUDIT SECTION

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Gary Heinfeld, CPA, CGFM
Nancy A. Meech, CPA, CGFM
Jennifer L. Shields, CPA
Corey Arvizu, CPA

Scott W. Kies, CPA
Kimberly A. Robinson, CPA
Kera Badalamenti, CPA, CGFM

10120 N. Oracle Rd.
Tucson, Arizona 85704
(520) 742-2611
Fax (520) 742-2718

**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**

Honorable Mayor and Members of the Town Council
Town of Bernalillo, New Mexico

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Bernalillo, New Mexico (Town), as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents and have issued our report dated June 27, 2008. Our report was modified as the Town does not maintain adequate records of its capital assets and utility accounts receivable. We also have audited the financial statements of each of the Town's nonmajor governmental, nonmajor enterprise, and fiduciary funds presented as supplementary information in the accompanying Supplementary Information as of and for the year ended June 30, 2007, as listed in the table of contents. 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 Town of Bernalillo, New Mexico'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 Town of Bernalillo, New Mexico's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Bernalillo, New Mexico's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Bernalillo, New Mexico's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2006-01, 2006-02, 2006-03, 2006-04, 2006-07, 2006-08, 2006-10, 2007-01, 2007-02, 2007-03, and 2007-04 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2006-02, 2006-03, and 2007-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Bernalillo, New Mexico's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Governmental Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as findings 2006-01 and 2006-10.

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

This report is intended solely for the information and use of the management, others within the Town, the Town Council, the Office of the State Auditor, the New Mexico Legislature, and applicable 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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

June 27, 2008



Gary Heinfeld, CPA, CGFM
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Kera Badalamenti, CPA, CGFM

10120 N. Oracle Rd.
Tucson, Arizona 85704
(520) 742-2611
Fax (520) 742-2718

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

Honorable Mayor and Members of the Town Council
Town of Bernalillo, New Mexico

Compliance

We have audited the compliance of Town of Bernalillo, New Mexico with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Town of Bernalillo, New Mexico'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 Town of Bernalillo, New Mexico's management. Our responsibility is to express an opinion on Town of Bernalillo, New Mexico'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 Town of Bernalillo, New Mexico'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 of Town of Bernalillo, New Mexico's compliance with those requirements.

In our opinion, Town of Bernalillo, New Mexico complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item FA 2006-01.

Internal Control Over Compliance

The management of Town of Bernalillo, New Mexico is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Town of Bernalillo, New Mexico's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures 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 Town of Bernalillo, New Mexico's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FA 2006-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be material a weakness.

Town of Bernalillo, New Mexico's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Bernalillo, New Mexico's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, others within the Town, the Town Council, the Office of the State Auditor, the New Mexico Legislature, and applicable 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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

June 27, 2008

TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct program:			
Public and Indian Housing	14.850	NM035	\$ 146,017
Section 8 Housing Choice Vouchers	14.871	NM035VO	423,759
Public Housing Capital Fund	14.872	NM02PO35	73,160
Passed through New Mexico Department of Finance and Administration:			
Community Development Block Grants - State's Programs	14.228	05-C-NR-I-1-G-43	<u>237,786</u>
Total U.S. Department of Housing and Urban Development			<u>880,722</u>
<u>U.S. Department of Justice</u>			
Passed through New Mexico Department of Public Safety:			
Edward Byrne Memorial Formula Grant Program	16.579	03-DCSI	89,707
Edward Byrne Memorial Justice Assistance Grant Program	16.738	05-DCSI	<u>105,058</u>
Total U.S. Department of Justice			<u>194,765</u>
<u>U.S. Department of Transportation</u>			
Passed through New Mexico Department of Transportation:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	07-AL-64-009	<u>12,518</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,088,005</u></u>

TOWN OF BERNALILLO, NEW MEXICO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Town of Bernalillo, New Mexico and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2007 *Catalog of Federal Domestic Assistance*.

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? X yes none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grants – State's Programs
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION II - FINANCIAL STATEMENT FINDINGS

2006-01 Exceeded Budget Authority

CONDITION

In violation of New Mexico State Statute, the following funds exceeded the budgeted amounts as submitted to the State of New Mexico.

<u>Fund</u>	<u>Overbudget</u>
General	\$ 19,244
Corrections	3,008
Law Enforcement	18
Gas Tax	35,766
Lodger's Tax	29
Community Development	27,720
Water and Sewer	1,732,365
Housing Assistance	452,066
Campground	4,298

CRITERIA

All Town funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration – Local Government Division for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6-6-6-2-A, 1978 Compilation.

EFFECT

The Town exceeded the approved expenditure budgets of the funds noted. According to NMSA 6-6-6 1978 Compilation any expenditure in excess of the approved budget may be determined to be a liability of the officials authorizing such expenditure.

CAUSE

The funds exceeded the approved budget due to ineffective monitoring of budget capacity.

RECOMMENDATION

The Town must follow New Mexico State law and all mandated budgetary requirements. If the lack of budget monitoring is due to limited staff and training, the Town should allocate the necessary resources to remedy such situations.

AGENCY RESPONSE

In fiscal year 2006-07 the Town did a mid-year budget adjustment and a year-end adjustment. The Town will move to quarterly budget adjustments. With the new accounting software each department will have live access to its budgets for each line item. When fully implemented and with properly trained staff, purchases will be screened and tracked.

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION II - FINANCIAL STATEMENT FINDINGS

2006-02 Insufficient Capital Asset Support

CONDITION

The Town does not have adequate procedures in place in order to provide capital assets schedules required for governmental activity financial reporting purposes. In addition, the detailed capital asset listings (for both governmental and business-type activities) provided for the audit included capital assets with cost balances which are not supported with actual cost documentation or other reasonable cost estimate support. Finally, a complete physical inventory has not been completed since 2003.

CRITERIA

The Town must ensure that it accounts for capital assets in accordance with generally accepted accounting principles, GASB Statement 34 and Section 6-6-3 and Section 12-6-10 NMSA 1978.

EFFECT

The amounts reported for capital assets may be materially misstated. A qualified opinion was issued on the Town's financial statements due to our inability to sufficiently complete the audit objectives necessary to render an opinion on the capital assets balances and related accounts. In addition, the Town is not in compliance with Section 6-6-3 NMSA 1978.

CAUSE

Due to turnover and a lack of sufficient and/or qualified staff in positions responsible for capital assets, the Town has not maintained adequate and accurate capital assets records and schedules.

RECOMMENDATION

The Town should allocate the necessary resources toward the implementation and maintenance of a capital asset tracking system that ensures compliance with the required criteria stated above.

AGENCY RESPONSE

The Town of Bernalillo has purchased an updated asset management system. This system will be implemented November 2008. The Town has also allocated resources to contract with a professional accounting firm to update our asset schedules and inventory.

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)

2006-03 Accounts Receivables Records and Procedures

CONDITION

Due to an excessive penalty policy the Town has accrued significant uncollectible customer accounts receivable which are recorded on the Town's subsidiary accounts receivable ledger. The Town did prepare an adjustment for the financial statements to properly report the estimated accounts receivable balance that are deemed collectible.

CRITERIA

According to generally accepted accounting principles, the Town's general ledger and its subsidiary ledger of customer utility accounts should reflect true, collectible receivables due to the Town for services provided.

EFFECT

The Town's general ledger and subsidiary customer ledger include significant amounts of uncollectible accounts receivable. A qualified opinion was issued on the Town's financial statements due to our inability to sufficiently complete the audit objectives necessary to render an opinion on the accounts receivable and allowance for accounts receivable balances.

CAUSE

The Town's penalty policy for late utility payments resulted in inflated receivable balances in both the general ledger and the subsidiary customer account ledger which have not been monitored or adjusted to properly report collectible balances.

RECOMMENDATION

As of the report issuance, the Town has revised the penalty and interest policy. In addition, management should adjust the customer account balances recorded in the general ledger and subsidiary customer ledger to properly reflect the customer balances that are estimated to be collectible as reported on the financial statements.

AGENCY RESPONSE

The Town has derived the principal accounts receivable amounts from the excessive penalties for the customer ledger. In fiscal year 2008-09 the Town will commence collections on its accounts receivables. The general ledger will show actual accounts receivable, and the customer ledger will be updated to coincide with the general ledger.

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)

2006-04 Late Audit Report

CONDITION

The Town did not submit its annual financial report prior to the deadline. The audit report was submitted on July 7, 2008.

CRITERIA

Per 2.2.2.9 NMAC, the Town was required to submit its fiscal year 2006-07 annual financial report to the New Mexico State Auditor by December 1, 2007.

CAUSE

Due to the delay in the issuance of the fiscal year 2005-06 financial statements, the Town did not contract for the fiscal year 2006-07 audit until March 2008 (see prior year finding FS 2006-04).

EFFECT

The Town was not in compliance with the State Auditor rule 2.2.2.9(A). Users of the financial statements (i.e. legislators, creditors, bondholders, and state and federal grantors) do not have timely audit reports and financial statements available for their review. Also, due to the late timing of the report, it will be more difficult for the Town to correct deficiencies that result in findings.

RECOMMENDATION

The Town should ensure that financial records are sufficiently "closed-out" and ready for audit in a timely manner so that future fiscal periods' financial reports can be submitted prior to the deadline.

AGENCY RESPONSE

With our aggressive audit schedule we finished fiscal year 2006-07 and we are on track to submit the fiscal year 2008-09 audit on time.

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)

2006-07 Approval of Adjusting Journal Entries

CONDITION

The Town does not have a policy for journal entries that would require physical evidence that the preparer did not also perform the approval of the adjustment.

CRITERIA

Sufficient internal controls require a segregation of duties for the authorization and preparation of journal entries as well as the maintenance of physical records to ensure compliance with Section 6-6-3 NMSA 1978.

EFFECT

The Town is unable to demonstrate that journal entries were approved by someone other than the preparer and may be at risk of undetected misstatements and/or fraud.

CAUSE

Insufficient policies and procedures over the journal entry process.

RECOMMENDATION

The Town should develop a journal entry process that indicates who is authorized to prepare journal entries as well as who is authorized to approve journal entries. Additionally, the process should address the maintenance of physical records that demonstrate this segregation of duties.

AGENCY RESPONSE

With our current system the Town has to rely on a manual process to ensure proper authorization. With our new accounting system the Town will have an electronically routed approval with time stamped documentation on all approvals.

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)

2006-08 Reconciliation and Recording of Bank Accounts

CONDITION

We noted several bank accounts in the Town's name that were not recorded on the Town's general ledger. Additionally, several bank reconciliations for the June 2007 statement period were not performed until April 2008.

CRITERIA

The Town is responsible for establishing and maintaining internal controls that include controls over cash and investments in order to meet the financial reporting objectives of the Town.

EFFECT

The Town is at risk of undetected misstatements in financial statements. Additionally, fraud risk is heightened without timely reconciliation of bank accounts.

CAUSE

Due to turnover in financial positions the Town did not have a procedure for tracking bank accounts to ensure that all are captured on the general ledger and reconciled.

RECOMMENDATION

The Town should review all existing bank accounts and ensure their inclusion in the general ledger. The Town should also develop and enforce a policy that makes timely reconciliation of all bank accounts required.

AGENCY RESPONSE

The Town has dedicated resources to ensure that all bank and investment accounts are reconciled to the general ledger on a timely basis.

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)

2006-10 Inadequate Supporting Documentation

CONDITION

The Town could not locate support for a cash receipt in the amount of \$151,000 to demonstrate that it was correctly recorded in the general ledger. In addition, nine of 60 payments to vendors lacked a purchase order or other contract agreement, five of 60 purchases reviewed lacked an indication of payment and evidence of clerical checks prior to payment, and four of 60 purchase orders were dated after receipt of goods/services.

The dollar amounts for each purchase were as follows.

No purchase order: \$512; \$3,447; \$577; \$29; \$210; \$34,532; \$7,500; \$1,775; \$15,000.

Clerical check: \$427; \$835; \$151; \$51,590; \$27,996.

PO dated after receipt: \$1,710; \$51,590; \$625; \$1,227.

CRITERIA

The Town should maintain the original support for key financial transactions to demonstrate compliance with Section 6-6-3, NMSA 1978. Additionally, the Town's policy requires purchase requisitions and purchase orders to be obtained and approved before procurement of goods and services.

EFFECT

The Town is at risk of misstatements to the financial statements.

CAUSE

Due to insufficient staff and turnover in key positions, the Town's document retention and purchase authorization practices were not adequately enforced.

RECOMMENDATION

The Town should exercise more caution with its document retention and purchase authorization procedures to ensure similar instances do not occur.

AGENCY RESPONSE

With increased electronic processes, the Town will rely less on hard copies. When fully staffed, trained and live with our new system, the Town will have all the tools to maintain proper supporting documentation.

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)

2007-01 Comprehensive Set of Policies

CONDITION

The Town does not have a comprehensive set of policies and procedures that address various key components of its operations.

CRITERIA

The internal control structure of the Town must include policies that document proper business practices for key operations.

EFFECT

The Town is at risk to internal control failures which could lead to undetected misstatements in financial statements. Additionally, the risk of fraud is heightened without proper documentation and review procedures.

CAUSE

Limited staff size and turnover in key financial management positions.

RECOMMENDATION

The Town should allocate the necessary resources in order to develop and/or update outdated existing policies and desk procedures for the following functions: payroll documentation, human resources documentation, employee leave, cash receipting, month-end and year-end close out, asset safeguarding, and purchasing procedures including credit card usage.

AGENCY RESPONSE

The Town has purchased a new accounting software system. The new system will give the Town the means to have electronically routed processes and accounting controls. This new system will be implemented November 2008. Desk procedures and existing processes will be transcribed for training purposes. Overall fiscal policies and procedures will be presented to Council for approval. The Town has recently adopted an investment policy that, among other issues, limits the maturities of its investments to reduce volatility and market risk.

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)

2007-02 Insufficient Controls Over the Financial Statement Process

CONDITION

The Town's management did not have adequate internal control procedures in place over the financial statements issued by the Town using the basis of accounting required by GAAP. These controls include the use of a financial statement checklist during the review of the report draft, documented review procedures, identification of management and/or staff to review draft, and verifying amounts reported in the financial statements to underlying records and schedules. While the Town's management and staff have an understanding of New Mexico statutes, budgetary controls, general ledger controls, and compliance requirements, sufficient internal controls are not in place for the fund-based and government-wide financial statements and related notes to the financial statements.

CRITERIA

Town management is responsible for establishing and maintaining internal controls that include controls for the generally accepted accounting principles (GAAP) basis financial statements issued by the Town. The Town's system of internal controls must extend beyond the cash basis general ledger and the supporting schedules prepared by the Town; rather it must also include controls over the GAAP basis financial statements. As such, management requested the auditors to prepare a draft of the financial statements, including related note disclosures. The outsourcing of these services is a result of management's cost benefit decision to rely on the accounting expertise of the auditors.

EFFECT

The Town's internal controls over financial reporting at the financial statement level are not adequate to ensure that a misstatement would be prevented and/or detected.

CAUSE

The Town's small size and limited resources contribute to difficulties in establishing controls over financial reporting at the financial statement level.

RECOMMENDATION

The Town must design and implement effective internal control procedures to ensure the financial statements and related notes are free from material misstatements. Specifically, the Town should use checklists to aid in the review of the financial statements and related notes to the financial statements.

AGENCY RESPONSE

With the new accounting software system that the Town is implementing, the Finance Department will have the ability to have electronic processes and controls and have live access to electronic reports as opposed to having to use the current hard copies of reports. Checklists and processes will be electronic, and secure account trees will be used to ensure proper accounting controls.

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)

2007-03 Year-end Cutoff

CONDITION

We noted 14 of 30 year-end expenditures of a total dollar value of \$189,669 where payment for goods or services were charged to fiscal year 2007-08; however, the goods and services were received or performed prior to June 30, 2007. Additionally, we also noted nine instances for a total dollar value of \$460,002 where revenues related to fiscal year 2006-07 were posted to fiscal year 2007-08.

CRITERIA

According to generally accepted accounting principles, the Town must record expenditures in the year that goods or services were received and record revenues in the year which they are earned.

EFFECT

The Town is at risk of misstatements to the financial statements.

CAUSE

Due to insufficient staff, the Town did not monitor year-end activity to determine proper fiscal year posting.

RECOMMENDATION

The Town's current general ledger software provides a posting field which will allow the Town to properly monitor and account for financial activity related to a prior fiscal period. The Town should implement and utilize this general ledger field and mechanism to track year-end activity, then properly record the applicable year-end accruals.

AGENCY RESPONSE

The Town has instituted several processes to ensure that invoices and purchase orders are paid in the correct fiscal year. Purchase order numbers for the next fiscal year will start with a staggered number in order to quickly identify which fiscal year it will be properly booked. This has been instituted immediately for fiscal year 2007-08 year end to provide for proper accruals. Additionally revenues will be reconciled and accrued to the proper fiscal year.

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION II - FINANCIAL STATEMENT FINDINGS (Concl'd)

2007-04 Violations of Town's Procurement Policies

CONDITION

Several purchases below the prescribed threshold were not procured according to Town policy. One sealed proposal, two sealed bids, and four small purchases (\$5,000 - \$20,000) were reviewed.

- In one instance the Town could not locate evidence of the bid envelopes received from participating vendors. The procurement was for construction in the amount of \$422,788.
- In one instance, the Town only obtained two written quotes for a purchase that exceeded the bid threshold. The purchase was for a backhoe in the amount of \$39,850.
- In one purchase within the written threshold only one quote was obtained. The purchase was for pool supplies in the amount of \$7,068.
- In two other instances within the written threshold, no quotes were obtained. The purchases were for computers and trash removal in the amounts of \$6,755 and \$8,533, respectively.

CRITERIA

State Procurement Code, Sections 13-1-125, 13-1-103 through 13-1-110, and 13-1-111 through 13-1-122 NMSA 1978; as well as the Town's policy, requires the use of competitive bids or sealed proposals for purchases exceeding the prescribed threshold and the use of quotes below that threshold.

EFFECT

The Town's purchasing policy is not enforced consistently and could result in higher costs for goods and services being charged to the Town. Additionally, the lack of record retention increases the Town's risk to procurement violations.

CAUSE

Due to insufficient staff, the Town's purchasing department did not consistently enforce Town procurement policy.

RECOMMENDATION

The Town should both review its purchasing policy for necessary updates, as well as stringently enforce those rules prior to processing any payments to vendors.

AGENCY RESPONSE

The Town will review the State procurement code, along with the Town's internal policies, recommend changes and begin strict enforcement and screening procedures.

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2006-01 Late Audit Report

Program Name: Section 8 Housing Choice Vouchers

Grantor Number: NM035VO

Funding Agency: U.S. Department of Housing and Urban Development

Questioned Costs: None identified

CFDA Number: 14.871

CRITERIA

Section 320(a) Circular A-133, requires that the single audit reporting package be submitted within nine months after the end of the audit period, unless a longer period is agreed to by the oversight agency. Additionally, the Office of Housing and Urban Development (HUD) requires that the Town submit its audited HUD Real Estate Assessment Center (REAC) report within nine months after year-end.

CONDITION

The Town's audit reports were not submitted to the Federal Clearinghouse or HUD within nine months following the end of the fiscal year.

EFFECT

Due to the late submission of the Town's single audit reporting package and the REAC submission, the Town is not in compliance with OMB Circular A-133 report submission requirements as well as HUD reporting requirements. In addition, the Town may be subject to a 10% penalty housing subsidy reduction due to a late REAC submission.

CAUSE

The Town has had significant turnover in key management and financial positions.

RECOMMENDATION

The Town should consider allocating the necessary resources and/or limit turnover of management and financial positions to ensure adequate staffing of personnel and internal control procedures over timely completion of audit areas. Management will need to take the necessary step to ensure financial records and the general ledger are accurately completed in a timely manner to ensure the audit may be completed within the prescribed deadlines.

AGENCY RESPONSE

With our aggressive audit schedule we finished fiscal year 2006-07 and we are on track to submit the fiscal year 2008-09 audit on time.

**TOWN OF BERNALILLO, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007**

Status of Prior Year Findings

Finding No. FS2006-01
Status: Not corrected.
See current year finding 2006-01.

Finding No. FS2006-11
Status: Corrected.

Finding No. FS2006-02
Status: Not corrected.
See current year finding 2006-02.

Finding No. FS2006-12
Status: Corrected.

Finding No. FS2006-03
Status: Partially corrected.
See current year finding 2006-03.

Finding No. FS2006-13
Status: Corrected.

Finding No. FS2006-04
Status: Not corrected.
See current year finding 2006-04.

Finding No. FS2006-14
Status: Corrected.

Finding No. FS2006-05
Status: Corrected.

Finding No. FA 2006-01
Status: Not corrected.
See current year finding FA 2006-01.

Finding No. FS2006-06
Status: Corrected.

Finding No. FS2006-07
Status: Not corrected.
See current year finding 2006-07.

Finding No. FS2006-08
Status: Partially corrected.
See current year finding 2006-08.

Finding No. FS2006-09
Status: Corrected.

Finding No. FS2006-10
Status: Not corrected.
See current year finding 2006-10.

FINANCIAL STATEMENT PREPARATION

These financial statements were prepared by Heinfeld, Meech & Co., P.C. from the original books and records of the Town of Bernalillo, New Mexico.

**TOWN OF BERNALILLO, NEW MEXICO
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2007**

An exit conference was conducted on July 8, 2008, in a closed Council meeting, in which the contents of this report were discussed with the following.

Town of Bernalillo

Patricia Chavez, Mayor
Marian A. Jaramillo, Mayor pro-tem
Steven Jerge, Town Manager
Santiago Chavez, Town Treasurer

Heinfeld, Meech & Co., P.C.

Corey Arvizu, Partner
Chulssang Ham, Audit Lead

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