

**TOWN OF BERNALILLO, NEW MEXICO  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2008**

# TOWN OF BERNALILLO, NEW MEXICO

<u>CONTENTS</u>	<u>Page</u>
OFFICIAL ROSTER	
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Required Supplementary Information)	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	24
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	25
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	28
Statement of Net Assets – Proprietary Funds	29
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	30
Statement of Cash Flows – Proprietary Funds	31
Statement of Fiduciary Assets and Liabilities	32
Notes to Financial Statements	33

## TOWN OF BERNALILLO, NEW MEXICO

<b><u>CONTENTS (Cont'd)</u></b>	<b><u>Page</u></b>
SUPPLEMENTARY INFORMATION	
Non-Major Governmental Funds:	
Combining Balance Sheet	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	58
Fire Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	61
Recreation Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	62
Corrections Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	63
Law Enforcement Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	64
Gas Tax Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	65
Lodger's Tax Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	66
Ambulance Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	67
EMS Grant Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	68

## TOWN OF BERNALILLO, NEW MEXICO

<b><u>CONTENTS (Cont'd)</u></b>	<b><u>Page</u></b>
Rescue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	69
Community Development Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	70
Proprietary Funds:	
Water and Sewer Fund Schedule of Revenues, Expenditures and Changes in Fund Net Assets – Budget and Actual	72
Housing Assistance Fund Schedule of Revenues, Expenditures and Changes in Fund Net Assets – Budget and Actual	73
Campground Fund Schedule of Revenues, Expenditures and Changes in Fund Net Assets – Budget and Actual	74
Agency Fund:	
Schedule of Changes in Assets and Liabilities	75
OTHER SUPPLEMENTAL INFORMATION	
Schedule of Pledged Collateral	78
Schedule of Deposit and Investment Accounts	79
Schedule of Joint Powers Agreements	80
Combining Statement of Net Assets – All HUD Programs	81
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – All HUD Programs	82

## TOWN OF BERNALILLO, NEW MEXICO

<b><u>CONTENTS (Concl'd)</u></b>	<b><u>Page</u></b>
SINGLE AUDIT SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	85
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	87
Schedule of Expenditures of Federal Awards	89
Notes to Schedule of Expenditures of Federal Awards	90
Schedule of Findings and Questioned Costs:	
Section I – Summary of Auditors' Results	91
Section II – Financial Statement Findings	92
Section III – Federal Award Findings and Questioned Costs	107
Summary Schedule of Prior Audit Findings	108
Exit Conference	109

**TOWN OF BERNALILLO, NEW MEXICO  
OFFICIAL ROSTER  
JUNE 30, 2008**

**Board of Trustees**

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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**

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Santiago Chavez  
Town Treasurer

Ida Fierro  
Town Clerk

**TOWN OF BERNALILLO, NEW MEXICO  
REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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## INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas  
New Mexico State Auditor

Honorable Mayor, Members of the Town Council  
of the 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, 2008, 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, 2008, 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 cash and investments accounted for in the governmental activities, the business-type activities, the General Fund, and the Water and Sewer 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 cash and investments 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 General Fund, and the Water and Sewer Fund of the Town of Bernalillo, New Mexico, as of June 30, 2008, 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 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, 2008, 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 September 11, 2009, 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

September 11, 2009

**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, 2008**

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, 2008.

**FINANCIAL HIGHLIGHTS**

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2007-08 as follows.

- The Town's total net assets of governmental activities decreased \$5,708 and business-type activities increased \$3.2 million. In total, the net change of \$3.2 million represents an increase of 23 percent from the prior year.
- General revenues from governmental activities accounted for \$5.3 million in revenue, or 81 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1.2 million or 19 percent of total governmental activities revenues. The Town had \$7.4 million of program revenues and \$322,553 in general revenues related to business-type activities.
- The Town had \$6.5 million in expenses related to governmental activities, an increase of 36 percent from the prior fiscal year. The Town had \$4.6 million in expenses related to business-type activities a decrease of 25 percent from the prior fiscal year.
- The General Fund had \$5.9 million in revenues, which primarily consisted of municipal and state shared taxes. The total expenditures of the General Fund were \$5.3 million. The General Fund's fund balance increased from \$1.8 million to \$2.3 million, due primarily to an increase of \$708,334 in municipal and state shared taxes.
- The Water and Sewer Fund operating revenues of \$3.1 million exceeded operating expenses of \$2.7 million. The Water and Sewer Fund's net assets increased from \$212,739 to \$3.5 million primarily due to capital contributions of \$2.2 million.

**TOWN OF BERNALILLO, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2008**

**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, property taxes, and intergovernmental revenues 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, 2008**

**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, 2008**

**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 \$16.7 million as of June 30, 2008.

The largest portion of the Town's net assets (89 percent) reflects its investment in capital assets (e.g., land, construction in progress, 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, 2008 and June 30, 2007. (Prior year tabular data has not been restated for the adjustments referenced in Note 12 on page 49.)

	2008 Governmental Activities	2007 Governmental Activities	2008 Business-type Activities	2007 Business-type Activities	2008 Total	2007 Total
Current and other assets	\$ 2,338,797	\$ 1,806,594	\$ 8,516,510	\$14,473,465	\$ 10,855,307	\$ 16,280,059
Capital assets, net	9,809,536	11,213,192	18,460,701	13,351,089	28,270,237	24,564,281
<b>Total assets, net</b>	<u>12,148,333</u>	<u>13,019,786</u>	<u>26,977,211</u>	<u>27,824,554</u>	<u>39,125,544</u>	<u>40,844,340</u>
Current and other liabilities	482,988	199,757	7,584,988	1,047,071	8,067,976	1,246,828
Long-term liabilities	261,426	258,129	14,121,893	14,648,613	14,383,319	14,906,742
<b>Total liabilities</b>	<u>744,414</u>	<u>457,886</u>	<u>21,706,881</u>	<u>15,695,684</u>	<u>22,451,295</u>	<u>16,153,570</u>
Invested in capital assets, net of related debt	9,645,200	11,037,177	5,179,368	7,819,174	14,824,568	18,856,351
Unrestricted	1,758,719	1,524,723	90,962	4,309,696	1,849,681	5,834,419
<b>Total net assets</b>	<u>\$ 11,403,919</u>	<u>\$12,561,900</u>	<u>\$ 5,270,330</u>	<u>\$12,128,870</u>	<u>\$ 16,674,249</u>	<u>\$ 24,690,770</u>

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

- The addition of construction in progress of \$10.8 million in business-type activities capital assets and the increased liabilities for the related accounts payable of the construction in progress.
- The addition of vehicles, furniture and equipment of \$446,765 in governmental activities capital assets.



**TOWN OF BERNALILLO, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**

**Changes in net assets.** The Town's total revenues for the fiscal year ended June 30, 2008, were \$14.3 million. The total cost of all programs and services was \$11.1 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

	2008 Governmental Activities	2007 Governmental Activities	2008 Business-type Activities	2007 Business-type Activities	2008 Total	2007 Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 753,233	\$ 757,193	\$ 3,470,185	\$ 3,221,666	\$ 4,223,418	\$ 3,978,859
Operating grants and contributions	466,759	416,658	684,519	755,371	1,151,278	1,172,029
Capital grants and contributions		512,635	3,289,334	3,037,327	3,289,334	3,549,962
General revenues:						
Property taxes, levied for general purposes	415,827	367,648			415,827	367,648
Franchise taxes	171,250	196,307			171,250	196,307
Gross receipts taxes	4,299,033	3,589,655			4,299,033	3,589,655
Investment income	55,320	45,624	222,996	411,532	278,316	457,156
Unrestricted grants, aid, and state shared revenues	358,031	325,780	99,557	80,020	457,588	405,800
<b>Total revenues</b>	<u>6,519,453</u>	<u>6,211,500</u>	<u>7,766,591</u>	<u>7,505,916</u>	<u>14,286,044</u>	<u>13,717,416</u>
<b>Expenses:</b>						
General government	1,876,679	1,383,481			1,876,679	1,383,481
Public safety	2,834,298	2,156,306			2,834,298	2,156,306
Public works	708,177	502,850			708,177	502,850
Culture and recreation	1,095,300	770,083			1,095,300	770,083
Interest on long-term debt	10,707	2,004			10,707	2,004
Water and Sewer			3,337,930	5,169,805	3,337,930	5,169,805
Housing Assistance			1,138,656	856,265	1,138,656	856,265
Campground			126,314	111,247	126,314	111,247
<b>Total expenses</b>	<u>6,525,161</u>	<u>4,814,724</u>	<u>4,602,900</u>	<u>6,137,317</u>	<u>11,128,061</u>	<u>10,952,041</u>
<b>Transfers</b>		100,000		(100,000)		
<b>Changes in net assets</b>	<u>\$ (5,708)</u>	<u>\$ 1,496,776</u>	<u>\$ 3,163,691</u>	<u>\$ 1,268,599</u>	<u>\$ 3,157,983</u>	<u>\$ 2,765,375</u>

The following are significant changes that have had an impact on the Statement of Activities.

- Total revenues increased \$568,628 or 4 percent primarily as a result of an increase of \$709,378 in gross receipts taxes.
- Governmental activities expenses increased \$1.7 million primarily as a result of the increased expenses in general government and public safety.
- Business-type activities expenses decreased \$1.5 million due to a decrease in capital related expenses and projects.

**TOWN OF BERNALILLO, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

**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.

	2008		2007	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>				
General government	\$ 1,876,679	\$ (1,790,953)	\$ 1,383,481	\$ (1,263,406)
Public safety	2,834,298	(2,128,869)	2,156,306	(1,567,452)
Public works	708,177	(528,715)	502,850	308,590
Culture and recreation	1,095,300	(845,925)	770,083	(603,966)
Interest on long-term debt	10,707	(10,707)	2,004	(2,004)
<b>Total</b>	<u>\$ 6,525,161</u>	<u>\$ (5,305,169)</u>	<u>\$ 4,814,724</u>	<u>\$ (3,128,238)</u>
<b>Business-type Activities</b>				
Water and Sewer	\$ 3,337,930	\$ 2,965,120	\$ 5,169,805	\$ 857,088
Housing Assistance	1,138,656	(134,437)	856,265	7,853
Campground	126,314	10,455	111,247	12,106
<b>Total</b>	<u>\$ 4,602,900</u>	<u>\$ 2,841,138</u>	<u>\$ 6,137,317</u>	<u>\$ 877,047</u>

- The cost of all governmental activities this year was \$6.5 million, an increase of \$1.7 million.
- The cost of all business-type activities this year was \$4.6 million. The decrease of \$1.5 million from the prior year was primarily due to a decrease of \$1.9 million in supplies and services.
- Charges for services and capital contributions subsidized certain governmental programs and business-type programs with revenues of \$8.7 million.
- Net cost of governmental activities of \$5.3 million was financed by general revenues, which are made up of primarily gross receipts taxes of \$4.3 million.

**TOWN OF BERNALILLO, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

**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 \$2.0 million, an increase of \$37,238.

The General Fund is the principal operating fund of the Town. The increase in fund balance of \$539,654 in the General Fund for the fiscal year to \$2.3 million was due primarily to the increased gross receipts taxes.

**Proprietary funds.** Net assets of the Enterprise Funds at the end of the year amounted to \$5.3 million. The increase of \$3.2 million from fiscal year 2006-07 was primarily due to the decreased operating expenses in the Water and Sewer Fund.

**BUDGETARY HIGHLIGHTS**

There were no amendments to the Town of Bernalillo's fiscal year 2007-08 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 \$1.1 million in General Fund revenues was mainly attributed to the municipal and state shared taxes and intergovernmental revenues exceeding the budgeted amounts. Expenditures had an unfavorable variance of \$433,973 primarily due to the public safety expenditures exceeding the budgeted amount.

**TOWN OF BERNALILLO, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2008, the Town had invested \$38.6 million in capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase prior to depreciation of \$11.5 million from last year, primarily due to an addition of construction in process of \$10.8 million. Total depreciation expense for the year was \$704,202.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2008 and June 30, 2007.

<u><b>Governmental Activities</b></u>	As of June 30, 2008	As of June 30, 2007, as restated
Land	\$ 264,808	\$ 264,808
Infrastructure	7,509,567	7,509,567
Buildings and improvements	5,010,312	5,010,312
Vehicles, machinery and equipment	2,736,987	2,290,222
Less: Accumulated depreciation	(5,712,138)	(5,266,002)
<b>Total</b>	<u>\$ 9,809,536</u>	<u>\$ 9,808,907</u>
<u><b>Business-type Activities</b></u>	As of June 30, 2008	As of June 30, 2007, as restated
Land	\$ 410,285	\$ 410,285
Construction in progress	12,724,872	1,921,311
Infrastructure	5,121,638	5,095,023
Buildings and improvements	4,120,354	4,045,998
Vehicles, furniture and equipment	673,536	504,782
Less: Accumulated depreciation	(4,589,984)	(4,331,918)
<b>Total</b>	<u>\$ 18,460,701</u>	<u>\$ 7,645,481</u>

The increase in governmental assets is attributed to an addition of vehicles, furniture and equipment of \$446,765. The business-type increase is mainly due to an addition of construction in process of \$10.8 million for a 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, 2008**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)**

**Debt Administration.** At year-end, the Town had \$14.8 million in long-term debt outstanding, \$494,918 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, 2008 and June 30, 2007.

	<b>Governmental Activities</b>	
	2008	2007
Loans payable	\$ 176,286	\$ 190,122
<b>Total</b>	<b>\$ 176,286</b>	<b>\$ 190,122</b>
	<b>Business-type Activities</b>	
	2008	2007
Loans payable	\$ 3,786,684	\$ 3,806,987
Revenue bonds payable	10,703,467	11,089,498
Deferred bond premium	94,046	98,748
<b>Total</b>	<b>\$ 14,584,197</b>	<b>\$14,995,233</b>

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 2008-09 totals \$6.1 million, an increase of \$1.2 million or 24.5% more than fiscal year 2007-08. This increase is attributed to the following factors:

- Actual revenues exceeded budgeted revenues for fiscal year 2007-08.
- An increased volume of business in town including the new Wal-Mart.

**TOWN OF BERNALILLO, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

**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, 2008**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 1,578,567	\$ 4,557,893	\$ 6,136,460
Investments	11,950	2,530,050	2,542,000
Accounts receivable	281	1,137,970	1,138,251
Due from federal government	183,298		183,298
Due from state government	484,950		484,950
Internal balances	79,751	(79,751)	
Prepaid items		27,018	27,018
Inventory		4,300	4,300
<b>Total current assets</b>	<b>2,338,797</b>	<b>8,177,480</b>	<b>10,516,277</b>
Noncurrent assets:			
Deferred bond issuance costs		339,030	339,030
Land	264,808	410,285	675,093
Infrastructure	7,509,567	5,121,638	12,631,205
Buildings and improvements	5,010,312	4,120,354	9,130,666
Vehicles, furniture and equipment	2,736,987	673,536	3,410,523
Construction in progress		12,724,872	12,724,872
Accumulated depreciation	(5,712,138)	(4,589,984)	(10,302,122)
<b>Total noncurrent assets</b>	<b>9,809,536</b>	<b>18,799,731</b>	<b>28,609,267</b>
<b>Total assets</b>	<b>12,148,333</b>	<b>26,977,211</b>	<b>39,125,544</b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	230,189	6,614,146	6,844,335
Accrued payroll	106,394	30,064	136,458
Accrued interest payable	1,112	55,843	56,955
Compensated absences payable	128,433	68,736	197,169
Unearned revenue		326,106	326,106
Customer deposits		12,035	12,035
Loans payable	16,860	21,109	37,969
Revenue bonds payable		456,949	456,949
<b>Total current liabilities</b>	<b>482,988</b>	<b>7,584,988</b>	<b>8,067,976</b>
Noncurrent liabilities:			
Compensated absences payable	102,000	15,754	117,754
Loans payable	159,426	3,765,575	3,925,001
Revenue bonds payable		10,246,518	10,246,518
Deferred bond premium		94,046	94,046
<b>Total non-current liabilities</b>	<b>261,426</b>	<b>14,121,893</b>	<b>14,383,319</b>
<b>Total liabilities</b>	<b>744,414</b>	<b>21,706,881</b>	<b>22,451,295</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	9,645,200	5,179,368	14,824,568
Unrestricted	1,758,719	90,962	1,849,681
<b>Total net assets</b>	<b>\$ 11,403,919</b>	<b>\$ 5,270,330</b>	<b>\$ 16,674,249</b>

**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, 2008**

<b>Functions/Programs</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 1,876,679	\$	\$ 85,726	\$	\$ (1,790,953)
Public safety	2,834,298	327,180	378,249		(2,128,869)
Public works	708,177	179,462			(528,715)
Culture and recreation	1,095,300	246,591	2,784		(845,925)
Interest on long-term debt	10,707				(10,707)
<b>Total governmental activities</b>	<u>6,525,161</u>	<u>753,233</u>	<u>466,759</u>		<u>(5,305,169)</u>
Business-type activities:					
Water and sewer	3,337,930	3,102,528	109	3,200,413	
Housing assistance	1,138,656	230,888	684,410	88,921	
Campground	126,314	136,769			
<b>Total business-type activities</b>	<u>4,602,900</u>	<u>3,470,185</u>	<u>684,519</u>	<u>3,289,334</u>	
<b>Total primary government</b>	<u>\$ 11,128,061</u>	<u>\$ 4,223,418</u>	<u>\$ 1,151,278</u>	<u>\$ 3,289,334</u>	<u>(5,305,169)</u>

**General revenues:**

Taxes:

Property taxes, levied for general purposes	415,827
Gross receipts taxes	4,299,033
Franchise taxes	171,250
Unrestricted grants, aid and state shared revenues	358,031
Investment income	55,320
<b>Total general revenues</b>	<u>5,299,461</u>

**Changes in net assets** (5,708)

**Net assets, beginning of year, as restated** 11,409,627

**Net assets, end of year** \$ 11,403,919

**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
\$	\$ (1,790,953)
	(2,128,869)
	(528,715)
	(845,925)
	(10,707)
	(5,305,169)
2,965,120	2,965,120
(134,437)	(134,437)
10,455	10,455
2,841,138	2,841,138
2,841,138	(2,464,031)
	415,827
	4,299,033
	171,250
99,557	457,588
222,996	278,316
322,553	5,622,014
3,163,691	3,157,983
2,106,639	13,516,266
\$ 5,270,330	\$ 16,674,249

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**FUND FINANCIAL STATEMENTS**

**TOWN OF BERNALILLO, NEW MEXICO  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	General	Non-Major Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,405,264	\$ 173,303	\$ 1,578,567
Investments		11,950	11,950
Accounts receivable		281	281
Due from federal government	183,298		183,298
Due from state government	442,481	42,469	484,950
Due from other funds	462,325		462,325
<b>Total assets</b>	<b>\$ 2,493,368</b>	<b>\$ 228,003</b>	<b>\$ 2,721,371</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 116,649	\$ 113,540	\$ 230,189
Accrued payroll	59,204	47,190	106,394
Due to other funds		382,574	382,574
<b>Total liabilities</b>	<b>175,853</b>	<b>543,304</b>	<b>719,157</b>
Fund balances (deficits):			
Unreserved:			
Undesignated	2,317,515		2,317,515
Unreserved reported in:			
Special revenue funds		(315,301)	(315,301)
<b>Total fund balances</b>	<b>2,317,515</b>	<b>(315,301)</b>	<b>2,002,214</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,493,368</b>	<b>\$ 228,003</b>	<b>\$ 2,721,371</b>

**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, 2008**

<b>Total governmental fund balances</b>		<b>\$ 2,002,214</b>
<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	\$ 15,521,674	
Less accumulated depreciation	<u>(5,712,138)</u>	9,809,536
<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	(1,112)	
Loans payable	(176,286)	
Compensated absences payable	<u>(230,433)</u>	<u>(407,831)</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 11,403,919</u></b>

**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, 2008**

	General	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 415,827	\$	\$ 415,827
Municipal and state shared taxes	4,304,583	352,481	4,657,064
Intergovernmental	384,984	81,776	466,760
Charges for services	2,589	149,230	151,819
Licenses and permits	179,462		179,462
Fines and forfeits	249,475	67,229	316,704
Franchise fees	171,250		171,250
Investment income	55,320		55,320
Other revenues	104,385	862	105,247
<b>Total revenues</b>	<u>5,867,875</u>	<u>651,578</u>	<u>6,519,453</u>
<b>Expenditures:</b>			
Current -			
General government	2,005,074	49,473	2,054,547
Public safety	2,142,284	356,539	2,498,823
Public works	348,027	199,168	547,195
Culture and recreation	627,421	293,803	921,224
Capital outlay	205,415	255,011	460,426
<b>Total expenditures</b>	<u>5,328,221</u>	<u>1,153,994</u>	<u>6,482,215</u>
<b>Changes in fund balances</b>	<u>539,654</u>	<u>(502,416)</u>	<u>37,238</u>
<b>Fund balances, beginning of year, as restated</b>	1,777,861	187,115	1,964,976
<b>Fund balances (deficits), end of year</b>	<u>\$ 2,317,515</u>	<u>\$ (315,301)</u>	<u>\$ 2,002,214</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, 2008**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$</b>	<b>37,238</b>
<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	\$ 446,765	
Less current year depreciation	<u>(446,136)</u>	629
<p>Repayment of loan principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
		13,836
<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	(1,112)	
Compensated absences payable	<u>(56,299)</u>	<u>(57,411)</u>
<b>Change in net assets in governmental activities</b>	<b>\$</b>	<b><u>(5,708)</u></b>

**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, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 320,000	\$ 320,000	\$ 415,827	\$ 95,827
Municipal and state shared taxes	3,353,700	3,353,700	4,304,583	950,883
Intergovernmental	130,075	130,075	384,984	254,909
Charges for services	35,000	35,000	2,589	(32,411)
Licenses and permits	302,400	302,400	179,462	(122,938)
Fines and forfeits	429,900	429,900	249,475	(180,425)
Franchise fees	175,000	175,000	171,250	(3,750)
Investment income			55,320	55,320
Other revenues	31,200	31,200	104,385	73,185
<b>Total revenues</b>	<u>4,777,275</u>	<u>4,777,275</u>	<u>5,867,875</u>	<u>1,090,600</u>
<b>Expenditures:</b>				
Current -				
General government	1,715,422	2,005,074	2,005,074	
Public safety	1,949,728	1,689,803	2,142,284	(452,481)
Public works	268,104	294,051	348,027	(53,976)
Culture and recreation	796,880	699,905	627,421	72,484
Capital outlay	205,415	205,415	205,415	
<b>Total expenditures</b>	<u>4,935,549</u>	<u>4,894,248</u>	<u>5,328,221</u>	<u>(433,973)</u>
<b>Change in fund balances</b>	<u>(158,274)</u>	<u>(116,973)</u>	<u>539,654</u>	<u>656,627</u>
<b>Fund balances, July 1, 2007, as restated</b>			1,777,861	1,777,861
<b>Fund balances (deficits), June 30, 2008</b>	<u>\$ (158,274)</u>	<u>\$ (116,973)</u>	<u>\$ 2,317,515</u>	<u>\$ 2,434,488</u>

**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, 2008**

	Enterprise Funds			
	Water and Sewer	Housing Assistance	Non-Major Enterprise Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 4,388,419	\$ 152,605	\$ 16,869	\$ 4,557,893
Investments	2,530,050			2,530,050
Accounts receivable	1,090,452	47,518		1,137,970
Prepaid items		27,018		27,018
Inventory		4,300		4,300
Total current assets	<u>8,008,921</u>	<u>231,441</u>	<u>16,869</u>	<u>8,257,231</u>
Noncurrent assets:				
Deferred bond issuance costs	339,030			339,030
Land	378,285	32,000		410,285
Infrastructure	5,121,638			5,121,638
Buildings and improvements	88,129	4,028,130	4,095	4,120,354
Vehicles, furniture and equipment	596,902	65,430	11,204	673,536
Construction in progress	12,705,670	19,202		12,724,872
Accumulated depreciation	(2,111,907)	(2,471,032)	(7,045)	(4,589,984)
Total noncurrent assets	<u>17,117,747</u>	<u>1,673,730</u>	<u>8,254</u>	<u>18,799,731</u>
<b>Total assets</b>	<u>25,126,668</u>	<u>1,905,171</u>	<u>25,123</u>	<u>27,056,962</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	6,595,244	16,818	2,084	6,614,146
Accrued payroll	14,260	14,207	1,597	30,064
Accrued interest payable	55,843			55,843
Compensated absences payable	62,207	2,350	4,179	68,736
Due to other funds		79,751		79,751
Unearned revenue	316,214	9,892		326,106
Customer deposits		12,035		12,035
Loans payable	21,109			21,109
Revenue bonds payable	456,949			456,949
Total current liabilities	<u>7,521,826</u>	<u>135,053</u>	<u>7,860</u>	<u>7,664,739</u>
Noncurrent liabilities:				
Compensated absences payable	1,319	11,748	2,687	15,754
Loans payable	3,765,575			3,765,575
Revenue bonds payable	10,246,518			10,246,518
Deferred bond premium	94,046			94,046
Total non-current liabilities	<u>14,107,458</u>	<u>11,748</u>	<u>2,687</u>	<u>14,121,893</u>
<b>Total liabilities</b>	<u>21,629,284</u>	<u>146,801</u>	<u>10,547</u>	<u>21,786,632</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,497,384	1,673,730	8,254	5,179,368
Unrestricted		84,640	6,322	90,962
<b>Total net assets</b>	<u>\$ 3,497,384</u>	<u>\$ 1,758,370</u>	<u>\$ 14,576</u>	<u>\$ 5,270,330</u>

**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, 2008**

	Enterprise Funds			Total
	Water and Sewer	Housing Assistance	Non-Major Enterprise Fund	
<b>Operating revenues:</b>				
Charges for services	\$ 3,102,528	\$ 230,888	\$ 136,769	\$ 3,470,185
<b>Total operating revenues</b>	<u>3,102,528</u>	<u>230,888</u>	<u>136,769</u>	<u>3,470,185</u>
<b>Operating expenses:</b>				
Payroll and benefits	742,291	243,039	73,904	1,059,234
Supplies and services	1,773,218	410,667	50,599	2,234,484
Housing assistance payments		378,331		378,331
Depreciation	149,636	106,619	1,811	258,066
<b>Total operating expenses</b>	<u>2,665,145</u>	<u>1,138,656</u>	<u>126,314</u>	<u>3,930,115</u>
<b>Operating income (loss)</b>	<u>437,383</u>	<u>(907,768)</u>	<u>10,455</u>	<u>(459,930)</u>
<b>Nonoperating revenues (expenses):</b>				
Municipal and state shared taxes	99,557			99,557
Intergovernmental		684,410		684,410
Impact fees	973,316			973,316
Investment income	219,968	3,028		222,996
Other revenues	109			109
Interest expense	(672,785)			(672,785)
<b>Total nonoperating revenues (expenses)</b>	<u>620,165</u>	<u>687,438</u>		<u>1,307,603</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>1,057,548</u>	<u>(220,330)</u>	<u>10,455</u>	<u>847,673</u>
<b>Capital contributions</b>	<u>2,227,097</u>	<u>88,921</u>		<u>2,316,018</u>
<b>Changes in net assets</b>	<u>3,284,645</u>	<u>(131,409)</u>	<u>10,455</u>	<u>3,163,691</u>
<b>Total net assets, beginning of year, as restated</b>	212,739	1,889,779	4,121	2,106,639
<b>Total net assets, end of year</b>	<u>\$ 3,497,384</u>	<u>\$ 1,758,370</u>	<u>\$ 14,576</u>	<u>\$ 5,270,330</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, 2008**

	<b>Enterprise Funds</b>			<b>Totals</b>
	<b>Water and Sewer</b>	<b>Housing Assistance</b>	<b>Non-major Enterprise</b>	
<b><u>Increase (Decrease) In Cash and Cash Equivalents</u></b>				
Cash flows from operating activities:				
Cash received from customers	\$ 2,625,590	\$ 267,256	\$ 136,769	\$ 3,029,615
Cash payments to suppliers for goods and services	(1,136,948)	(915,163)	(48,515)	(2,100,626)
Cash payments to employees for services	(740,719)	(231,896)	(71,385)	(1,044,000)
<b>Net cash provided by (used for) operating activities</b>	<b>747,923</b>	<b>(879,803)</b>	<b>16,869</b>	<b>(115,011)</b>
Cash flows from noncapital and related financing activities:				
Intergovernmental revenues	99,557	684,410		783,967
<b>Net cash provided by noncapital financing activities</b>	<b>99,557</b>	<b>684,410</b>		<b>783,967</b>
Cash flows from capital and related financing activities:				
Development impact fees	973,316			973,316
Principal paid on bonds and loans	(389,696)			(389,696)
Interest paid on bonds and loans	(661,463)			(661,463)
Acquisition and construction of capital assets	(5,263,999)	(93,558)		(5,357,557)
Proceeds from capital grants	3,061,287	88,921		3,150,208
<b>Net cash provided by capital and related financing activities</b>	<b>(2,280,555)</b>	<b>(4,637)</b>		<b>(2,285,192)</b>
Cash flows from investing activities:				
Interest on investments	219,968	3,028		222,996
<b>Net cash provided by investing activities</b>	<b>219,968</b>	<b>3,028</b>		<b>222,996</b>
<b>Net increase in cash and cash equivalents</b>	<b>(1,213,107)</b>	<b>(197,002)</b>	<b>16,869</b>	<b>(1,393,240)</b>
<b>Cash and cash equivalents, July 1, 2007, as restated</b>	<b>8,131,576</b>	<b>349,607</b>		<b>8,481,183</b>
<b>Cash and cash equivalents, June 30, 2008</b>	<b>\$ 6,918,469</b>	<b>\$ 152,605</b>	<b>\$ 16,869</b>	<b>\$ 7,087,943</b>
<b><u>Reconciliation of Operating Income (Loss) to</u></b>				
<b><u>Net Cash Provided by (Used for) Operating Activities</u></b>				
<b>Operating income (loss)</b>	<b>\$ 437,383</b>	<b>\$ (907,768)</b>	<b>\$ 10,455</b>	<b>\$ (459,930)</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	149,636	106,619	1,811	258,066
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(680,127)	26,229		(653,898)
Decrease in due from other funds	185,603			185,603
Increase in inventory		(18,285)		(18,285)
Increase in accounts payable	636,270	13,869	2,084	652,223
Increase in accrued payroll and employee benefits	6,966	9,288	663	16,917
Increase (decrease) in compensated absences payable	(5,394)	1,855	1,856	(1,683)
Decrease in deposits held for others		2,457		2,457
Increase in unearned revenues	17,586	7,682		25,268
Decrease in due to other funds		(121,749)		(121,749)
<b>Total adjustments</b>	<b>310,540</b>	<b>27,965</b>	<b>6,414</b>	<b>344,919</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 747,923</b>	<b>\$ (879,803)</b>	<b>\$ 16,869</b>	<b>\$ (115,011)</b>

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

**TOWN OF BERNALILLO, NEW MEXICO  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2008**

	<u>Agency</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 97,672
<b>Total assets</b>	<u>\$ 97,672</u>
<b><u>LIABILITIES</u></b>	
Deposits held for others	97,672
<b>Total liabilities</b>	<u>\$ 97,672</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, 2008**

**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, 2008**

**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, 2008**

**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.

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.

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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.

**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.

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

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

**E. Inventory**

All inventories are valued at cost using the weighted average method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements.

**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. General government infrastructure assets acquired prior to July 1, 2006, consist of road network assets that were acquired or that received substantial improvements subsequent. These infrastructure assets are reported at estimated historical cost using deflated replacement cost.

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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:

<u>Assets</u>	<u>Years</u>
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, 2008**

**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, 2008, 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, 2008**

**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, 2008 were cash in bank and investments held by the Town.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Individual Deficit Fund Balances** – At June 30, 2008, the following individual non-major funds reported deficits in fund balance.

	Deficit
Non-Major Funds:	
Fire	\$ (17,637)
Recreation	(5,547)
Law Enforcement	(21,641)
Gas Tax	(172,499)
Rescue	(112,100)
Community Development	(141,266)

The deficits arose because of operations during the year and prior years. Additional revenues received in fiscal year 2008-09 are expected to eliminate the deficits.

**Excess Expenditures Over Appropriations** – For the year ended June 30, 2008, expenditures/expenses exceeded appropriations in the following fund:

	Budget	Expenditures	Excess
General Fund	\$ 4,894,248	\$ 5,328,221	\$ (433,973)
Non-Major Governmental Funds:			
Corrections	13,440	15,936	(2,496)
Gas Tax	247,421	357,819	(110,398)
Proprietary Fund:			
Housing Assistance	946,041	1,032,037	(85,996)



**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 3 – CASH AND INVESTMENTS**

At June 30, 2008, the carrying amount of the Town’s deposits was \$6,234,132 and the bank balance was \$6,314,754. 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, 2008, \$6,314,754 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, 2008, consists of the following.

Deposits	\$ 6,314,754
Less FDIC coverage	300,000
Total unsecured public funds	6,014,754
50% collateral requirement	3,007,377
Pledged securities, fair value	6,536,497
Pledged in excess of requirement	\$ 3,529,120

At June 30, 2008 the Town’s investments consisted of the following.

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1
U.S. Treasuries	\$ 275,055	\$ 275,055
U.S. Agencies:		
Federal Home Loan Mortgage Loan Corporation (FHLMC)	1,555,705	1,555,705
Federal National Mortgage Association (FNMA)	711,240	711,240
Total	\$ 2,542,000	\$ 2,542,000

***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, 2008**

**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.

**Concentration of Credit Risk.** The Town places no limit on the amount the Town may invest in any one issuer. The investments in the Federal Home Loan Mortgage Loan Corporation (FHLMC) and the Federal National Mortgage Association (FNMA) represent 61% and 30% of the Town's investments, respectively.

**NOTE 4 – CAPITAL ASSETS**

A summary of capital asset activity for the fiscal year ended June 30, 2008 follows.

<u>Governmental Activities</u>	<u>Beginning Balance, as restated</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 264,808	\$	\$	\$ 264,808
Total capital assets, not being depreciated	<u>264,808</u>			<u>264,808</u>
Capital assets, being depreciated:				
Infrastructure	7,509,567			7,509,567
Buildings and improvements	5,010,312			5,010,312
Vehicles, furniture and equipment	2,290,222	446,765		2,736,987
Total capital assets being depreciated	<u>14,810,101</u>	<u>446,765</u>		<u>15,256,866</u>
Less accumulated depreciation for:				
Infrastructure	(2,636,275)	(148,693)		(2,784,968)
Buildings and improvements	(1,169,817)	(99,877)		(1,269,694)
Vehicles, furniture and equipment	(1,459,910)	(197,566)		(1,657,476)
Total accumulated depreciation	<u>(5,266,002)</u>	<u>(446,136)</u>		<u>(5,712,138)</u>
Total capital assets, being depreciated, net	9,544,099	629		9,544,728
Governmental activities capital assets, net	<u>\$ 9,808,907</u>	<u>\$ 629</u>	<u>\$</u>	<u>\$ 9,809,536</u>

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 4 – CAPITAL ASSETS (Concl'd)**

<u>Business-type Activities</u>	Beginning Balance, as restated	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 410,285	\$	\$	\$ 410,285
Construction in process	<u>1,921,311</u>	<u>10,803,561</u>		<u>12,724,872</u>
Total capital assets, not being depreciated	<u>2,331,596</u>	<u>10,803,561</u>		<u>13,135,157</u>
Capital assets, being depreciated:				
Infrastructure	5,095,023	26,615		5,121,638
Buildings and improvements	4,045,998	74,356		4,120,354
Vehicles, furniture and equipment	<u>504,782</u>	<u>168,754</u>		<u>673,536</u>
Total capital assets being depreciated	<u>9,645,803</u>	<u>269,725</u>		<u>9,915,528</u>
Less accumulated depreciation for:				
Infrastructure	(1,722,480)	(101,986)		(1,824,466)
Buildings and improvements	(2,361,132)	(103,719)		(2,464,851)
Vehicles, furniture and equipment	<u>(248,306)</u>	<u>(52,361)</u>		<u>(300,667)</u>
Total accumulated depreciation	<u>(4,331,918)</u>	<u>(258,066)</u>		<u>(4,589,984)</u>
Total capital assets, being depreciated, net	<u>5,313,885</u>	<u>11,659</u>		<u>5,325,544</u>
Governmental activities capital assets, net	<u>\$ 7,645,481</u>	<u>\$ 10,815,220</u>	<u>\$</u>	<u>\$18,460,701</u>

Depreciation expense was charged to functions/programs as follows.

Governmental Activities:	
General government	\$ 252,235
Public safety	128,760
Culture and recreation	<u>65,141</u>
Total depreciation expense – governmental activities	<u>\$ 446,136</u>
Business-Type Activities:	
Water and Sewer	\$ 149,636
Housing Assistance	106,619
Campground	<u>1,811</u>
Total depreciation expense – business-type activities	<u>\$ 258,066</u>

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 5 – LOANS PAYABLE**

The Town has received loans to fund the purchase of a fire pumper truck through the Fire Fund, to design and construct an arsenic removal system, and to purchase land through the Water and Sewer Fund. The fire truck loan will be repaid by the Fire Fund. The business-type loans will be repaid by the Water and Sewer Fund. The loans payable at June 30, 2008, are presented below.

<u>Purpose</u>	<u>Interest Rates (Including Fees)</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2008</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>				
NMFA Loan (Fire Truck)	3.82%	5/1/09-17	\$ 176,286	\$ 16,860
Total			<u>\$ 176,286</u>	<u>\$ 16,860</u>
<b>Business-type activities:</b>				
San Juan-Chama Project	3.05%	9/1/09-22	\$ 141,854	\$ 7,601
Arsenic Removal Loan	3.88%	5/1/09-27	3,280,329	
Land Purchase Loan	3.88%	5/1/09-27	364,501	13,508
Total			<u>\$ 3,786,684</u>	<u>\$ 21,109</u>

Principal and interest payments on the governmental and business-type activities loans payable at June 30, 2008, are summarized as follows.

		<u>Governmental Activities</u>	
		<u>Principal</u>	<u>Interest</u>
Year ending June 30:			
	2009	\$ 16,860	\$ 6,672
	2010	17,468	6,066
	2011	18,104	5,432
	2012	18,768	4,770
	2013	19,468	4,070
	2014-17	85,618	8,562
Total		<u>\$ 176,286</u>	<u>\$ 35,572</u>
		<u>Business-type Activities</u>	
		<u>Principal</u>	<u>Interest</u>
Year ending June 30:			
	2009	\$ 21,109	\$ 144,101
	2010	152,658	143,381
	2011	158,152	137,899
	2012	163,860	132,207
	2013	169,805	126,276
	2014-18	947,452	533,188
	2019-23	1,140,826	340,285
	2024-27	1,032,822	104,786
Total		<u>\$ 3,786,684</u>	<u>\$ 1,662,123</u>

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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. The bonds will be repaid by the Water and Sewer Fund. Water and sewer system revenue bonds outstanding as reported in business-type activities at June 30, 2008 were as follows.

Purpose	Original Amount Issued	Interest Rates	Maturity	Outstanding Principal June 30, 2008	Due Within One Year
<b>Business-type activities:</b>					
Refunding Revenue Bonds, 2005	\$ 2,938,111	4.07%	6/1/09-15	\$ 2,203,467	\$ 281,949
Revenue Bonds, 2006	8,775,000	3.05%	6/1/09-28	8,500,000	175,000
Total				<u>\$ 10,703,467</u>	<u>\$ 456,949</u>

Annual debt service requirements to maturity on revenue and refunding bonds for business-type activities at June 30, 2008, are summarized as follows.

Year ending June 30:	Business-type Activities	
	Principal	Interest
2009	\$ 456,949	\$ 444,814
2010	518,212	426,338
2011	614,679	405,404
2012	635,588	380,604
2013	662,714	354,960
2014-18	2,585,325	1,384,884
2019-23	2,350,000	902,412
2024-28	2,880,000	371,282
Total	<u>\$ 10,703,467</u>	<u>\$ 4,670,698</u>

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 7 – CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2008 was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	One Year
<b>Governmental Activities:</b>					
Loans payable	\$ 190,122	\$	\$ 13,836	\$ 176,286	\$ 16,860
Compensated absences	174,134	168,811	112,512	230,433	128,433
Total	<u>\$ 364,256</u>	<u>\$ 168,811</u>	<u>\$ 126,348</u>	<u>\$ 406,719</u>	<u>\$ 145,293</u>
<b>Business-type Activities:</b>					
Loans payable	\$ 3,806,987	\$	\$ 20,303	\$ 3,786,684	\$ 21,109
Revenue bonds payable	11,089,498		386,031	10,703,467	456,949
Compensated absences	86,173	36,689	38,372	84,490	68,736
Total	<u>\$ 14,982,658</u>	<u>\$ 36,689</u>	<u>\$ 444,706</u>	<u>\$ 14,574,641</u>	<u>\$ 546,794</u>

**NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES**

At June 30, 2008, interfund balances were as follows.

**Due to/from other funds:**

Due to	Due from		Total
	Non-Major Governmental Funds	Housing Assistance Fund	
General Fund	\$ 382,574	\$ 79,751	\$ 462,325
Total	<u>\$ 382,574</u>	<u>\$ 79,751</u>	<u>\$ 462,325</u>

At June 30, 2008, 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, 2008**

**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, 2008; however, the Town expects no material disallowance of expenditures.

**Lawsuits** – The Town is a defendant in a number of lawsuits as of June 30, 2008. It is the opinion of management and Town counsel that the amount of losses resulting from these litigations at June 30, 2008, would not be material to the financial position of the Town.

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

**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 2008, 2007, and 2006 were \$530,683, \$452,322 and \$423,964, 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, 2008**

**NOTE 12 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN**

*Plan Description.* The Town of Bernalillo contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.



**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 12 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN**

Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals. The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Town of Bernalillo's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$39,255, \$33,458 and \$31,360, respectively, which equal the required contributions for each year.

**NOTE 13 – PRIOR PERIOD ADJUSTMENTS**

The July 1, 2007, 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 utilities receivable for the Water and Sewer Fund included a number of inactive accounts, which were determined uncollectible.
- 3) The prior year financial statements consisted of a revenue posting error detected during the fiscal year 2007-2008 audit.

	June 30, 2007, as previously reported	Capital assets	Accounts receivable	Revenue posting	July 1, 2007, as restated
Governmental activities	\$ 12,561,900	\$ (1,404,285)	\$	\$ 252,012	\$ 11,409,627
Business-type activities	12,128,870	(5,705,608)	(5,150,704)	834,081	2,106,639
<b>Governmental Funds:</b>					
General	1,718,600			59,261	1,777,861
Fire - non-major fund	13,439			190,747	204,186
<b>Proprietary Funds:</b>					
Water and Sewer	10,245,035	(5,715,673)	(5,150,704)	834,081	212,739
Campground - non-major fund	(5,944)	10,065			4,121

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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.

**EMS Grant** – to account for a grant received to be used in the operation of the Town's emergency medical services (EMS).

**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, 2008**

	Fire	Recreation	Corrections	Law Enforcement
<b><u>ASSETS</u></b>				
Cash and investments	\$	\$	\$ 88,321	\$
Accounts receivable		281		
Due from state government				
<b>Total assets</b>	\$	\$ 281	\$ 88,321	\$
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 2,752	\$ 4,838	\$ 5,504	\$
Accrued payroll	3,248		34,532	
Due to other funds	11,637	990		21,641
<b>Total liabilities</b>	17,637	5,828	40,036	21,641
Fund balances (deficits):				
Unreserved:				
Undesignated	(17,637)	(5,547)	48,285	(21,641)
<b>Total fund balances</b>	(17,637)	(5,547)	48,285	(21,641)
<b>Total liabilities and fund balances</b>	\$	\$ 281	\$ 88,321	\$

<u>Gas Tax</u>	<u>Lodger's Tax</u>	<u>Ambulance</u>	<u>EMS Grant</u>	<u>Rescue</u>	<u>Community Development</u>
\$	\$ 81,736	\$ 2,184	\$ 13,012	\$	\$
32,297	10,172				
<u>\$ 32,297</u>	<u>\$ 91,908</u>	<u>\$ 2,184</u>	<u>\$ 13,012</u>	<u>\$</u>	<u>\$</u>
\$ 66,369	\$	\$	\$	\$	\$ 34,077
138,427				112,100	9,410
<u>204,796</u>				<u>112,100</u>	<u>97,779</u>
					<u>141,266</u>
(172,499)	91,908	2,184	13,012	(112,100)	(141,266)
<u>(172,499)</u>	<u>91,908</u>	<u>2,184</u>	<u>13,012</u>	<u>(112,100)</u>	<u>(141,266)</u>
<u>\$ 32,297</u>	<u>\$ 91,908</u>	<u>\$ 2,184</u>	<u>\$ 13,012</u>	<u>\$</u>	<u>\$</u>

(Continued)

**TOWN OF BERNALILLO, NEW MEXICO**  
**COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2008**  
**(Concluded)**

	Totals
<b><u>ASSETS</u></b>	
Cash and investments	\$ 185,253
Accounts receivable	281
Due from state government	42,469
<b>Total assets</b>	<b>\$ 228,003</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>	
Liabilities:	
Accounts payable	\$ 113,540
Accrued payroll	47,190
Due to other funds	382,574
<b>Total liabilities</b>	<b>543,304</b>
Fund balances (deficits):	
Unreserved:	
Undesignated	(315,301)
<b>Total fund balances</b>	<b>(315,301)</b>
 <b>Total liabilities and fund balances</b>	 <b>\$ 228,003</b>



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**TOWN OF BERNALILLO, NEW MEXICO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**ALL SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2008**

	Fire	Recreation	Corrections
<b>Revenues:</b>			
Municipal and state shared taxes	\$	\$ 2,785	\$
Intergovernmental	38,564		
Charges for services		9,751	
Fines and forfeits			67,229
Other revenues	862		
<b>Total revenues</b>	39,426	12,536	67,229
<b>Expenditures:</b>			
Current -			
General government			
Public safety	248,266		15,936
Public works			
Culture and recreation		12,533	
Capital outlay	12,983	5,550	
<b>Total expenditures</b>	261,249	18,083	15,936
<b>Change in fund balances</b>	(221,823)	(5,547)	51,293
<b>Fund balances (deficits), beginning of year, as restated</b>	204,186		(3,008)
<b>Fund balances (deficits), end of year</b>	\$ (17,637)	\$ (5,547)	\$ 48,285

<u>Law Enforcement</u>	<u>Gas Tax</u>	<u>Lodger's Tax</u>	<u>Ambulance</u>	<u>EMS Grant</u>	<u>Rescue</u>
\$ 30,200	\$ 215,583	\$ 134,113	\$	\$ 13,012	\$
			2,184		
<u>30,200</u>	<u>215,583</u>	<u>134,113</u>	<u>2,184</u>	<u>13,012</u>	
872	199,168	49,473			91,465
50,969	158,651	5,660			20,635
<u>51,841</u>	<u>357,819</u>	<u>55,133</u>			<u>112,100</u>
<u>(21,641)</u>	<u>(142,236)</u>	<u>78,980</u>	<u>2,184</u>	<u>13,012</u>	<u>(112,100)</u>
	(30,263)	12,928			
<u>\$ (21,641)</u>	<u>\$ (172,499)</u>	<u>\$ 91,908</u>	<u>\$ 2,184</u>	<u>\$ 13,012</u>	<u>\$ (112,100)</u>

(Continued)

**TOWN OF BERNALILLO, NEW MEXICO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**ALL SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2008**  
**(Concluded)**

	Community Development	Totals
<b>Revenues:</b>		
Municipal and state shared taxes	\$	\$ 352,481
Intergovernmental		81,776
Charges for services	137,295	149,230
Fines and forfeits		67,229
Other revenues		862
<b>Total revenues</b>	137,295	651,578
<b>Expenditures:</b>		
Current -		
General government		49,473
Public safety		356,539
Public works		199,168
Culture and recreation	281,270	293,803
Capital outlay	563	255,011
<b>Total expenditures</b>	281,833	1,153,994
<b>Change in fund balances</b>	(144,538)	(502,416)
<b>Fund balances (deficits), beginning of year, as restated</b>	3,272	187,115
<b>Fund balances (deficits), end of year</b>	\$ (141,266)	\$ (315,301)

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FIRE**  
**YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 58,000	\$ 58,000	\$ 38,564	\$ (19,436)
Other revenues			862	862
<b>Total revenues</b>	<u>58,000</u>	<u>58,000</u>	<u>39,426</u>	<u>(18,574)</u>
<b>Expenditures:</b>				
Current -				
Public safety	292,854	361,793	248,266	113,527
Capital outlay	13,000	13,000	12,983	17
<b>Total expenditures</b>	<u>305,854</u>	<u>374,793</u>	<u>261,249</u>	<u>113,544</u>
<b>Change in fund balances</b>	<u>(247,854)</u>	<u>(316,793)</u>	<u>(221,823)</u>	<u>94,970</u>
<b>Fund balances, July 1, 2007, as restated</b>			204,186	204,186
<b>Fund balances (deficits), June 30, 2008</b>	<u>\$ (247,854)</u>	<u>\$ (316,793)</u>	<u>\$ (17,637)</u>	<u>\$ 299,156</u>

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - RECREATION  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal and state shared taxes	\$ 3,067	\$ 3,067	\$ 2,785	\$ (282)
Charges for services	5,000	5,000	9,751	4,751
<b>Total revenues</b>	<u>8,067</u>	<u>8,067</u>	<u>12,536</u>	<u>4,469</u>
<b>Expenditures:</b>				
Current -				
Culture and recreation	12,500	24,900	12,533	12,367
Capital outlay	6,000	6,000	5,550	450
<b>Total expenditures</b>	<u>18,500</u>	<u>30,900</u>	<u>18,083</u>	<u>12,817</u>
<b>Change in fund balances</b>	<u>(10,433)</u>	<u>(22,833)</u>	<u>(5,547)</u>	<u>17,286</u>
<b>Fund balances, July 1, 2007</b>				
<b>Fund balances (deficits), June 30, 2008</b>	<u>\$ (10,433)</u>	<u>\$ (22,833)</u>	<u>\$ (5,547)</u>	<u>\$ 17,286</u>

**TOWN OF BERNALILLO, NEW MEXICO  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CORRECTIONS  
 YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and forfeits	\$ 55,000	\$ 55,000	\$ 67,229	\$ 12,229
<b>Total revenues</b>	<u>55,000</u>	<u>55,000</u>	<u>67,229</u>	<u>12,229</u>
<b>Expenditures:</b>				
Current -				
Public safety		13,440	15,936	(2,496)
<b>Total expenditures</b>		<u>13,440</u>	<u>15,936</u>	<u>(2,496)</u>
<b>Change in fund balances</b>	<u>55,000</u>	<u>41,560</u>	<u>51,293</u>	<u>9,733</u>
<b>Fund balances (deficits), July 1, 2007</b>			(3,008)	(3,008)
<b>Fund balances, June 30, 2008</b>	<u>\$ 55,000</u>	<u>\$ 41,560</u>	<u>\$ 48,285</u>	<u>\$ 6,725</u>

**TOWN OF BERNALILLO, NEW MEXICO  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LAW ENFORCEMENT  
 YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental	\$ 31,000	\$ 31,000	\$ 30,200	\$ (800)
<b>Total revenues</b>	<u>31,000</u>	<u>31,000</u>	<u>30,200</u>	<u>(800)</u>
<b>Expenditures:</b>				
Current -				
Public safety	1,817	1,817	872	945
Capital outlay	29,183	51,000	50,969	31
<b>Total expenditures</b>	<u>31,000</u>	<u>52,817</u>	<u>51,841</u>	<u>976</u>
<b>Change in fund balances</b>		<u>(21,817)</u>	<u>(21,641)</u>	<u>176</u>
<b>Fund balances, July 1, 2007</b>				
<b>Fund balances (deficits), June 30, 2008</b>	<u>\$</u>	<u>\$ (21,817)</u>	<u>\$ (21,641)</u>	<u>\$ 176</u>



**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAS TAX  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal and state shared taxes	\$ 253,000	\$ 253,000	\$ 215,583	\$ (37,417)
<b>Total revenues</b>	253,000	253,000	215,583	(37,417)
<b>Expenditures:</b>				
Current -				
Public works	174,200	88,421	199,168	(110,747)
Capital outlay	159,000	159,000	158,651	349
<b>Total expenditures</b>	333,200	247,421	357,819	(110,398)
<b>Change in fund balances</b>	(80,200)	5,579	(142,236)	(147,815)
<b>Fund balances (deficits), July 1, 2007</b>			(30,263)	(30,263)
<b>Fund balances (deficits), June 30, 2008</b>	\$ (80,200)	\$ 5,579	\$ (172,499)	\$ (178,078)

**TOWN OF BERNALILLO, NEW MEXICO  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LODGER'S TAX  
 YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal and state shared taxes	\$ 106,000	\$ 106,000	\$ 134,113	\$ 28,113
<b>Total revenues</b>	<u>106,000</u>	<u>106,000</u>	<u>134,113</u>	<u>28,113</u>
<b>Expenditures:</b>				
Current -				
General government	86,540	146,445	49,473	96,972
Capital outlay	6,000	6,000	5,660	340
<b>Total expenditures</b>	<u>92,540</u>	<u>152,445</u>	<u>55,133</u>	<u>97,312</u>
<b>Change in fund balances</b>	<u>13,460</u>	<u>(46,445)</u>	<u>78,980</u>	<u>125,425</u>
<b>Fund balances, July 1, 2007</b>			12,928	12,928
<b>Fund balances (deficits), June 30, 2008</b>	<u>\$ 13,460</u>	<u>\$ (46,445)</u>	<u>\$ 91,908</u>	<u>\$ 138,353</u>

**TOWN OF BERNALILLO, NEW MEXICO  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - AMBULANCE  
 YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Charges for services	\$	2,184	\$ 2,184
<b>Total revenues</b>		<u>2,184</u>	<u>2,184</u>
<b>Change in fund balances</b>		<u>2,184</u>	<u>2,184</u>
<b>Fund balances, July 1, 2007</b>			
<b>Fund balances, June 30, 2008</b>	<u>\$</u>	<u>2,184</u>	<u>\$ 2,184</u>

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - EMS GRANT**  
**YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Intergovernmental	\$	\$ 13,012	\$ 13,012
<b>Total revenues</b>		<u>13,012</u>	<u>13,012</u>
<b>Change in fund balances</b>		<u>13,012</u>	<u>13,012</u>
<b>Fund balances, July 1, 2007</b>			
<b>Fund balances, June 30, 2008</b>	<u>\$</u>	<u>\$ 13,012</u>	<u>\$ 13,012</u>

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - RESCUE  
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Expenditures:</b>				
Current -				
Public safety	\$ 138,861	\$ 181,001	\$ 91,465	\$ 89,536
Capital outlay	21,000	21,000	20,635	365
<b>Total expenditures</b>	<u>159,861</u>	<u>202,001</u>	<u>112,100</u>	<u>89,901</u>
<b>Change in fund balances</b>	<u>(159,861)</u>	<u>(202,001)</u>	<u>(112,100)</u>	<u>89,901</u>
<b>Fund balances, July 1, 2007</b>				
<b>Fund balances (deficits), June 30, 2008</b>	<u><u>\$ (159,861)</u></u>	<u><u>\$ (202,001)</u></u>	<u><u>\$ (112,100)</u></u>	<u><u>\$ 89,901</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, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 151,300	\$ 151,300	\$ 137,295	\$ (14,005)
<b>Total revenues</b>	<u>151,300</u>	<u>151,300</u>	<u>137,295</u>	<u>(14,005)</u>
<b>Expenditures:</b>				
Current -				
Culture and recreation	224,944	553,324	281,270	272,054
Capital outlay	1,000	1,000	563	437
<b>Total expenditures</b>	<u>225,944</u>	<u>554,324</u>	<u>281,833</u>	<u>272,491</u>
<b>Change in fund balances</b>	<u>(74,644)</u>	<u>(403,024)</u>	<u>(144,538)</u>	<u>258,486</u>
<b>Fund balances, July 1, 2007</b>			3,272	3,272
<b>Fund balances (deficits), June 30, 2008</b>	<u>\$ (74,644)</u>	<u>\$ (403,024)</u>	<u>\$ (141,266)</u>	<u>\$ 261,758</u>

**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, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 1,902,535	\$ 1,902,535	\$ 3,102,528	\$ 1,199,993
Municipal and state shared taxes	75,000	75,000	99,557	24,557
Impact fees			973,316	973,316
Investment income			219,968	219,968
Other revenues			109	109
<b>Total revenues</b>	1,977,535	1,977,535	4,395,478	2,417,943
<b>Expenditures:</b>				
Operations	1,996,248	11,499,063	2,515,509	8,983,554
Interest and fiscal charges	672,785	672,785	672,785	
<b>Total expenditures</b>	2,669,033	12,171,848	3,188,294	8,983,554
<b>Excess (deficiency) of revenues over expenditures</b>	\$ (691,498)	\$ (10,194,313)	1,207,184	\$ 11,401,497
Expenses not budgeted:				
Depreciation			(149,636)	
Changes to conform to generally accepted accounting principles:				
Capital contributions			2,227,097	
<b>Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets</b>			<b>\$ 3,284,645</b>	



**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, 2008**

	<u>Budgeted</u> <u>Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Charges for services	\$	\$ 230,888	\$ 230,888
Intergovernmental		684,410	684,410
Investment income		3,028	3,028
<b>Total revenues</b>		<u>918,326</u>	<u>918,326</u>
<b>Expenditures:</b>			
Operations	<u>946,041</u>	<u>1,032,037</u>	<u>(85,996)</u>
<b>Total expenditures</b>	<u>946,041</u>	<u>1,032,037</u>	<u>(85,996)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (946,041)</u>	<u>(113,711)</u>	<u>\$ 832,330</u>
Expenses not budgeted:			
Depreciation		(106,619)	
Changes to conform to generally accepted accounting principles:			
Capital contributions		<u>88,921</u>	
<b>Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets</b>		<u>\$ (131,409)</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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services	\$ 110,632	\$ 110,632	\$ 136,769	\$ 26,137
<b>Total revenues</b>	<u>110,632</u>	<u>110,632</u>	<u>136,769</u>	<u>26,137</u>
<b>Expenditures:</b>				
Operations	139,094	171,466	124,503	46,963
<b>Total expenditures</b>	<u>139,094</u>	<u>171,466</u>	<u>124,503</u>	<u>46,963</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (28,462)</u>	<u>\$ (60,834)</u>	12,266	<u>\$ 73,100</u>
Expenses not budgeted:				
Depreciation			(1,811)	
<b>Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets</b>			<u>\$ 10,455</u>	

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND**  
**YEAR ENDED JUNE 30, 2008**

<u><b>MOTOR VEHICLE DIVISION</b></u>	<u><b>Balance</b></u> <u><b>July 1, 2007</b></u>	<u><b>Additions</b></u>	<u><b>Deductions</b></u>	<u><b>Balance</b></u> <u><b>June 30, 2008</b></u>
<u>Assets</u>				
Cash and cash equivalents	\$ 68,251	\$ 814,710	\$ 785,289	\$ 97,672
Total assets	<u>\$ 68,251</u>	<u>\$ 814,710</u>	<u>\$ 785,289</u>	<u>\$ 97,672</u>
<u>Liabilities</u>				
Deposits held for others	\$ 68,251	\$ 814,710	\$ 785,289	\$ 97,672
Total liabilities	<u>\$ 68,251</u>	<u>\$ 814,710</u>	<u>\$ 785,289</u>	<u>\$ 97,672</u>

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**OTHER SUPPLEMENTAL INFORMATION**

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2008**

	First Community Bank	Wells Fargo Bank
Bank Accounts:		
Checking/Demand Accounts	\$ 4,548,577	\$
Savings/CD/Money Market Accounts	89,574	1,676,603
Total amount of deposits in bank	4,638,151	1,676,603
Less: FDIC coverage	200,000	100,000
Total uninsured public funds	4,438,151	1,576,603
Collateral requirements (Per 6-10-10 & 6-10-17, NMSA 1978)		
50% of uninsured time and demand accounts	2,219,076	788,302
Pledged collateral		
FHLB, matures July 21, 2008, CUSIP 31339YVV1	100,045	
FHLB, matures August 15, 2008, CUSIP 3133X0LJ6	120,174	
FHLB, matures November 14, 2008, CUSIP 3133X2BZ7	175,646	
FHLB, matures August 14, 2009, CUSIP 3133X8CS9	35,343	
LLSD, matures July 15, 2014, CUSIP 545562KY5	250,305	
MBS, matures December 1, 2020, CUSIP 3128M1ET2	1,262,473	
FHR, matures June 15, 2031, CUSIP 31339WS49	510,758	
FHR, matures December 15, 2031, CUSIP 31396TSJ3	790,041	
FHLB, matures August 15, 2008, CUSIP 3133X0LJ6	25,036	
MBS, matures January 1, 2019, CUSIP 312964EH8	91,115	
FNIONP, matures July 1, 2036, CUSIP 31371MVU8		1,469,220
FNCL, matures June 1, 2036, CUSIP 31410CLX8		405,152
FNCL, matures May 1, 2036, CUSIP 31410SA80		1,301,189
Total collateral	3,360,936	3,175,561
Over / (under) secured	\$ 1,141,861	\$ 2,387,260
Custodial Credit Risk:		
Insured	\$ 200,000	\$ 100,000
Collateralized with securities held by pledging financial institutions trust department	4,438,151	1,576,603
Uninsured and uncollateralized		
Total deposits	\$ 4,638,151	\$ 1,676,603
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, 2008**

<u>Bank Account Type / Name</u>	<u>First Community Bank</u>	<u>Wells Fargo Bank</u>	<u>Linsco Bank</u>	<u>Bank of Albuquerque</u>	<u>Total</u>
Checking - General	\$ 1,471,747	\$	\$	\$	\$ 1,471,747
Money market - General		1,474,719			1,474,719
CD - General	88,462				88,462
Investment - Fire				11,950	11,950
Checking - Community Development	2,908				2,908
Checking - Water	2,812,216				2,812,216
Money market - Water		162,207			162,207
Investment - Water			2,266,945	263,105	2,530,050
Checking - Housing	146,756				146,756
Savings - Housing	1,112				1,112
Money market - Housing		38,836			38,836
Checking - Agency	114,950				114,950
Money market - Agency		841			841
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total on deposit	4,638,151	1,676,603	2,266,945	275,055	8,856,754
Reconciling items	(80,622)				(80,622)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Reconciled balance, June 30, 2008	4,557,529	1,676,603	2,266,945	275,055	8,776,132
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total deposits and investments	<u>\$ 4,557,529</u>	<u>\$ 1,676,603</u>	<u>\$ 2,266,945</u>	<u>\$ 275,055</u>	<u>\$ 8,776,132</u>

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF JOINT POWERS AGREEMENTS  
JUNE 30, 2008**

**Participants:** Town of Bernalillo and El Pueblo Health Services Inc.

**Responsible Party:** 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 2006

**Total Amount/Town Share:** \$250,000 in State awards, no Town share

**Fiscal Year 2008 Amount:** \$30,010

**Audit Responsibility:** Town of Bernalillo

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**Participants:** 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:** \$37,500

**Audit Responsibility:** Town of Bernalillo

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**Participants:** Town of Bernalillo, City of Rio Rancho, County of Sandoval, Village of Corrales, and Santa Ana Pueblo

**Responsible Party:** Sandoval County Regional Emergency Communications Center (SCRECC)

**Description:** Operating, administering, and maintaining a joint enhanced 911 Regional Communications Center to provide emergency telephone access for the citizens of the parties' agreement and to provide for the emergency communications needs of the public safety agencies of the parties' agreement

**Dates of Agreement:** July 2003

**Total Amount/Town Share:** 8%

**Fiscal Year 2008 Amount:** \$180,863

**Audit Responsibility:** SCRECC Board



**TOWN OF BERNALILLO, NEW MEXICO**  
**HOUSING ASSISTANCE PROGRAMS**  
**FINANCIAL DATA SCHEDULES**  
**COMBINING STATEMENT OF NET ASSETS - ALL HUD PROGRAMS**  
**JUNE 30, 2008**

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	\$ 107,162	\$ 33,408	\$	\$ 140,570
113	Cash - other restricted	981			981
114	Cash - tenant security deposits	11,054			11,054
121	Accounts receivable - PHA projects		30,537		30,537
122	Accounts receivable - HUD other projects	15,216			15,216
126	Accounts receivable - tenants - dwelling rents	5,765			5,765
126.1	Allowance for doubtful accounts - dwelling rents	(4,000)			(4,000)
142	Prepaid expenses and other assets	9,219	17,799		27,018
143	Inventories	4,500			4,500
143.1	Allowance for obsolete inventories	(200)			(200)
144	Interprogram - due from		69,468		69,468
161	Land	32,000			32,000
162	Buildings	4,023,265			4,023,265
164	Furniture, equipment and machinery - administration	65,430			65,430
165	Leasehold improvements	4,865			4,865
166	Accumulated depreciation	(2,471,032)			(2,471,032)
167	Construction in progress	19,202			19,202
TOTAL ASSETS		<u>\$ 1,823,427</u>	<u>\$ 151,212</u>	<u>\$</u>	<u>\$ 1,974,639</u>
LIABILITIES:					
312	Accounts payable <90 days	\$ 16,818	\$	\$	\$ 16,818
321	Accrued wage/payroll taxes payable	11,733	2,474		14,207
322	Accrued compensated absences - current portion	1,235	1,115		2,350
333	Accounts payable - other governments	39,937	39,814		79,751
341	Tenant security deposits	11,054			11,054
342	Deferred revenue	9,892			9,892
347	Interprogram - due to	69,468			69,468
353	Noncurrent liabilities - other	981			981
354	Accrued compensated absences - noncurrent	6,175	5,573		11,748
TOTAL LIABILITIES		<u>167,293</u>	<u>48,976</u>	<u></u>	<u>216,269</u>
NET ASSETS					
508.1	Invested in capital assets, net of related debt	1,673,729			1,673,729
511.1	Restricted net assets		28,674		28,674
512.1	Unrestricted net assets	(17,595)	73,562		55,967
TOTAL NET ASSETS		<u>1,656,134</u>	<u>102,236</u>	<u></u>	<u>1,758,370</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,823,427</u>	<u>\$ 151,212</u>	<u>\$</u>	<u>\$ 1,974,639</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, 2008**

FDS Line #	Account Description	Low Rent Public Housing 14.850a	Housing Choice Vouchers 14.871	Capital Fund Program 14.872	TOTAL
<b>REVENUE:</b>					
703	Net tenant rental income	\$ 166,654	\$	\$	\$ 166,654
704	Tenant revenue - other	6,712			6,712
706	HUD PHA operating grants	193,836	424,589	65,985	684,410
706.1	Capital grants			88,921	88,921
711	Investment income - unrestricted	825	2,203		3,028
714	Fraud recovery		3,381		3,381
716	Other revenue		54,141		54,141
	<b>TOTAL REVENUE</b>	<u>368,027</u>	<u>484,314</u>	<u>154,906</u>	<u>1,007,247</u>
<b>EXPENSES:</b>					
911	Administrative salaries	80,910	65,241		146,151
912	Auditing fees			8,500	8,500
913	Bookkeeping fee	46,437	12,700		59,137
915	Employee benefit contributions - administration	34,657	35,385		70,042
916	Office expense		308	21,054	21,362
917	Legal expense	785			785
918	Travel	1,755			1,755
919	Other	41,389	2,059		43,448
931	Water	38,103			38,103
932	Electricity	3,636			3,636
933	Gas	42,170			42,170
941	Ordinary maintenance and operations - labor	12,757			12,757
942	Ordinary maintenance and operations - materials and other	14,228			14,228
943	Ordinary maintenance and operations - contract costs	98,225			98,225
945	Employee benefit contributions - ordinary maintenance	5,466			5,466
961	Insurance premiums	31,020			31,020
962	Compensated absences	4,286	4,337		8,623
964	Bad debt - tenant rents	2,000			2,000
	<b>TOTAL OPERATING EXPENSES</b>	<u>457,824</u>	<u>120,030</u>	<u>29,554</u>	<u>607,408</u>
971	Extraordinary maintenance	24,610		21,688	46,298
973	Housing assistance payments		378,331		378,331
974	Depreciation expense	106,619			106,619
	<b>TOTAL EXPENSES</b>	<u>589,053</u>	<u>498,361</u>	<u>51,242</u>	<u>1,138,656</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
1001	Operating transfers in	103,664			103,664
1002	Operating transfers out			(103,664)	(103,664)
	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>103,664</u>		<u>(103,664)</u>	
	<b>CHANGE IN NET ASSETS</b>	(117,362)	(14,047)		(131,409)
	<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,773,496</u>	<u>116,283</u>		<u>1,889,779</u>
	<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,656,134</u>	<u>\$ 102,236</u>	<u>\$</u>	<u>\$ 1,758,370</u>
<b>MEMO account information</b>					
1103	Beginning equity	1,773,496	116,283		1,889,779
1120	Unit months available		900		

**SINGLE AUDIT SECTION**

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

Mr. Hector H. Balderas  
New Mexico State Auditor

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Bernalillo, New Mexico as of and for the year ended June 30, 2008, which collectively comprise Town of Bernalillo, New Mexico's basic financial statements and have issued our report thereon dated September 11, 2009. Our report was modified as the Town does not maintain adequate records of its cash and investments accounted for in the governmental activities, the business-type activities, the General Fund, and the Water and Sewer 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. 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, 2008, 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 entity'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, 2006-03, 2006-04, 2006-07, 2006-08, 2007-01, 2007-02, 2007-03, 2007-04, 2008-03, 2008-04, 2008-05, and 2008-06 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 entity'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 the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 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 are 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, 2007-04, 2008-01, 2008-02, 2008-04, 2008-05, and 2008-06.

The 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 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

September 11, 2009



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

Mr. Hector H. Balderas  
New Mexico State Auditor

Honorable Mayor, Members of the Town Council  
of the 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, 2008. 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, 2008. 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 for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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 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

September 11, 2009



**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

<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:			
Low Rent Housing	14.850	NM035000001	\$ 193,836
Section 8 Housing Choice Vouchers	14.871	NM035	424,589
Public Housing Capital Fund	14.872	NM02PO35501	<u>154,906</u>
Total U.S. Department of Housing and Urban Development			<u>773,331</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	93,399
Edward Byrne Memorial Justice Assistance Grant Program	16.738	05-DCSI	<u>149,383</u>
Total U.S. Department of Justice			<u>242,782</u>
<u>U.S. Department of Defense</u>			
Passed through U.S. Army Engineer, Albuquerque District:			
Arsenic Treatment	12.Unknown	SPA06-004	<u>2,000,000</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$ 3,016,113</u></u></b>

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2008**

**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 2008 *Catalog of Federal Domestic Assistance*.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**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 or Cluster</u>
14.850	Low Rent Housing
14.871	Section 8 Housing Choice Vouchers
12.Unknown	Arsenic Treatment

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, 2008**

**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	\$ 433,973
Corrections	2,496
Gas Tax	110,398
Housing Assistance	85,996

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

The Town has made the investment in a new Accounting Software System. Incode was installed October of 2008. The Town now has the capacity to systematically control the budget limits.

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)**

**2006-03    Accounts Receivables Records and Procedures**

CONDITION

Due to an excessive penalty policy, which existed in prior years, the Town had accrued significant uncollectible customer accounts receivable which were recorded on the Town's subsidiary accounts receivable ledger. Per review of the current year ledger, we determined that the uncollectible customer accounts receivable was still significant. The Town did prepare an adjustment of approximately \$7.0 million 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 made significant progress in regards to this matter. The Town will move forward with the Independent Auditor's recommendations.

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

**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 report was submitted to the State Auditor on September 16, 2009.

CRITERIA

Per 2.2.2.9 NMAC, the Town was required to submit its fiscal year 2007-08 annual financial report to the New Mexico State Auditor by December 1, 2008.

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.

CAUSE

Due to implementation of new IT system and investigation of improper credit card purchases, there has been a delay in the completion of the fiscal year 2007-08 audit.

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

The Town will work with our Independent Auditors in order to have aggressive scheduling to move forward with a timely audit.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**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

The Town has made the investment in a new Accounting Software System. Incode was installed October of 2008. The Town now has the capacity to systematically control the approvals of all Journal entries.

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

**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. Also, the Town had material unreconciled balances in the General Fund and Water and Sewer Fund at June 30, 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 made the investment in a new Accounting Software System. Incode was installed October of 2008. The Town now has the capacity to systematically book entries into the "Pooled Cash" function of Incode. The Town now has the capability to pool several different bank accounts into a single "Pooled Cash" account. All existing accounts are now in the Town's ledger.



**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**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 created a working set of recommended policies. The administration will work with Governing Body in order to formally adopt the policies.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**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 a new accounting software system, improved controls and policies, the Town will work towards and improved financial statement process.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)**

**2007-03    Year-end Cutoff**

CONDITION

For 14 of 29 subsequent year expenditures reviewed, we determined that the goods and services were received or performed prior to June 30, 2008 (a total dollar value of \$223,663). Also, the Town currently does not have a formal procedure in place to identify significant receivables existing at year end, specifically grant reimbursements due from federal/state government for current year expenditures.

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 made the investment in a new Accounting Software System. Incode was installed October of 2008. The Town now has improved capacity to systematically control the Year-end cutoff procedures for voucher processing.

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)**

**2007-04    Violations of Town's Procurement Policies**

CONDITION

One small purchase requiring written quotes was not procured according to Town policy. The Town did not obtain any written quotes for the purchase. Four sealed proposals, two sealed bids, one sole source/emergency procurement, and one small purchase (\$5,000 - \$20,000) were reviewed.

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 now has improved record retention with the investment of a new accounting software system and a new records management system.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)**

**2008-01 Improper Coding**

CONDITION

The Town's employee benefits were not coded in a consistent manner with respect to the funds and/or departments where the salary expenditures were coded to. Also, the Town's gross receipts tax and small cities assistance revenues were posted to incorrect codes.

CRITERIA

Management is responsible for implementing effective internal controls over financial reporting, which includes controls over proper coding.

EFFECT

The Town's controls over proper coding with respect to financial reporting were not adequate to ensure that a coding error would be prevented and/or detected.

CAUSE

Due to insufficient staff, the Town did not effectively monitor and enforce proper coding of transactions.

RECOMMENDATION

Management should design and implement effective internal controls to ensure that proper account codes are used for all transactions.

AGENCY RESPONSE

The Town has made the investment in a new Accounting Software System. Incode was installed October of 2008. The Town now has the capacity to systematically control the benefit coding. Furthermore, the Town's revenue account structure was improved to allow for ease of booking and reporting.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)**

**2008-02    Insufficient Controls Over Payroll**

CONDITION

During our review of the Town's controls over the payroll process, we noted the following:

- For one of 40 employees reviewed, there was no time sheet for the employee for the pay period reviewed.
- For four of 40 employees reviewed, there was no proper approval for overtime.
- For one of 40 employees reviewed, the employee was granted a pay increase from \$13.68 per hour to \$14.98 per hour without an employee action form authorizing the pay increase.

CRITERIA

The Town is responsible for developing an effective system of internal control over the payroll process designed to prevent or detect the occurrence of unauthorized actions.

EFFECT

Unauthorized payroll transactions could occur without timely detection.

CAUSE

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

RECOMMENDATION

The Town should assess the current payroll review procedures and consider implementing additional oversight and staffing.

AGENCY RESPONSE

The Town has made the investment in a new Accounting Software System. Incode was installed October of 2008. The Town now has the capacity to systematically control the time entry, approval process and pay increases.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)**

**2008-03 Credit Card Purchases**

CONDITION

In March 2009 the Town determined that the Town Manager may have used his credit card for inappropriate purchases. Based on a conference call with members of the State Auditor's Office, management, and the Mayor of the Town of Bernalillo it was determined additional audit procedures would be applied to the 2007-08 credit card transactions of the Town Manager. The following are the results of those procedures. Per review of the Town's credit card transactions and procedures, we noted the following:

- Supporting documentation was not maintained for 45 of 424 purchases reviewed.
- The purchasing policy was not followed for 417 of 424 purchases reviewed as purchase orders were not prepared.
- Supporting documentation was not maintained or was deemed inadequate to determine the reasonableness for 51 of 424 purchases reviewed.
- A cash advance was identified with no evidence of written approval.

CRITERIA

Management is responsible for developing an effective system of internal control over financial reporting, which includes controls over credit card transactions. In addition, Town Policy and NMSA require sufficient supporting documentation for expenditures.

EFFECT

Monitoring of credit card purchases is a key internal control activity which helps ensure the accuracy of transactions and provides assurances with respect to public funds. The internal controls over credit card transactions were not adequate to ensure processing of authorized transactions.

CAUSE

Credit card purchases did not follow the Town's policies and limits in place. In addition, as the Town Manager is a key individual within the internal control framework of the Town, there is greater opportunity for circumventing controls at this position.

RECOMMENDATION

The Town should update its credit card policies, including clearly defining responsibilities and review procedures. Management should design and implement effective internal controls to ensure effective monitoring and use of credit card transactions.

AGENCY RESPONSE

Primarily these findings are related to the Town's former Town Administrator. He resigned in April of 2008. The Town has prepared draft policies for consideration of the governing body. The Town of Bernalillo also developed an external financial task force which investigated the matter and provided recommendations. The report issued by the task force is available from the Town. Please contact the Finance Department, Town of Bernalillo, 829 South Camino del Pueblo, Bernalillo, NM 87004 to obtain a copy of the report.

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)**

**2008-04 Capital Outlay Expenditure Reconciliation**

CONDITION

The Town did not reconcile total capital expenditures to current year capital asset additions.

CRITERIA

Management is responsible for establishing and maintaining internal controls that include controls for the Town's capital assets. Controls should include reconciliation of all capital expenditures to capital asset additions.

EFFECT

The Town's controls over capital assets were not adequate to ensure that a misstatement material to financial reporting for capital assets would be prevented and/or detected.

CAUSE

Limited staff size and resources in the past contributed to difficulties in establishing adequate controls over capital assets.

RECOMMENDATION

The Town should implement effective internal control procedures to include the reconciliation of all capital expenditures to capital asset additions to ensure completeness of capital asset balances reported.

AGENCY RESPONSE

In October of 2008, The Town hired a third party professional firm to inventory and catalogue capital assets. The capital depreciation schedules are now included in the Town's new accounting system. Moving forward the Town has the ability to maintain proper controls in regards to capital outlay.



**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd)**

**2008-05    Insufficient Controls Over Accounts Payable**

CONDITION

Per review of the Town's controls over disbursements, we noted the following:

- For one of 73 disbursements reviewed, we determined that there was no purchase order prepared for the disbursement. (Invoice amount of \$1,814)
- For one of 73 disbursements reviewed, we determined that the purchase order was prepared after the purchase was already made. (Invoice amount of \$26)
- For two of 73 disbursements reviewed, we noted that the invoices were past-due. (Invoice amounts of \$1,814 and \$26)
- For six of 73 disbursements reviewed, we noted no evidence of client clerical check or cancellation of supporting documentation. (Invoice amounts of \$106,178, \$60,000, \$56,250, \$23,625, \$21,957, and \$2,995)

CRITERIA

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

The Town has made the investment in a new Accounting Software System. Incode was installed October of 2008. The Town now has the improved capacity to systematically control the accounts payable process.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS (Concl'd)**

**2008-06 Deficits in Budgeted Fund Balances/Net Assets**

CONDITION

The Town's incomplete revenue budget, which was provided to the independent auditors, resulted in budgeted deficits in fund balances/net assets. The funds are as following.

<u>Fund</u>	<u>Budgeted Deficit</u>
General	\$ 116,973
Fire	316,793
Recreation	22,833
Law Enforcement	21,817
Lodger's Tax	46,445
Rescue	202,001
Community Development	403,024
Water and Sewer	10,194,313
Housing Assistance	946,041
Campground	60,834

CRITERIA

All Town funds are to be budgeted with yearly expenditures limited to yearly income (Section 6-6-11 NMSA 1978).

EFFECT

The Town had deficits in budgeted fund balances/net assets in the funds noted. Budgeted deficits may result in ineffective budget controls. In addition, the Town is not in compliance with 6-6-11 NMSA 1978.

CAUSE

Due to lack of budget document retention and ineffective budgeting.

RECOMMENDATION

The Town must maintain all budgets and supporting documentation and effectively monitor the budgets.

AGENCY RESPONSE

The Town has made the investment in a new Accounting Software System. Incode was installed October of 2008. The Town now has the capacity to maintain the budgeted amounts in a more organized manner.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**FA 2006-01 Late Audit Report**

Program Name: Low Rent Housing, Section 8 Housing Choice Vouchers      Questioned Costs: None identified  
Grantor Number: NM035000001, NM035      CFDA Number: 14.850, 14.871  
Funding Agency: U.S. Department of Housing and Urban Development

**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 2007-08 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, 2008**

**Status of Prior Year Findings**

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

Finding No. FS2007-01  
Status: Not corrected.  
See current year finding FS2007-01.

Finding No. FS2006-02  
Status: Corrected.

Finding No. FS2007-02  
Status: Not corrected.  
See current year finding FS2007-02.

Finding No. FS2006-03  
Status: Not corrected.  
See current year finding FS2006-03.

Finding No. FS2007-03  
Status: Not corrected.  
See current year finding FS2007-03.

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

Finding No. FS2007-04  
Status: Not corrected.  
See current year finding FS2007-04.

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

Finding No. FA2006-01  
Status: Not corrected.  
See current year finding FA2006-01.

Finding No. FS2006-08  
Status: Not corrected.  
See current year finding FS2006-08.

Finding No. FS2006-10  
Status: Corrected.

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, 2008**

An exit conference will be held on November 4, 2009, in a closed meeting, in which the contents of this report were discussed with the following.

**Town of Bernalillo**

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Patricia Chavez, Mayor

Santiago Chavez, Town Treasurer

**Heinfeld, Meech & Co., P.C.**

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Corey Arvizu, Partner

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