

**TOWN OF BERNALILLO, NEW MEXICO  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2009**



# TOWN OF BERNALILLO, NEW MEXICO

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**TOWN OF BERNALILLO, NEW MEXICO**  
**OFFICIAL ROSTER**  
**JUNE 30, 2009**

**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**

---

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, 2009**

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



## 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 were engaged to audit the accompanying financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the General Fund of the Town of Bernalillo, New Mexico (Town), as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the Town's nonmajor governmental funds and the budgetary comparisons for the major enterprise funds and all nonmajor funds presented as Supplementary Information as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Town's management.

The Town of Bernalillo, New Mexico did not maintain sufficient internal controls and/or adequate records of its cash and investments, capital assets, receivables, payables, and completeness of the underlying general ledger accounting. Accordingly, we were unable to perform procedures sufficient to achieve the audit objectives for these account balances and transaction classes.

As the Town did not maintain sufficient internal controls and/or adequate records we were unable to obtain sufficient evidential matter and we were not able to apply other auditing procedures to satisfy ourselves as to the fairness of the presentation of the financial statements in conformity with generally accepted accounting principles. The scope of our work was not sufficient to enable us to express, and we do not express an opinion on the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bernalillo, New Mexico as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

In addition, we do not express an opinion on the respective financial position of each nonmajor governmental fund of the Town of Bernalillo, New Mexico, as of June 30, 2009, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major enterprise funds and all nonmajor governmental 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 March 16, 2011, 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 the audit we were engaged to perform.

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 were unable to apply to the information certain limited procedures prescribed by auditing standards generally accepted in the United States of America because of the reasons described above and, therefore, we are unable to determine whether material modifications should be made to the information for it to conform with guidelines established by the Governmental Accounting Standards Board.

We were engaged to conduct an audit for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements, nonmajor governmental funds, fiduciary funds, and budgetary comparison information presented as supplementary information. 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. For the reasons described above, we were unable to obtain sufficient evidential matter to form an opinion regarding the fair presentation of this information in relation to the basic financial statements taken as a whole and accordingly, we express no opinion on them.

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

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

March 16, 2011

**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, 2009**

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, 2009.

**FINANCIAL HIGHLIGHTS**

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for the current fiscal year as follows.

- The Town's total net assets of governmental activities decreased \$6.4 million and business-type activities decreased \$254,266. In total, the net change of \$6.7 million represents a decrease of 40 percent from the prior year.
- General revenues from governmental activities accounted for \$5.1 million in revenue, or 77 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1.5 million or 23 percent of total governmental activities revenues. The Town had \$5.8 million of program revenues and \$99,891 in general revenues related to business-type activities.
- The Town had \$13.0 million in expenses related to governmental activities, an increase of 99 percent from the prior fiscal year. The Town had \$6.1 million in expenses related to business-type activities an increase of 33 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 \$8.5 million. The General Fund's fund balance decreased from \$2.3 million to a deficit of \$314,039.
- The 2008 Revenue Bond Capital Projects Fund had \$95,352 in revenues, consisting entirely of investment income. The total expenditures of the 2008 Revenue Bond Capital Projects Fund were \$2.9 million. The 2008 Revenue Bond Capital Projects Fund's fund balance increased approximately \$4.9 million due to the issuance of revenue bonds.
- The Water and Sewer Fund operating expenses of \$4.4 million exceeded operating revenues of \$3.4 million. The Water and Sewer Fund's net assets decreased from \$3.5 million to \$3.2 million.
- The Town did not maintain sufficient internal controls over several operational areas and account balances and therefore the auditors were unable to issue an opinion on the financial statements included in this report.

**TOWN OF BERNALILLO, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

**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, 2009**

**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, 2009**

**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 \$10.0 million as of June 30, 2009.

The largest portion of the Town's net assets 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, 2009 and June 30, 2008.

	2009	2008	2009	2008		
	Governmental	Governmental	Business-type	Business-type	2009 Total	2008 Total
	Activities	Activities	Activities	Activities		
Current and other assets	\$ 6,665,188	\$ 2,338,797	\$ 7,935,812	\$ 8,516,510	\$ 14,601,000	\$ 10,855,307
Capital assets, net	9,363,400	9,809,536	18,273,427	18,460,701	27,636,827	28,270,237
<b>Total assets, net</b>	<b>16,028,588</b>	<b>12,148,333</b>	<b>26,209,239</b>	<b>26,977,211</b>	<b>42,237,827</b>	<b>39,125,544</b>
Current and other liabilities	3,538,147	482,988	7,746,924	7,584,988	11,285,071	8,067,976
Long-term liabilities	7,514,485	261,426	13,446,251	14,121,893	20,960,736	14,383,319
<b>Total liabilities</b>	<b>11,052,632</b>	<b>744,414</b>	<b>21,193,175</b>	<b>21,706,881</b>	<b>32,245,807</b>	<b>22,451,295</b>
Invested in capital assets, net of related debt	6,393,979	9,645,200	4,489,680	5,179,368	10,883,659	14,824,568
Unrestricted	(1,418,023)	1,758,719	526,384	90,962	(891,639)	1,849,681
<b>Total net assets</b>	<b>\$ 4,975,956</b>	<b>\$ 11,403,919</b>	<b>\$ 5,016,064</b>	<b>\$ 5,270,330</b>	<b>\$ 9,992,020</b>	<b>\$ 16,674,249</b>



**TOWN OF BERNALILLO, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

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

**Changes in net assets.** The Town's total revenues for the current fiscal year ended were \$12.5 million. The total cost of all programs and services was \$19.2 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

	2009 Governmental Activities	2008 Governmental Activities	2009 Business-type Activities	2008 Business-type Activities	2009 Total	2008 Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 639,088	\$ 753,233	\$ 3,861,467	\$ 3,470,185	\$ 4,500,555	\$ 4,223,418
Operating grants and contributions	867,048	466,759	673,778	684,519	1,540,826	1,151,278
Capital grants and contributions			1,250,149	3,289,334	1,250,149	3,289,334
General revenues:						
Property taxes, levied for general purposes	468,881	415,827			468,881	415,827
Gross receipts taxes	4,051,050	4,299,033			4,051,050	4,299,033
Franchise taxes	174,810	171,250			174,810	171,250
Investment income	198,804	55,320	6,872	222,996	205,676	278,316
Unrestricted grants, aid, and state shared revenues	186,464	358,031	93,019	99,557	279,483	457,588
<b>Total revenues</b>	<u>6,586,145</u>	<u>6,519,453</u>	<u>5,885,285</u>	<u>7,766,591</u>	<u>12,471,430</u>	<u>14,286,044</u>
<b>Expenses:</b>						
General government	5,703,279	1,876,679			5,703,279	1,876,679
Public safety	4,117,645	2,834,298			4,117,645	2,834,298
Public works	820,731	708,177			820,731	708,177
Culture and recreation	2,178,559	1,095,300			2,178,559	1,095,300
Interest on long-term debt	193,894	10,707			193,894	10,707
Water and sewer			5,034,474	3,337,930	5,034,474	3,337,930
Housing assistance			984,689	1,138,656	984,689	1,138,656
Campground			120,388	126,314	120,388	126,314
<b>Total expenses</b>	<u>13,014,108</u>	<u>6,525,161</u>	<u>6,139,551</u>	<u>4,602,900</u>	<u>19,153,659</u>	<u>11,128,061</u>
<b>Changes in net assets</b>	<u>\$ (6,427,963)</u>	<u>\$ (5,708)</u>	<u>\$ (254,266)</u>	<u>\$ 3,163,691</u>	<u>\$ (6,682,229)</u>	<u>\$ 3,157,983</u>

**TOWN OF BERNALILLO, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

**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.

	2009		2008	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>				
General government	\$ 5,703,279	\$ (5,217,788)	\$ 1,876,679	\$ (1,790,953)
Public safety	4,117,645	(3,764,431)	2,834,298	(2,128,869)
Public works	820,731	(488,396)	708,177	(528,715)
Culture and recreation	2,178,559	(1,843,463)	1,095,300	(845,925)
Interest on long-term debt	193,894	(193,894)	10,707	(10,707)
<b>Total</b>	<u>\$13,014,108</u>	<u>\$(11,507,972)</u>	<u>\$ 6,525,161</u>	<u>\$ (5,305,169)</u>
<b>Business-type Activities</b>				
Water and sewer	\$ 5,034,474	\$ (406,427)	\$ 3,337,930	\$ 2,965,120
Housing assistance	984,689	21,131	1,138,656	(134,437)
Campground	120,388	31,139	126,314	10,455
<b>Total</b>	<u>\$ 6,139,551</u>	<u>\$ (354,157)</u>	<u>\$ 4,602,900</u>	<u>\$ 2,841,138</u>

**TOWN OF BERNALILLO, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

**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 \$3.7 million, an increase of \$1.7 million.

The General Fund is the principal operating fund of the Town. The General Fund's fund balance decreased \$2.6 million to a deficit of \$314,039.

**Proprietary funds.** Net assets of the Enterprise Funds decreased \$254,266 to \$5.0 million at year-end.

**BUDGETARY HIGHLIGHTS**

There were no amendments to the Town of Bernalillo's fiscal year 2008-09 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 unfavorable variance of \$905,642 in General Fund revenues was mainly attributed to a decrease in municipal and state shared taxes. Expenditures had an unfavorable variance of \$268,673 primarily due to more than expected increases in public safety expenditures.

**TOWN OF BERNALILLO, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2009, the Town had invested \$39.1 million in capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the current fiscal year was \$702,287.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2009 and June 30, 2008.

	As of June 30, 2009	As of June 30, 2008
<b><u>Governmental Activities</u></b>		
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	2,736,987
Less: Accumulated depreciation	<u>(6,158,274)</u>	<u>(5,712,138)</u>
<b>Total</b>	<b><u>\$ 9,363,400</u></b>	<b><u>\$ 9,809,536</u></b>
	As of	As of
<b><u>Business-type Activities</u></b>	June 30, 2009	June 30, 2008
Land	\$ 410,285	\$ 410,285
Construction in progress	12,721,886	12,724,872
Infrastructure	5,121,638	5,121,638
Buildings and improvements	4,192,217	4,120,354
Vehicles, furniture and equipment	673,536	673,536
Less: Accumulated depreciation	<u>(4,846,135)</u>	<u>(4,589,984)</u>
<b>Total</b>	<b><u>\$ 18,273,427</u></b>	<b><u>\$ 18,460,701</u></b>

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, 2009**

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

**Debt Administration.** At year-end, the Town had \$22.1 million in long-term debt outstanding, \$1.2 million 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, 2009 and June 30, 2008.

	<b>Governmental Activities</b>	
	2009	2008
Loans payable	\$ 159,426	\$ 176,286
Revenue bonds payable	7,795,000	
Deferred bond premium	20,527	
<b>Total</b>	<b>\$ 7,974,953</b>	<b>\$ 176,286</b>

  

	<b>Business-type Activities</b>	
	2009	2008
Loans payable	\$ 3,765,575	\$ 3,786,684
Revenue bonds payable	10,246,518	10,703,467
Deferred bond premium	89,344	94,046
<b>Total</b>	<b>\$ 14,101,437</b>	<b>\$ 14,584,197</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 \$6.8 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 2009-10 totals \$11.0 million, an increase of \$830,624 or 8% more than fiscal year 2008-09.

**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.

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## **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, 2009**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 5,158,616	\$ 4,641,671	\$ 9,800,287
Investments		2,436,746	2,436,746
Accounts receivable	281	1,229,246	1,229,527
Due from federal government	183,298		183,298
Due from state government	484,950		484,950
Internal balances	704,611	(704,611)	
Prepaid items		10,770	10,770
Inventory		4,300	4,300
Total current assets	6,531,756	7,618,122	14,149,878
Noncurrent assets:			
Deferred bond issuance costs	133,432	317,690	451,122
Land	264,808	410,285	675,093
Infrastructure	7,509,567	5,121,638	12,631,205
Buildings and improvements	5,010,312	4,192,217	9,202,529
Vehicles, furniture and equipment	2,736,987	673,536	3,410,523
Construction in progress		12,721,886	12,721,886
Accumulated depreciation	(6,158,274)	(4,846,135)	(11,004,409)
Total noncurrent assets	9,496,832	18,591,117	28,087,949
<b>Total assets</b>	16,028,588	26,209,239	42,237,827
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Overdraft of cash on deposit	2,509,652		2,509,652
Accounts payable	230,189	6,600,929	6,831,118
Accrued payroll	106,394	24,693	131,087
Accrued interest payable	1,011	51,665	52,676
Compensated absences payable	128,433	67,486	195,919
Unearned revenue		319,052	319,052
Customer deposits		12,229	12,229
Loans payable	17,468	152,658	170,126
Revenue bonds payable	545,000	518,212	1,063,212
Total current liabilities	3,538,147	7,746,924	11,285,071
Noncurrent liabilities:			
Compensated absences payable	102,000	15,684	117,684
Loans payable	141,958	3,612,917	3,754,875
Revenue bonds payable	7,250,000	9,728,306	16,978,306
Deferred bond premium	20,527	89,344	109,871
Total non-current liabilities	7,514,485	13,446,251	20,960,736
<b>Total liabilities</b>	11,052,632	21,193,175	32,245,807
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	6,393,979	4,489,680	10,883,659
Unrestricted	(1,418,023)	526,384	(891,639)
<b>Total net assets</b>	\$ 4,975,956	\$ 5,016,064	\$ 9,992,020

**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, 2009**

<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	Governmental Activities
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 5,703,279	\$	\$ 485,491	\$	\$ (5,217,788)
Public safety	4,117,645	334,209	19,005		(3,764,431)
Public works	820,731	162,335	170,000		(488,396)
Culture and recreation	2,178,559	142,544	192,552		(1,843,463)
Interest on long-term debt	193,894				(193,894)
Total governmental activities	13,014,108	639,088	867,048		(11,507,972)
Business-type activities:					
Water and sewer	5,034,474	3,444,767	71	1,183,209	
Housing assistance	984,689	265,173	673,707	66,940	
Campground	120,388	151,527			
Total business-type activities	6,139,551	3,861,467	673,778	1,250,149	
<b>Total primary government</b>	<b>\$ 19,153,659</b>	<b>\$ 4,500,555</b>	<b>\$ 1,540,826</b>	<b>\$ 1,250,149</b>	<b>(11,507,972)</b>
<b>General revenues:</b>					
Taxes:					
Property taxes, levied for general purposes					468,881
Gross receipts taxes					4,051,050
Franchise taxes					174,810
Unrestricted grants, aid and state shared revenues					186,464
Investment income					198,804
<b>Total general revenues</b>					<b>5,080,009</b>
<b>Changes in net assets</b>					<b>(6,427,963)</b>
<b>Net assets, beginning of year</b>					<b>11,403,919</b>
<b>Net assets, end of year</b>					<b>\$ 4,975,956</b>

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

Net (Expense) Revenue  
and Changes in Net Assets

<u>Business-type Activities</u>	<u>Totals</u>
\$	\$ (5,217,788)
	(3,764,431)
	(488,396)
	(1,843,463)
	(193,894)
	(11,507,972)
(406,427)	(406,427)
21,131	21,131
31,139	31,139
(354,157)	(354,157)
(354,157)	(11,862,129)
	468,881
	4,051,050
	174,810
93,019	279,483
6,872	205,676
99,891	5,179,900
(254,266)	(6,682,229)
5,270,330	16,674,249
<u>\$ 5,016,064</u>	<u>\$ 9,992,020</u>

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**FUND FINANCIAL STATEMENTS**

**TOWN OF BERNALILLO, NEW MEXICO  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	General	2008 Revenue Bond Capital Projects	Non-Major Governmental Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$	\$ 4,872,100	\$ 286,516
Accounts receivable			281
Due from federal government	183,298		
Due from state government	442,481		42,469
Due from other funds	1,075,548		
<b>Total assets</b>	\$ 1,701,327	\$ 4,872,100	\$ 329,266
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Overdraft of cash on deposit	\$ 1,833,513	\$	\$ 676,139
Accounts payable	119,401		110,788
Accrued payroll	62,452		43,942
Due to other funds			370,937
<b>Total liabilities</b>	2,015,366		1,201,806
Fund balances (deficits):			
Unreserved:			
Undesignated	(314,039)	4,872,100	
Unreserved reported in:			
Special revenue funds			(872,540)
<b>Total fund balances</b>	(314,039)	4,872,100	(872,540)
<b>Total liabilities and fund balances</b>	\$ 1,701,327	\$ 4,872,100	\$ 329,266

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



Total  
Governmental  
Funds

---

\$ 5,158,616  
281  
183,298  
484,950  

---

1,075,548  

---

\$ 6,902,693

\$ 2,509,652  
230,189  
106,394  

---

370,937  

---

3,217,172

4,558,061

---

(872,540)  

---

3,685,521

---

\$ 6,902,693

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**TOWN OF BERNALILLO, NEW MEXICO**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

<b>Total governmental fund balances</b>		<b>\$ 3,685,521</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>(6,158,274)</u>	9,363,400
<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	(1,011)	
Loans payable	(159,426)	
Revenue bonds payable	(7,795,000)	
Compensated absences payable	<u>(230,433)</u>	(8,185,870)
<p>Deferred items related to the issuance of bonds are amortized over the life of the associated bond issue in the government-wide statements but not reported in the funds.</p>		
		<u>112,905</u>
<b>Net assets of governmental activities</b>		<b><u><u>\$ 4,975,956</u></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, 2009**

	General	2008 Revenue Bond Capital Projects	Non-Major Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 468,881	\$	\$
Municipal and state shared taxes	4,061,017		176,497
Intergovernmental	521,460		359,928
Charges for services	22,015		9,867
Licenses and permits	162,335		
Fines and forfeits	236,074		68,756
Franchise fees	174,810		
Contributions and donations	7,247		
Investment income	103,452	95,352	
Other revenues	100,481		17,973
<b>Total revenues</b>	<u>5,857,772</u>	<u>95,352</u>	<u>633,021</u>
<b>Expenditures:</b>			
Current -			
General government	4,173,598	1,195,075	82,371
Public safety	3,018,836	879,673	113,908
Public works	275,772	179,935	365,024
Culture and recreation	1,003,483	463,341	646,594
Debt service -			
Principal			330,000
Interest and fiscal charges			181,554
Bond issuance costs		140,250	
<b>Total expenditures</b>	<u>8,471,689</u>	<u>2,858,274</u>	<u>1,719,451</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,613,917)</u>	<u>(2,762,922)</u>	<u>(1,086,430)</u>
<b>Other financing sources (uses):</b>			
Premium on sale of bonds		21,576	
Issuance of revenue bonds		8,125,000	
Transfers in			511,554
Transfers out		(511,554)	
<b>Total other financing sources (uses)</b>		<u>7,635,022</u>	<u>511,554</u>
<b>Changes in fund balances</b>	<u>(2,613,917)</u>	<u>4,872,100</u>	<u>(574,876)</u>
<b>Fund balances (deficits), beginning of year</b>	2,299,878		(297,664)
<b>Fund balances (deficits), end of year</b>	<u>\$ (314,039)</u>	<u>\$ 4,872,100</u>	<u>\$ (872,540)</u>

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

Total  
Governmental  
Funds

\$ 468,881  
4,237,514  
881,388  
31,882  
162,335  
304,830  
174,810  
7,247  
198,804  
118,454  
6,586,145

5,451,044  
4,012,417  
820,731  
2,113,418

330,000  
181,554  
140,250  
13,049,414

(6,463,269)

21,576  
8,125,000  
511,554  
(511,554)  
8,146,576

1,683,307

2,002,214

\$ 3,685,521

**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, 2009**

<b>Net changes in fund balances - total governmental funds</b>		<b>\$ 1,683,307</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>		(446,136)									
<p>Issuance of revenue bonds provides current financial resources to governmental funds, but the issuance increases long term liabilities in the Statement of Net Assets.</p>		(8,125,000)									
<p>Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>											
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Loan retirement</td> <td style="width: 10%; text-align: right;">\$ 16,860</td> <td style="width: 30%;"></td> </tr> <tr> <td>Revenue bond retirement</td> <td style="text-align: right;"><u>330,000</u></td> <td style="text-align: right;">346,860</td> </tr> </table>	Loan retirement	\$ 16,860		Revenue bond retirement	<u>330,000</u>	346,860					
Loan retirement	\$ 16,860										
Revenue bond retirement	<u>330,000</u>	346,860									
<p>Some revenues and expenses reported in the Statement of Activities do not provide or require the use of current financial resources and, therefore, are not reported in governmental funds.</p>											
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Deferred items related to the issuance of debt</td> <td style="width: 10%; text-align: right;">118,674</td> <td style="width: 30%;"></td> </tr> <tr> <td>Amortization of deferred bond items</td> <td style="text-align: right;">(5,769)</td> <td></td> </tr> <tr> <td>Accrued interest</td> <td style="text-align: right;"><u>101</u></td> <td style="text-align: right;"><u>113,006</u></td> </tr> </table>	Deferred items related to the issuance of debt	118,674		Amortization of deferred bond items	(5,769)		Accrued interest	<u>101</u>	<u>113,006</u>		
Deferred items related to the issuance of debt	118,674										
Amortization of deferred bond items	(5,769)										
Accrued interest	<u>101</u>	<u>113,006</u>									
<b>Change in net assets in governmental activities</b>		<b><u><u>\$ (6,427,963)</u></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, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes	\$ 541,372	\$ 541,372	\$ 468,881	\$ (72,491)
Municipal and state shared taxes	4,688,872	4,688,872	4,061,017	(627,855)
Intergovernmental	602,080	602,080	521,460	(80,620)
Charges for services	25,419	25,419	22,015	(3,404)
Licenses and permits	187,433	187,433	162,335	(25,098)
Fines and forfeits	272,572	272,572	236,074	(36,498)
Franchise fees	201,837	201,837	174,810	(27,027)
Contributions and donations	8,367	8,367	7,247	(1,120)
Investment income	119,446	119,446	103,452	(15,994)
Other revenues	116,016	116,016	100,481	(15,535)
<b>Total revenues</b>	<u>6,763,414</u>	<u>6,763,414</u>	<u>5,857,772</u>	<u>(905,642)</u>
<b>Expenditures:</b>				
Current -				
General government	3,245,958	4,140,310	4,173,598	(33,288)
Public safety	2,347,857	2,902,773	3,018,836	(116,063)
Public works	214,478	214,478	275,772	(61,294)
Culture and recreation	780,445	945,455	1,003,483	(58,028)
<b>Total expenditures</b>	<u>6,588,738</u>	<u>8,203,016</u>	<u>8,471,689</u>	<u>(268,673)</u>
<b>Change in fund balances</b>	<u>174,676</u>	<u>(1,439,602)</u>	<u>(2,613,917)</u>	<u>(1,174,315)</u>
<b>Fund balances (deficits), July 1, 2008</b>	(174,676)	1,439,602	2,299,878	860,276
<b>Fund balances (deficits), June 30, 2009</b>	<u>\$</u>	<u>\$</u>	<u>\$ (314,039)</u>	<u>\$ (314,039)</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, 2009**

	Enterprise Funds			
	Water and Sewer	Housing Assistance	Non-Major Enterprise Fund	Total
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 3,858,403	\$ 733,449	\$ 49,819	\$ 4,641,671
Investments	2,436,746			2,436,746
Accounts receivable	1,090,452	138,794		1,229,246
Prepaid items		10,770		10,770
Inventory		4,300		4,300
Total current assets	7,385,601	887,313	49,819	8,322,733
Noncurrent assets:				
Deferred bond issuance costs	317,690			317,690
Land	378,285	32,000		410,285
Infrastructure	5,121,638			5,121,638
Buildings and improvements	88,129	4,099,993	4,095	4,192,217
Vehicles, furniture and equipment	596,902	65,430	11,204	673,536
Construction in progress	12,705,670	16,216		12,721,886
Accumulated depreciation	(2,261,543)	(2,575,736)	(8,856)	(4,846,135)
Total noncurrent assets	16,946,771	1,637,903	6,443	18,591,117
<b>Total assets</b>	24,332,372	2,525,216	56,262	26,913,850
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	6,595,244	3,601	2,084	6,600,929
Accrued payroll	14,260	8,836	1,597	24,693
Accrued interest payable	51,665			51,665
Compensated absences payable	62,207	1,100	4,179	67,486
Due to other funds		704,611		704,611
Unearned revenue	316,214	2,838		319,052
Customer deposits		12,229		12,229
Loans payable	152,658			152,658
Revenue bonds payable	518,212			518,212
Total current liabilities	7,710,460	733,215	7,860	8,451,535
Noncurrent liabilities:				
Non-current portion of long-term obligations	13,431,886	11,678	2,687	13,446,251
Total non-current liabilities	13,431,886	11,678	2,687	13,446,251
<b>Total liabilities</b>	21,142,346	744,893	10,547	21,897,786
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	2,845,334	1,637,903	6,443	4,489,680
Unrestricted	344,692	142,420	39,272	526,384
<b>Total net assets</b>	\$ 3,190,026	\$ 1,780,323	\$ 45,715	\$ 5,016,064

**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, 2009**

	Enterprise Funds			
	Water and Sewer	Housing Assistance	Non-Major Enterprise Fund	Total
<b>Operating revenues:</b>				
Charges for services	\$ 3,444,767	\$ 265,173	\$ 151,527	\$ 3,861,467
<b>Total operating revenues</b>	<u>3,444,767</u>	<u>265,173</u>	<u>151,527</u>	<u>3,861,467</u>
<b>Operating expenses:</b>				
Payroll and benefits	705,264	226,030	69,781	1,001,075
Supplies and services	3,531,594	274,861	48,796	3,855,251
Housing assistance payments		379,094		379,094
Depreciation	149,636	104,704	1,811	256,151
<b>Total operating expenses</b>	<u>4,386,494</u>	<u>984,689</u>	<u>120,388</u>	<u>5,491,571</u>
<b>Operating income (loss)</b>	<u>(941,727)</u>	<u>(719,516)</u>	<u>31,139</u>	<u>(1,630,104)</u>
<b>Nonoperating revenues (expenses):</b>				
Municipal and state shared taxes	93,019			93,019
Intergovernmental		673,707		673,707
Impact fees	1,183,209			1,183,209
Investment income	6,050	822		6,872
Other revenues	71			71
Interest expense	(647,980)			(647,980)
<b>Total nonoperating revenues (expenses)</b>	<u>634,369</u>	<u>674,529</u>		<u>1,308,898</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>(307,358)</u>	<u>(44,987)</u>	<u>31,139</u>	<u>(321,206)</u>
<b>Capital contributions</b>		<u>66,940</u>		<u>66,940</u>
<b>Changes in net assets</b>	<u>(307,358)</u>	<u>21,953</u>	<u>31,139</u>	<u>(254,266)</u>
<b>Total net assets, beginning of year</b>	3,497,384	1,758,370	14,576	5,270,330
<b>Total net assets, end of year</b>	<u>\$ 3,190,026</u>	<u>\$ 1,780,323</u>	<u>\$ 45,715</u>	<u>\$ 5,016,064</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, 2009**

	<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	\$ 3,444,767	\$ 167,037	\$ 151,527	\$ 3,763,331
Cash payments to suppliers for goods and services	(3,531,594)	(650,924)	(48,796)	(4,231,314)
Cash payments to employees for services	(705,264)	(232,721)	(69,781)	(1,007,766)
<b>Net cash provided by (used for) operating activities</b>	<b>(792,091)</b>	<b>(716,608)</b>	<b>32,950</b>	<b>(1,475,749)</b>
Cash flows from noncapital and related financing activities:				
Intergovernmental revenues	93,090	673,707		766,797
Interfund borrowing		624,860		624,860
<b>Net cash provided by noncapital financing activities</b>	<b>93,090</b>	<b>1,298,567</b>		<b>1,391,657</b>
Cash flows from capital and related financing activities:				
Development impact fees	1,183,209			1,183,209
Principal paid on bonds and loans	(478,058)			(478,058)
Interest paid on bonds and loans	(635,520)			(635,520)
Acquisition and construction of capital assets		(68,877)		(68,877)
Proceeds from capital grants		66,940		66,940
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>69,631</b>	<b>(1,937)</b>		<b>67,694</b>
Cash flows from investing activities:				
Interest on investments	6,050	822		6,872
<b>Net cash provided by investing activities</b>	<b>6,050</b>	<b>822</b>		<b>6,872</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(623,320)</b>	<b>580,844</b>	<b>32,950</b>	<b>(9,526)</b>
<b>Cash and cash equivalents, July 1, 2008</b>	<b>6,918,469</b>	<b>152,605</b>	<b>16,869</b>	<b>7,087,943</b>
<b>Cash and cash equivalents, June 30, 2009</b>	<b>\$ 6,295,149</b>	<b>\$ 733,449</b>	<b>\$ 49,819</b>	<b>\$ 7,078,417</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u></b>				
<b>Operating income (loss)</b>	<b>\$ (941,727)</b>	<b>\$ (719,516)</b>	<b>\$ 31,139</b>	<b>\$ (1,630,104)</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	149,636	104,704	1,811	256,151
Changes in assets and liabilities:				
Increase in accounts receivable		(91,276)		(91,276)
Decrease in prepaid items		16,248		16,248
Decrease in accounts payable		(13,217)		(13,217)
Decrease in accrued payroll and employee benefits		(5,371)		(5,371)
Decrease in compensated absences payable		(1,320)		(1,320)
Increase in deposits held for others		194		194
Decrease in unearned revenues		(7,054)		(7,054)
<b>Total adjustments</b>	<b>149,636</b>	<b>2,908</b>	<b>1,811</b>	<b>154,355</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (792,091)</b>	<b>\$ (716,608)</b>	<b>\$ 32,950</b>	<b>\$ (1,475,749)</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, 2009**

	<u>Agency</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 173,034
<b>Total assets</b>	<u>\$ 173,034</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	84,121
Deposits held for others	88,913
<b>Total liabilities</b>	<u>\$ 173,034</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, 2009**

**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.

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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 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. 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.

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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.

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.

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

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

The Town reports the following major governmental funds.

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

2008 Revenue Bond Capital Projects Fund – This fund accounts for the proceeds and capital expenditures related to projects funded by the 2008 Revenue Bond issuance.

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.

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

Additionally, the Town reports the following fund type:

Fiduciary Fund – The Fiduciary Funds are Agency Funds which account for resources held by the Town on behalf of others. This fund type includes the Motor Vehicle Division Fund which accounts for activities related to the State of New Mexico’s Motor Vehicle Division field office operated at Town Hall. In addition, funds related to the Village of Cuba housing operations are also included in the Agency Fund.

The Agency Fund is reported by fund type and uses the accrual basis of accounting.

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 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.

**D. Cash and 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.

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.

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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.

**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, 2009**

**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, 2009**

**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, 2009, 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, 2009**

**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, 2009 were cash in bank and investments held by the Town.

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

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

	<u>Deficit</u>
General Fund	\$ 314,039
Non-Major Governmental Funds:	
Law Enforcement	15,822
Gas Tax	257,327
Rescue	219,290
Community Development	625,387

The deficits arose because of operations during the year and prior years. Additional revenues received in fiscal year 2009-10 are expected to eliminate the deficits.

**Excess Expenditures Over Appropriations** – For the current fiscal year, expenditures/expenses exceeded appropriations in the following funds:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 8,203,016	\$ 8,471,689	\$ (268,673)
2008 Revenue Bond Capital Projects		2,858,274	(2,858,274)
Non-Major Governmental Funds:			
Gas Tax	153,500	365,024	(211,524)
Rescue		107,572	(107,572)
Community Development	155,000	634,599	(479,599)
2008 Revenue Bond Debt Service		511,554	(511,554)
Proprietary Fund:			
Water and Sewer	1,630,801	4,884,838	(3,254,037)
Housing Assistance		879,985	(879,985)

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 – CASH AND INVESTMENTS**

At year end, the carrying amount of the Town’s deposits was \$9,973,321 and the bank balance was \$6,226,406. 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 year end, \$5,733,153 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 year end consists of the following.

Deposits	\$ 6,226,406
Less FDIC coverage	493,253
Total unsecured public funds	<u>5,733,153</u>
50% collateral requirement	2,866,577
Pledged securities, fair value	<u>5,325,613</u>
Pledged in excess of requirement	<u><u>\$ 2,459,036</u></u>

At year end the Town’s investments consisted of the following.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	More than 10
Money market – U.S. Treasuries	\$ 914,801	\$ 914,801	\$
Municipal bond:			
Town of Bernalillo, Series 2008	1,521,945		1,521,945
	<u>\$ 2,436,746</u>	<u>\$ 914,801</u>	<u>\$ 1,521,945</u>

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 – CASH AND INVESTMENTS (Concl'd)**

***Intra-entity Debt Holding.*** As noted in the preceding table the Town has purchased and holds a portion of its own State-Shared Gross Receipts Tax Revenue Bonds, Series 2008. Certain IRS notices have provided certain temporary rules that allowed state and local governmental issuers to purchase and hold their own tax-exempt bonds for temporary holding periods without resulting in a retirement of the purchased tax-exempt bonds. The Town intends to use future project reimbursements from the U.S. Army Corp of Engineers to retire the bonds upon receipt of the funds. Bond counsel of the Town performed due diligence procedures on the bond purchase; however, the financial statement and/or tax-exempt status implications, if any, of the Town holding its own bonds has not been fully evaluated by management.

***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.

***Credit Risk.*** The Town has no investment policy that would further limit its investment choices. The Town's investments in municipal bonds in the preceding table were rated A+ 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 Town of Bernalillo municipal bonds represents 64% of the Town's investments.

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 4 – CAPITAL ASSETS**

A summary of capital asset activity for the current fiscal year follows.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 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	<u>2,736,987</u>			<u>2,736,987</u>
Total capital assets being depreciated	<u>15,256,866</u>			<u>15,256,866</u>
Less accumulated depreciation for:				
Infrastructure	(2,784,968)	(148,693)		(2,933,661)
Buildings and improvements	(1,269,694)	(99,877)		(1,369,571)
Vehicles, furniture and equipment	<u>(1,657,476)</u>	<u>(197,566)</u>		<u>(1,855,042)</u>
Total accumulated depreciation	<u>(5,712,138)</u>	<u>(446,136)</u>		<u>(6,158,274)</u>
Total capital assets, being depreciated, net	<u>9,544,728</u>	<u>(446,136)</u>		<u>9,098,592</u>
Governmental activities capital assets, net	<u>\$ 9,809,536</u>	<u>\$(446,136)</u>	<u>\$</u>	<u>\$ 9,363,400</u>
<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 410,285	\$	\$	\$ 410,285
Construction in process	<u>12,724,872</u>	<u>68,877</u>	<u>71,863</u>	<u>12,721,886</u>
Total capital assets, not being depreciated	<u>13,135,157</u>	<u>68,877</u>	<u>71,863</u>	<u>13,132,171</u>
Capital assets, being depreciated:				
Infrastructure	5,121,638			5,121,638
Buildings and improvements	4,120,354	71,863		4,192,217
Vehicles, furniture and equipment	<u>673,536</u>			<u>673,536</u>
Total capital assets being depreciated	<u>9,915,528</u>	<u>71,863</u>		<u>9,987,391</u>
Less accumulated depreciation for:				
Infrastructure	(1,824,466)	(101,986)		(1,926,452)
Buildings and improvements	(2,464,851)	(101,858)		(2,566,709)
Vehicles, furniture and equipment	<u>(300,667)</u>	<u>(52,307)</u>		<u>(352,974)</u>
Total accumulated depreciation	<u>(4,589,984)</u>	<u>(256,151)</u>		<u>(4,846,135)</u>
Total capital assets, being depreciated, net	<u>5,325,544</u>	<u>(184,288)</u>		<u>5,141,256</u>
Governmental activities capital assets, net	<u>\$18,460,701</u>	<u>\$ (115,411)</u>	<u>\$ 71,863</u>	<u>\$18,273,427</u>

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 4 – CAPITAL ASSETS (Concl'd)**

Depreciation expense was charged to functions/programs as follows.

Governmental Activities:	
General government	\$ 252,235
Public safety	128,760
Culture and recreation	65,141
Total depreciation expense – governmental activities	<u>\$ 446,136</u>
Business-Type Activities:	
Water and sewer	\$ 149,636
Housing assistance	104,704
Campground	1,811
Total depreciation expense – business-type activities	<u>\$ 256,151</u>

**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, 2009, are presented below.

<u>Purpose</u>	<u>Interest Rates (Including Fees)</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2009</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>				
NMFA Loan (Fire Truck)	3.82%	5/1/10-17	\$ 159,426	\$ 17,468
Total			<u>\$ 159,426</u>	<u>\$ 17,468</u>
<b>Business-type activities:</b>				
San Juan-Chama Project	3.05%	9/1/09-22	\$ 134,253	\$ 7,833
Arassic Removal Loan	3.88%	5/1/10-27	3,280,329	130,827
Land Purchase Loan	3.88%	5/1/10-27	350,993	13,998
Total			<u>\$ 3,765,575</u>	<u>\$ 152,658</u>

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 5 – LOANS PAYABLE (Concl'd)**

Principal and interest payments on the governmental and business-type activities loans payable at year end are summarized as follows.

		Governmental Activities	
		Principal	Interest
Year ending June 30:			
	2010	\$ 17,468	\$ 6,066
	2011	18,104	5,432
	2012	18,768	4,770
	2013	19,468	4,070
	2014	20,204	3,338
	2015-17	65,414	5,224
	Total	\$ 159,426	\$ 28,900
		Business-type Activities	
		Principal	Interest
Year ending June 30:			
	2010	\$ 152,658	\$ 143,381
	2011	158,152	137,899
	2012	163,860	132,207
	2013	169,805	126,276
	2014	175,981	120,115
	2015-19	982,813	497,912
	2020-24	1,172,836	296,458
	2025-27	789,470	63,774
	Total	\$ 3,765,575	\$ 1,518,022

**NOTE 6 – BONDS PAYABLE**

Revenue bonds are issued and authorized by the governing body to provide funds to acquire and construct certain improvements for the Town and to pay the costs incurred in connection with the issuance of the bonds. The governmental activity revenue bonds are secured by a pledge of state-shared gross receipts taxes and the business-type activity revenue and refunding bonds are secured by a pledge of revenues from the water and sewer utility systems. Neither the governmental nor the business-type activity revenue and refunding bonds constitute a general obligation of the Town backed by the general taxing authority.



**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 6 – BONDS PAYABLE (Concl'd)**

The governmental activity revenue bonds will be repaid by the 2008 Revenue Bond Debt Service Fund and the business-type activity revenue and refunding bonds will be repaid by the Water and Sewer Fund. Governmental and business-type activity revenue bonds outstanding at year end were as follows.

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2009</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Revenue Bonds, 2008	\$ 8,125,000	3.25-4.95%	6/1/10-21	\$ 7,795,000	\$ 545,000
Total				<u>\$ 7,795,000</u>	<u>\$ 545,000</u>
<b>Business-type activities:</b>					
Refunding Revenue Bonds, 2005	\$ 2,938,111	4.07%	6/1/10-15	\$ 1,921,518	\$ 293,212
Revenue Bonds, 2006	8,775,000	3.05%	6/1/10-28	8,325,000	225,000
Total				<u>\$ 10,246,518</u>	<u>\$ 518,212</u>

Annual debt service requirements to maturity on revenue and refunding bonds for governmental and business-type activities at year end are summarized as follows.

		<u>Governmental Activities</u>	
<u>Year ending June 30:</u>		<u>Principal</u>	<u>Interest</u>
	2010	\$ 545,000	\$ 332,892
	2011	565,000	315,180
	2012	585,000	295,405
	2013	610,000	272,005
	2014	635,000	247,605
	2015-19	3,600,000	810,261
	2020-24	1,255,000	83,407
Total		<u>\$ 7,795,000</u>	<u>\$ 2,356,755</u>
		<u>Business-type Activities</u>	
<u>Year ending June 30:</u>		<u>Principal</u>	<u>Interest</u>
	2010	\$ 518,212	\$ 426,338
	2011	614,679	405,404
	2012	635,588	380,604
	2013	662,714	354,960
	2014	690,212	163,693
	2015-19	2,325,113	1,276,230
	2020-24	2,450,000	803,812
Total		<u>\$ 10,246,518</u>	<u>\$ 4,225,884</u>

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

Long-term liability activity for the current fiscal year was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Loans payable	\$ 176,286	\$	\$ 16,860	\$ 159,426	\$ 17,468
Revenue bonds payable		8,125,000	330,000	7,795,000	545,000
Compensated absences	230,433			230,433	128,433
Total	<u>\$ 406,719</u>	<u>\$ 8,125,000</u>	<u>\$ 346,860</u>	<u>\$ 8,184,859</u>	<u>\$ 690,901</u>
<b>Business-type Activities:</b>					
Loans payable	\$ 3,786,684	\$	\$ 21,109	\$ 3,765,575	\$ 152,658
Revenue bonds payable	10,703,467		456,949	10,246,518	518,212
Compensated absences	84,490		1,320	83,170	67,486
Total	<u>\$ 14,574,641</u>	<u>\$</u>	<u>\$ 479,378</u>	<u>\$ 14,095,263</u>	<u>\$ 738,356</u>

**NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES**

At year end, interfund balances were as follows.

**Due to/from other funds:**

Due to	Due from		Total
	Non-Major Governmental Funds	Housing Assistance Fund	
General Fund	\$ 370,937	\$ 704,611	\$ 1,075,548
Total	<u>\$ 370,937</u>	<u>\$ 704,611</u>	<u>\$ 1,075,548</u>

At year end, 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, 2009**

**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, 2009; however, the Town expects no material disallowance of expenditures.

**Lawsuits** – The Town is a defendant in a number of lawsuits as of June 30, 2009. It is the opinion of management and Town counsel that the amount of losses resulting from these litigations at June 30, 2009, 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. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

**Funding Policy** – Plan members (other than police and fire) are required to contribute 15.65% of their gross salary; police and fire are required to contribute 12.35% and 12.80% of their gross salary, respectively. The Town is required to contribute 18.50% for police, 21.25% for fire 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 2009, 2008, and 2007, were \$866,085, \$636,808, and \$593,318, 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, 2009**

**NOTE 11 –PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**  
**(Concl'd)**

*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.

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

*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, 2009**

**NOTE 12 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN**  
**(Concl'd)**

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, 2009, 2008 and 2007 were \$59,055, \$43,132, and \$41,003, respectively, which equal the required contributions for each year.

**NOTE 13 – FUND RECLASSIFICATION**

During the year the Town reclassified and combined the Fire Fund with the General Fund. Therefore, the beginning fund balances of the General Fund and the Non-Major Governmental Funds do not agree to the previously issued financial statements.

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## **SUPPLEMENTARY INFORMATION**

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**OTHER MAJOR GOVERNMENTAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - 2008 REVENUE BOND CAPITAL PROJECTS**  
**YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Investment income	\$	\$ 95,352	\$ 95,352
<b>Total revenues</b>		<u>95,352</u>	<u>95,352</u>
<b>Expenditures:</b>			
Current -			
General government		1,195,075	(1,195,075)
Public safety		879,673	(879,673)
Public works		179,935	(179,935)
Culture and recreation		463,341	(463,341)
Debt service -			
Bond issuance costs		140,250	(140,250)
<b>Total expenditures</b>		<u>2,858,274</u>	<u>(2,858,274)</u>
<b>Excess (deficiency) of revenues over expenditures</b>		<u>(2,762,922)</u>	<u>(2,762,922)</u>
<b>Other financing sources (uses):</b>			
Premium on sale of bonds		21,576	21,576
Issuance of revenue bonds		8,125,000	8,125,000
Transfers out		(511,554)	(511,554)
<b>Total other financing sources (uses)</b>		<u>7,635,022</u>	<u>7,635,022</u>
<b>Change in fund balances</b>		<u>4,872,100</u>	<u>4,872,100</u>
<b>Fund balances, July 1, 2008</b>			
<b>Fund balances, June 30, 2009</b>	\$	\$ 4,872,100	\$ 4,872,100

## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

**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.

### Debt Service Fund

**2008 Revenue Bond Debt Service** - to account for the debt service payments related to the 2008 Revenue Bond.

**TOWN OF BERNALILLO, NEW MEXICO**  
**COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2009**

	Recreation	Corrections	Law Enforcement	Gas Tax
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 54,208	\$ 150,741	\$ 5,819	\$
Accounts receivable	281			
Due from state government				32,297
<b>Total assets</b>	<b>\$ 54,489</b>	<b>\$ 150,741</b>	<b>\$ 5,819</b>	<b>\$ 32,297</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Overdraft of cash on deposit	\$	\$	\$	\$ 84,828
Accounts payable	4,838	5,504		66,369
Accrued payroll		34,532		
Due to other funds	990		21,641	138,427
<b>Total liabilities</b>	<b>5,828</b>	<b>40,036</b>	<b>21,641</b>	<b>289,624</b>
Fund balances (deficits):				
Unreserved:				
Undesignated	48,661	110,705	(15,822)	(257,327)
<b>Total fund balances</b>	<b>48,661</b>	<b>110,705</b>	<b>(15,822)</b>	<b>(257,327)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 54,489</b>	<b>\$ 150,741</b>	<b>\$ 5,819</b>	<b>\$ 32,297</b>

<u>Lodger's Tax</u>	<u>Ambulance</u>	<u>EMS Grant</u>	<u>Rescue</u>	<u>Community Development</u>	<u>Totals</u>
\$ 60,547	\$ 2,184	\$ 13,017	\$	\$	\$ 286,516
10,172					281
<u>70,719</u>	<u>2,184</u>	<u>13,017</u>	<u>\$</u>	<u>\$</u>	<u>42,469</u>
<u>\$ 70,719</u>	<u>\$ 2,184</u>	<u>\$ 13,017</u>	<u>\$</u>	<u>\$</u>	<u>\$ 329,266</u>
\$	\$	\$	\$ 107,190	\$ 484,121	\$ 676,139
				34,077	110,788
				9,410	43,942
			112,100	97,779	370,937
			<u>219,290</u>	<u>625,387</u>	<u>1,201,806</u>
<u>70,719</u>	<u>2,184</u>	<u>13,017</u>	<u>(219,290)</u>	<u>(625,387)</u>	<u>(872,540)</u>
<u>70,719</u>	<u>2,184</u>	<u>13,017</u>	<u>(219,290)</u>	<u>(625,387)</u>	<u>(872,540)</u>
<u>\$ 70,719</u>	<u>\$ 2,184</u>	<u>\$ 13,017</u>	<u>\$</u>	<u>\$</u>	<u>\$ 329,266</u>

**TOWN OF BERNALILLO, NEW MEXICO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	Recreation	Corrections	Law Enforcement
<b>Revenues:</b>			
Municipal and state shared taxes	\$ 5,119	\$	\$
Intergovernmental	61,077		
Charges for services			
Fines and forfeits		68,756	
Other revenues	7		5,819
<b>Total revenues</b>	66,203	68,756	5,819
<b>Expenditures:</b>			
Current -			
General government			
Public safety		6,336	
Public works			
Culture and recreation	11,995		
<b>Total expenditures</b>	11,995	6,336	
 <b>Change in fund balances</b>	54,208	62,420	5,819
 <b>Fund balances (deficits), beginning of year</b>	(5,547)	48,285	(21,641)
  <b>Fund balances (deficits), end of year</b>	\$ 48,661	\$ 110,705	\$ (15,822)

<u>Gas Tax</u>	<u>Lodger's Tax</u>	<u>Ambulance</u>	<u>EMS Grant</u>	<u>Rescue</u>	<u>Community Development</u>
\$ 110,196 170,000	\$ 61,182	\$	\$	\$	\$ 128,851 9,867
			5	382	11,760
<u>280,196</u>	<u>61,182</u>		<u>5</u>	<u>382</u>	<u>150,478</u>
	82,371			107,572	
365,024					634,599
<u>365,024</u>	<u>82,371</u>			<u>107,572</u>	<u>634,599</u>
(84,828)	(21,189)		5	(107,190)	(484,121)
(172,499)	91,908	2,184	13,012	(112,100)	(141,266)
<u>\$ (257,327)</u>	<u>\$ 70,719</u>	<u>\$ 2,184</u>	<u>\$ 13,017</u>	<u>\$ (219,290)</u>	<u>\$ (625,387)</u>

(Continued)

**TOWN OF BERNALILLO, NEW MEXICO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2009**  
**(Concluded)**

	Totals
<b>Revenues:</b>	
Municipal and state shared taxes	\$ 176,497
Intergovernmental	359,928
Charges for services	9,867
Fines and forfeits	68,756
Other revenues	17,973
<b>Total revenues</b>	633,021
<b>Expenditures:</b>	
Current -	
General government	82,371
Public safety	113,908
Public works	365,024
Culture and recreation	646,594
<b>Total expenditures</b>	1,207,897
 <b>Change in fund balances</b>	 (574,876)
 <b>Fund balances (deficits), beginning of year</b>	 (297,664)
  <b>Fund balances (deficits), end of year</b>	  \$ (872,540)



**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - RECREATION  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Municipal and state shared taxes	\$ 1,624	\$ 5,119	\$ 3,495
Intergovernmental	19,276	61,077	41,801
Other revenues	100	7	(93)
<b>Total revenues</b>	<u>21,000</u>	<u>66,203</u>	<u>45,203</u>
<b>Expenditures:</b>			
Current -			
Culture and recreation	16,000	11,995	4,005
<b>Total expenditures</b>	<u>16,000</u>	<u>11,995</u>	<u>4,005</u>
<b>Change in fund balances</b>	<u>5,000</u>	<u>54,208</u>	<u>49,208</u>
<b>Fund balances (deficits), July 1, 2008</b>		(5,547)	(5,547)
<b>Fund balances, June 30, 2009</b>	<u>\$ 5,000</u>	<u>\$ 48,661</u>	<u>\$ 43,661</u>

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CORRECTIONS  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Fines and forfeits	\$ 63,018	\$ 68,756	\$ 5,738
<b>Total revenues</b>	<u>63,018</u>	<u>68,756</u>	<u>5,738</u>
<b>Expenditures:</b>			
Current -			
Public safety	25,000	6,336	18,664
<b>Total expenditures</b>	<u>25,000</u>	<u>6,336</u>	<u>18,664</u>
<b>Change in fund balances</b>	<u>38,018</u>	<u>62,420</u>	<u>24,402</u>
<b>Fund balances, July 1, 2008</b>		48,285	48,285
<b>Fund balances, June 30, 2009</b>	<u>\$ 38,018</u>	<u>\$ 110,705</u>	<u>\$ 72,687</u>

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LAW ENFORCEMENT**  
**YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Other revenues	\$ 32,000	\$ 5,819	\$ (26,181)
<b>Total revenues</b>	<u>32,000</u>	<u>5,819</u>	<u>(26,181)</u>
<b>Expenditures:</b>			
Current -			
Public safety	32,000		32,000
<b>Total expenditures</b>	<u>32,000</u>		<u>32,000</u>
<b>Change in fund balances</b>		<u>5,819</u>	<u>5,819</u>
<b>Fund balances (deficits), July 1, 2008</b>		(21,641)	(21,641)
<b>Fund balances (deficits), June 30, 2009</b>	<u>\$</u>	<u>\$ (15,822)</u>	<u>\$ (15,822)</u>

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAS TAX  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Municipal and state shared taxes	\$ 99,500	\$ 110,196	\$ 10,696
Intergovernmental	153,500	170,000	16,500
<b>Total revenues</b>	<u>253,000</u>	<u>280,196</u>	<u>27,196</u>
<b>Expenditures:</b>			
Current -			
Public works	153,500	365,024	(211,524)
<b>Total expenditures</b>	<u>153,500</u>	<u>365,024</u>	<u>(211,524)</u>
<b>Change in fund balances</b>	<u>99,500</u>	<u>(84,828)</u>	<u>(184,328)</u>
<b>Fund balances (deficits), July 1, 2008</b>		(172,499)	(172,499)
<b>Fund balances (deficits), June 30, 2009</b>	<u>\$ 99,500</u>	<u>\$ (257,327)</u>	<u>\$ (356,827)</u>

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LODGER'S TAX**  
**YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Municipal and state shared taxes	\$ 106,000	\$ 61,182	\$ (44,818)
<b>Total revenues</b>	<u>106,000</u>	<u>61,182</u>	<u>(44,818)</u>
<b>Expenditures:</b>			
Current -			
General government	271,300	82,371	188,929
<b>Total expenditures</b>	<u>271,300</u>	<u>82,371</u>	<u>188,929</u>
<b>Change in fund balances</b>	<u>(165,300)</u>	<u>(21,189)</u>	<u>144,111</u>
<b>Fund balances, July 1, 2008</b>		91,908	91,908
<b>Fund balances (deficits), June 30, 2009</b>	<u>\$ (165,300)</u>	<u>\$ 70,719</u>	<u>\$ 236,019</u>

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL - AMBULANCE**  
**YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Charges for services	\$	\$	\$
<b>Total revenues</b>			
<b>Expenditures:</b>			
Current -			
Public safety			
<b>Total expenditures</b>			
<b>Change in fund balances</b>			
<b>Fund balances, July 1, 2008</b>		2,184	2,184
<b>Fund balances, June 30, 2009</b>	\$	\$ 2,184	\$ 2,184

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - EMS GRANT  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Other revenues	\$ 23,839	\$ 5	\$ (23,834)
<b>Total revenues</b>	<u>23,839</u>	<u>5</u>	<u>(23,834)</u>
<b>Expenditures:</b>			
Current -			
Public safety	136,263		136,263
<b>Total expenditures</b>	<u>136,263</u>		<u>136,263</u>
<b>Change in fund balances</b>	<u>(112,424)</u>	<u>5</u>	<u>112,429</u>
<b>Fund balances, July 1, 2008</b>		13,012	13,012
<b>Fund balances (deficits), June 30, 2009</b>	<u>\$ (112,424)</u>	<u>\$ 13,017</u>	<u>\$ 125,441</u>

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - RESCUE  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Other revenues	\$	\$ 382	\$ 382
<b>Total revenues</b>		382	382
<b>Expenditures:</b>			
Current -			
Public safety		107,572	(107,572)
<b>Total expenditures</b>		107,572	(107,572)
<b>Change in fund balances</b>		(107,190)	(107,190)
<b>Fund balances (deficits), July 1, 2008</b>		(112,100)	(112,100)
<b>Fund balances (deficits), June 30, 2009</b>	\$	\$ (219,290)	\$ (219,290)



**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT  
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Intergovernmental	\$ 137,005	\$ 137,005	\$ 128,851	\$ (8,154)
Charges for services	10,491	10,491	9,867	(624)
Other revenues	12,504	12,504	11,760	(744)
<b>Total revenues</b>	<u>160,000</u>	<u>160,000</u>	<u>150,478</u>	<u>(9,522)</u>
<b>Expenditures:</b>				
Current -				
Culture and recreation	155,000	166,260	634,599	(468,339)
<b>Total expenditures</b>	<u>155,000</u>	<u>166,260</u>	<u>634,599</u>	<u>(468,339)</u>
<b>Change in fund balances</b>	<u>5,000</u>	<u>(6,260)</u>	<u>(484,121)</u>	<u>(477,861)</u>
<b>Fund balances (deficits), July 1, 2008</b>		6,260	(141,266)	(147,526)
<b>Fund balances (deficits), June 30, 2009</b>	<u>\$ 5,000</u>	<u>\$</u>	<u>\$ (625,387)</u>	<u>\$ (625,387)</u>

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL - 2008 REVENUE BOND DEBT SERVICE**  
**YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Expenditures:</b>			
Debt service -			
Principal	\$	\$ 330,000	\$ (330,000)
Interest and fiscal charges		181,554	(181,554)
<b>Total expenditures</b>		<u>511,554</u>	<u>(511,554)</u>
<b>Excess (deficiency) of revenues over expenditures</b>		<u>(511,554)</u>	<u>(511,554)</u>
<b>Other financing sources (uses):</b>			
Transfers in		511,554	511,554
<b>Total other financing sources (uses)</b>		<u>511,554</u>	<u>511,554</u>
<b>Change in fund balances</b>			
<b>Fund balances, July 1, 2008</b>			
<b>Fund balances, June 30, 2009</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**PROPRIETARY FUNDS**

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND NET ASSETS - BUDGET AND ACTUAL - WATER AND SEWER**  
**YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 1,677,075	\$ 1,677,075	\$ 3,444,767	\$ 1,767,692
Municipal and state shared taxes	45,288	45,288	93,019	47,731
Impact fees	576,065	576,065	1,183,209	607,144
Investment income	2,946	2,946	6,050	3,104
Other revenues	100	100	71	(29)
<b>Total revenues</b>	<u>2,301,474</u>	<u>2,301,474</u>	<u>4,727,116</u>	<u>2,425,642</u>
<b>Expenditures:</b>				
Operations	1,519,576	1,618,836	4,816,535	(3,197,699)
Interest and fiscal charges	11,965	11,965	68,303	(56,338)
<b>Total expenditures</b>	<u>1,531,541</u>	<u>1,630,801</u>	<u>4,884,838</u>	<u>(3,254,037)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 769,933</u>	<u>\$ 670,673</u>	<u>(157,722)</u>	<u>\$ (828,395)</u>
Expenses not budgeted:				
Depreciation			(149,636)	
<b>Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets</b>			<u>\$ (307,358)</u>	

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND NET ASSETS - BUDGET AND ACTUAL - HOUSING ASSISTANCE**  
**YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts Original & Final	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Charges for services	\$	\$ 265,173	\$ 265,173
Intergovernmental		673,707	673,707
Investment income		822	822
<b>Total revenues</b>		939,702	939,702
<b>Expenditures:</b>			
Operations		879,985	(879,985)
<b>Total expenditures</b>		879,985	(879,985)
<b>Excess (deficiency) of revenues over expenditures</b>	\$	59,717	\$ 59,717
Expenses not budgeted:			
Depreciation		(104,704)	
Changes to conform to generally accepted accounting principles:			
Capital contributions		66,940	
<b>Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets</b>		\$ 21,953	

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND NET ASSETS - BUDGET AND ACTUAL - CAMPGROUND**  
**YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Charges for services	\$ 144,247	\$ 144,247	\$ 151,527	\$ 7,280
<b>Total revenues</b>	<u>144,247</u>	<u>144,247</u>	<u>151,527</u>	<u>7,280</u>
<b>Expenditures:</b>				
Operations	143,037	131,777	118,577	13,200
<b>Total expenditures</b>	<u>143,037</u>	<u>131,777</u>	<u>118,577</u>	<u>13,200</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 1,210</u>	<u>\$ 12,470</u>	<u>32,950</u>	<u>\$ 20,480</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>\$ 31,139</u>	

**OTHER SUPPLEMENTAL INFORMATION**

**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>MOTOR VEHICLE DIVISION</u></b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 97,672	\$ 94,091	\$ 123,321	\$ 68,442
Total assets	<u>\$ 97,672</u>	<u>\$ 94,091</u>	<u>\$ 123,321</u>	<u>\$ 68,442</u>
<u>Liabilities</u>				
Deposits held for others	\$ 97,672	\$ 94,091	\$ 123,321	\$ 68,442
Total liabilities	<u>\$ 97,672</u>	<u>\$ 94,091</u>	<u>\$ 123,321</u>	<u>\$ 68,442</u>
<b><u>HOUSING ASSISTANCE - TOWN OF CUBA</u></b>				
<u>Assets</u>				
Cash and cash equivalents	\$ _____	\$ 104,592	\$ _____	\$ 104,592
Total assets	<u>\$ _____</u>	<u>\$ 104,592</u>	<u>\$ _____</u>	<u>\$ 104,592</u>
<u>Liabilities</u>				
Accounts payable	\$ _____	84,121	\$ _____	84,121
Deposits held for others	_____	\$ 20,471	\$ _____	\$ 20,471
Total liabilities	<u>\$ _____</u>	<u>\$ 104,592</u>	<u>\$ _____</u>	<u>\$ 104,592</u>
<b><u>TOTAL AGENCY FUNDS</u></b>				
<u>Assets</u>				
Cash and investments	\$ 97,672	\$ 198,683	\$ 123,321	\$ 173,034
Total assets	<u>\$ 97,672</u>	<u>\$ 198,683</u>	<u>\$ 123,321</u>	<u>\$ 173,034</u>
<u>Liabilities</u>				
Accounts payable	\$ _____	84,121	\$ _____	84,121
Deposits held for others	97,672	114,562	123,321	88,913
Total liabilities	<u>\$ 97,672</u>	<u>\$ 198,683</u>	<u>\$ 123,321</u>	<u>\$ 173,034</u>



**TOWN OF BERNALILLO, NEW MEXICO**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**JUNE 30, 2009**

	First Community Bank	Wells Fargo Bank
Bank Accounts:		
Checking/Demand Accounts	\$ 5,892,510	\$
Savings/CD/Money Market Accounts	90,643	243,253
Total amount of deposits in bank	5,983,153	243,253
Less: FDIC coverage	250,000	243,253
Total uninsured public funds	5,733,153	
Collateral requirements (Per 6-10-10 & 6-10-17, NMSA 1978)		
50% of uninsured time and demand accounts	2,866,577	
Pledged collateral		
MBS, matures June 1, 2021, CUSIP 31371MUA3	4,827,516	
FHR, matures December 15, 2031, CUSIP 31396TSJ3	498,097	
Total collateral	5,325,613	
Over / (under) secured	\$ 2,459,037	\$
Custodial Credit Risk:		
Insured	\$ 250,000	\$ 243,253
Collateralized with securities held by pledging financial institutions trust department	5,325,613	
Uninsured and uncollateralized	407,540	
Total deposits	\$ 5,983,153	\$ 243,253
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, 2009**

<u>Bank Account Type / Name</u>	<u>First Community Bank</u>	<u>Wells Fargo Bank</u>	<u>LPL Financial</u>	<u>Total</u>
Checking - General	\$ 5,653,726	\$	\$	\$ 5,653,726
Money market - General		2,074		2,074
CD - General	89,524			89,524
Checking - Water	10,518			10,518
Money market - Water		355		355
Investment - Water			2,362,013	2,362,013
Checking - Housing	228,266			228,266
Savings - Housing	1,119			1,119
Money market - Housing		229,964		229,964
Money market - Agency		10,860		10,860
	<hr/>	<hr/>	<hr/>	<hr/>
Total on deposit	5,983,153	243,253	2,362,013	8,588,419
Reconciling items	3,990,168	(243,253)	74,733	3,821,648
	<hr/>	<hr/>	<hr/>	<hr/>
Reconciled balance, June 30, 2009	9,973,321		2,436,746	12,410,067
	<hr/>	<hr/>	<hr/>	<hr/>
Total deposits and investments	<u>\$ 9,973,321</u>	<u>\$</u>	<u>\$ 2,436,746</u>	<u>\$ 12,410,067</u>

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF JOINT POWERS AGREEMENTS  
JUNE 30, 2009**

**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 2009 Amount:** Unknown  
**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 2009 Amount:** \$40,000  
**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:** Town Share 8%  
**Fiscal Year 2009 Amount:** \$206,662  
**Audit Responsibility:** SCRECC Board

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**Participants:** Town of Bernalillo, and Sandoval County Fire Department  
**Responsible Party:** Sandoval County Fire Department  
**Description:** Provide ambulance transport services to injured or sick persons located within the corporate limits of the Town of Bernalillo.  
**Dates of Agreement:** May 2008  
**Total Amount/Town Share:** Town Share \$100,000  
**Fiscal Year 2009 Amount:** \$100,000  
**Audit Responsibility:** Town of Bernalillo

**TOWN OF BERNALILLO, NEW MEXICO**  
**HOUSING ASSISTANCE PROGRAMS**  
**FINANCIAL DATA SCHEDULES**  
**COMBINING STATEMENT OF NET ASSETS - ALL HUD PROGRAMS**  
**JUNE 30, 2009**

FDS Line #	Account Description	Low Rent Public Housing 14.850a	Housing Choice Vouchers 14.871	Capital Fund Program 14.872	TOTAL
<b>ASSETS:</b>					
111	Cash - unrestricted	\$ 282,912	\$ 358,861	\$	\$ 641,773
113	Cash - other restricted		79,447		79,447
114	Cash - tenant security deposits	12,229			12,229
121	Accounts receivable - PHA projects		41,943		41,943
122	Accounts receivable - HUD other projects	9,653			9,653
126	Accounts receivable - tenants - dwelling rents	9,077			9,077
126.1	Allowance for doubtful accounts - dwelling rents	(6,000)			(6,000)
142	Prepaid expenses and other assets	10,770			10,770
143	Inventories	4,500			4,500
143.1	Allowance for obsolete inventories	(200)			(200)
144	Interprogram - due from	156,758	84,121		240,879
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	76,728			76,728
166	Accumulated depreciation	(2,575,736)			(2,575,736)
167	Construction in progress	16,216			16,216
<b>TOTAL ASSETS</b>		<u>\$ 2,117,602</u>	<u>\$ 564,372</u>	<u>\$</u>	<u>\$ 2,681,974</u>
<b>LIABILITIES:</b>					
312	Accounts payable <90 days	\$ 3,233	\$ 368	\$	\$ 3,601
321	Accrued wage/payroll taxes payable	7,202	1,634		8,836
322	Accrued compensated absences - current portion	871	229		1,100
333	Accounts payable - other governments	436,700	267,911		704,611
341	Tenant security deposits	12,229			12,229
342	Deferred revenue	2,838			2,838
347	Interprogram - due to		156,758		156,758
354	Accrued compensated absences - noncurrent	10,532	1,146		11,678
<b>TOTAL LIABILITIES</b>		<u>473,605</u>	<u>428,046</u>		<u>901,651</u>
<b>NET ASSETS</b>					
508.1	Invested in capital assets, net of related debt	1,637,903			1,637,903
511.1	Restricted net assets		79,447		79,447
512.1	Unrestricted net assets	6,094	56,879		62,973
<b>TOTAL NET ASSETS</b>		<u>1,643,997</u>	<u>136,326</u>		<u>1,780,323</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u>\$ 2,117,602</u>	<u>\$ 564,372</u>	<u>\$</u>	<u>\$ 2,681,974</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, 2009**

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	\$ 196,435	\$ 68,738	\$	\$ 265,173
706	HUD PHA operating grants	171,380	479,562	22,765	673,707
706.1	Capital grants			66,940	66,940
711	Investment income - unrestricted	577	245		822
	<b>TOTAL REVENUE</b>	<u>368,392</u>	<u>548,545</u>	<u>89,705</u>	<u>1,006,642</u>
<b>EXPENSES:</b>					
911	Administrative salaries	90,086	63,610		153,696
915	Employee benefit contributions - administration	36,906	27,591		64,497
919	Other	40,997	48,498		89,495
931	Water	32,873			32,873
932	Electricity	2,629	975		3,604
933	Gas	25,636			25,636
941	Ordinary maintenance and operations - labor	7,099			7,099
942	Ordinary maintenance and operations - materials and other	14,066			14,066
943	Ordinary maintenance and operations - contract costs	86,892			86,892
945	Employee benefit contributions - ordinary maintenance	2,059			2,059
961	Insurance premiums	20,295			20,295
962	Compensated absences	3,992	(5,313)		(1,321)
964	Bad debt - tenant rents	2,000			2,000
	<b>TOTAL OPERATING EXPENSES</b>	<u>365,530</u>	<u>135,361</u>		<u>500,891</u>
973	Housing assistance payments		379,094		379,094
974	Depreciation expense	104,704			104,704
	<b>TOTAL EXPENSES</b>	<u>470,234</u>	<u>514,455</u>		<u>984,689</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
1001	Operating transfers in	89,705			89,705
1002	Operating transfers out			(89,705)	(89,705)
	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>89,705</u>		<u>(89,705)</u>	
	<b>CHANGE IN NET ASSETS</b>	(12,137)	34,090		21,953
	<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,656,134</u>	<u>102,236</u>		<u>1,758,370</u>
	<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,643,997</u>	<u>\$ 136,326</u>	<u>\$</u>	<u>\$ 1,780,323</u>
<b>MEMO account information</b>					
1103	Beginning equity	1,656,134	102,236		1,758,370
1120	Unit months available		900		

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**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 were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparison of the General Fund and the combining and individual funds and related budgetary comparisons presented as supplemental information of Town of Bernalillo, New Mexico as of and for the year ended June 30, 2009, which collectively comprise Town of Bernalillo, New Mexico's basic financial statements and have issued our report thereon dated March 16, 2011. We were unable to express an opinion on those financial statements because the Town did not maintain sufficient internal controls and/or adequate records of its cash and investments, capital assets, receivables, payables, and completeness of the underlying general ledger accounting.

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, 2006-4, 2006-8, 2007-02, 2007-03, and 2008-4 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*.

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 State Auditor, the New Mexico Legislature, and applicable federal grantors, 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

March 16, 2011



**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, 2009. 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, 2009. 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 items FA 2006-01, FA2009-01, and FA2009-02.

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 items FA 2006-01, FA2009-01, and FA2009-02 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 consider the deficiency described in the accompanying schedule of findings and questioned costs as item FA 2006-01 to be a material 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 State Auditor, the New Mexico Legislature, and applicable federal grantors, 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

March 16, 2011

**TOWN OF BERNALILLO, NEW MEXICO  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2009**

<b>Federal Grantor / Pass-Through Grantor / Program Title</b>	<b>CFDA Number</b>	<b>Grantor's Number</b>	<b>Expenditures</b>
<u>U.S. Department of Housing and Urban Development</u>			
Direct program:			
Public and Indian Housing	14.850	NM035000001	\$ 171,380
Section 8 Housing Choice Vouchers	14.871	NM035	479,562
Public Housing Capital Fund	14.872	NM02PO35501	<u>89,705</u>
Total U.S. Department of Housing and Urban Development			<u>740,647</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 740,647</u></b>

See accompanying notes to the schedule.

**TOWN OF BERNALILLO, NEW MEXICO**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2009**

**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*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**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 2009 *Catalog of Federal Domestic Assistance*.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued:

Disclaimer

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?  X yes  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	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes  X no

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**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	\$ 268,673
2008 Revenue Bond Capital Projects	2,358,274
Gas Tax	211,524
Rescue	107,572
Community Development	479,599
2008 Revenue Bond Debt Service	511,554
Water and Sewer	3,254,037
Housing Assistance	879,985

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, 1978 Compilation, as the fund-level has been established as the legal level of budgetary control.

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

All budget adjustments are approved by the Town's governing body in the form of a resolution. These budget adjustments resolutions are submitted to NMDFA for all funds to account for over expenditures. Currently, all over budget expenditures must be accompanied by an over budget transfer request before the purchase order is approved.



**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**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. As a result, the Town posted adjustments to the receivable balance during fiscal year 2007-08 in an attempt to more accurately reflect the true receivable outstanding. However, during fiscal year 2008-09 the Town implemented a new accounting software package and the receivable balances were not correctly transferred and are once again misstated in the fiscal year 2008-09 general ledger.

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 as well as other errors that arose during the transition to a new accounting software package that have yet to be resolved. A disclaimer of 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. Additionally, the Town is unable to fully reconcile the amount of receivables reported in the fiscal year 2008-09 general ledger due to software implementation errors.

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

Ordinance 207 was adopted in February 2006 to reduce the penalty to 1.5% on monthly past due utility payments. Several amnesty programs were implemented and the previous penalty was written off for all utility customers.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**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 March 17, 2011.

CRITERIA

Per 2.2.2.9 NMAC, the Town was required to submit its fiscal year 2008-09 annual financial report to the New Mexico State Auditor by December 1, 2009.

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 a new IT system and turnover in key management positions there has been a delay in the completion of the fiscal year 2008-09 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

Due to past administration and limited staff, the Town has been delayed. The Town is committed to comply with the State Audit Rule 2.2.2.9(A) and all Audit Standards in order to proceed in the future to present a timely audit. The Town realizes the importance of a timely audit.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**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 implemented a new financial system that enables controls over posting of journal entries. These controls permit a user to enter journal entries into the system. The user that enters the packet does not have the ability to post the packet. When the journal entry packet is ready to be posted, a different user will review and post the packet. The financial system will log which user entered the journal entry packet and which user posted the packet. Staff has clear direction as to which users are allowed to enter and post journal entries.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**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 several funds at June 30, 2009.

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 did not initially include activity related to a recent bond issuance in the general ledger or financial statements; the activity was subsequently recorded by the IPA. Additionally, the Town is at risk of other undetected misstatements in the financial statements. Additionally, fraud risk is heightened without timely reconciliation of bank accounts. A disclaimer of 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 cash and investments.

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

Currently, the Town is reconciling bank statements monthly to ensure inclusion to the general ledger of all deposits and expenditures. The new financial system uses a pooled cash process to record all revenue and expenditures from all funds. It records each fund's claim on cash which is part of the monthly reconciliation process. This process is performed by two users to ensure an accurate and timely reconciliation. Town management has implemented policies and procedures to assure proper business practices for all operations are being followed. In the future these policies and procedures will be formally adopted by the governing body.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**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

Town management has implemented policies and procedures to assure proper business practices for all operations are being followed. In the future these policies and procedures will be formally adopted by the governing body.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**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 generally accepted accounting principles (GAAP), including the schedule of expenditures of federal awards (SEFA). 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. In addition, numerous audit adjustments from prior years have not been properly posted to the financial statements and the Town has not transferred opening account balances to the new general ledger system.

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. In addition, OMB Circular A-133 requires the auditee to prepare a complete and accurate SEFA. 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.

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. A disclaimer of 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 account balances. In addition, as a result of inadequate controls over financial reporting the original financial statements drafted by the IPA had to be revised and re-submitted to the New Mexico Office of the State Auditor for review.

CAUSE

The Town's small size, limited resources, and staff turnover 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.

AGENCY RESPONSE

Town management recognizes the need for effective internal control policies and procedures, staff, and resources. The Town will strive to improve the financial statement process. Funding permitting, the Town will obtain proper staff and resources needed to comply with GAAP.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

**2007-03    Year-end Cutoff**

CONDITION

The Town does not have a formal procedure in place to identify significant payables or receivables existing at year end.

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 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 implemented a new financial system that allows for tracking and recording expenditures from the previous fiscal year. Currently staff is assigned to ensure the system is being utilized for proper year-end recording.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

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

CONDITION

The Town was unable to provide evidence that competitive bids or sealed proposals were performed in six transactions reviewed. Additionally, the Town was unable to provide evidence that written quotes were obtained in five transactions 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

Currently, all Town expenditures must have a purchase order with the exception of utility bills. Each department is required to follow State Procurement Code for all bids and sealed proposals. Each bid or proposal issued is required to have a purchase order to ensure all procurement procedures are followed.



**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**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. A total of 424 credit card transactions with a total purchase amount of \$31,114 were reviewed.

- The purchasing policy was not followed for 417 purchases reviewed as purchase orders were not prepared; the total amount of the transactions was \$28,690.
- Supporting documentation was not maintained for 45 purchases reviewed; the total amount of the transactions was \$3,534.
- In addition to the items noted in the prior bullet, supporting documentation was deemed inadequate to determine the reasonableness of the purchase for an additional six purchases reviewed; the total amount of the transactions was \$363.
- A cash advance was identified with no evidence of written approval; the total amount of the transaction was \$150.

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

Currently, the Town has limited credit card purchases and has limited the number of credit cards. Town credit card use is limited to when a purchase order is not accepted by a vendor. When this is the case, a purchase order must be generated for the credit card use. The Town has established a credit card policy and is awaiting adoption by the governing body.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

**2008-04    Insufficient Capital Asset Support**

CONDITION

The Town did not provide a listing of fiscal year 2008-09 capital asset additions by asset category or a listing of cumulative capital assets by asset category. Additionally, the Town did not provide capital asset listings of current year depreciation expense or capital asset listings with cumulative accumulated depreciation at year end. Finally, 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. A disclaimer of opinion was issued on the Town's financial statements due to our inability to sufficiently complete the audit objectives necessary to render an opinion on the capital assets.

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 ensure completeness of capital asset balances reported.

AGENCY RESPONSE

The Town has established a policy for maintaining accurate capital asset listings. Capital depreciation schedules are now a part of the Town's financial system and are recorded in a timely manner.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

**2008-05    Insufficient Controls Over Disbursements**

CONDITION

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

- For 39 of 50 disbursements reviewed, the Town was either unable to provide a valid purchase order, or did not otherwise indicate that the selected transaction did not require the use of a purchase order (invoices totaled \$434,693).
- For two of 50 disbursements reviewed, we determined that the purchase order was prepared after the purchase was made (invoices totaled \$12,885).
- For seven of 50 disbursements reviewed, we noted that the purchase vouchers were not signed by an authorized individual (invoices totaled \$203,651).

CRITERIA

The Town's policy requires purchase requisitions and purchase orders to be obtained and approved before procurement of goods and services. Additionally, only authorized individuals should sign the purchase vouchers issued by the Town.

EFFECT

The Town's internal controls over purchasing authorizations limit management's ability to monitor the accuracy of transactions and provide assurance with respect to public funds.

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

Currently, all Town expenditures must have a purchase order with the exception of utility bills. Each department is required to follow State Procurement Code for all purchases. All proper documentation must be included with each purchase requisition and attached to each purchase order. A purchase order must be issued before a purchase can be made. The Town's financial system requires approval from both the department head and treasurer before the requisition can be turned into a purchase order. All purchase vouchers are approved by the governing body and signed by the mayor.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

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

CONDITION

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

<u>Fund</u>	<u>Actual Deficits</u>	<u>Fund</u>	<u>Budget Deficits</u>
General	\$ 314,039	Lodger's Tax	\$ 165,300
Law Enforcement	15,822	EMS Grant	112,424
Gas Tax	257,327		
Rescue	219,290		
Community Development	625,387		

CRITERIA

All Town funds should be budgeted with annual expenditures limited to annual revenue sources in accordance with GASB Codification 2300.106(o) and prudent business practices.

EFFECT

The Town had deficits in budgeted fund balances/net assets in the funds noted. Budgeted deficits may result in ineffective budget controls.

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

All budget adjustments are approved by the Town's governing body in the form of a resolution. These budget adjustments resolutions are submitted to NMDFA for all funds to account for revenue fund balances.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

**FA 2006-01 Late Audit Report**

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

**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.

**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.

**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**

Due to past administration and limited staff, the Town has been delayed. The Town is committed to comply with all Audit Standards in order to proceed in the future to present a timely audit. The Town realizes the importance of a timely audit.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Concl'd)**

**FA 2009-01 Insufficient Controls Over the Federal Public and Indian Housing Grant**

Program Name: Public and Indian Housing	Questioned Costs: \$11
Grantor Number: NM035000001	CFDA Number: 14.850
Funding Agency: U.S. Department of Housing and Urban Development	

**CONDITION**

During our review of compliance requirements for the Town's Public and Indian Housing program we noted the following:

- For 14 of 20 tenant files reviewed, there was no evidence or insufficient evidence that third party verifications were performed on key tenant information.
- For one of 20 tenant files reviewed, the rent payment was not calculated correctly due to a clerical error.
- The Town could not provide documentation of the submission of HUD Form 60002.

**CRITERIA**

The Town is responsible for establishing and maintaining internal controls that ensure compliance with Federal grant requirements related to the Public and Indian Housing program (24 CFR parts 5, 902, 960, 966, and 990).

**EFFECT**

The Town is not in compliance with OMB Circular A-133 and HUD grant requirements and may be subject to penalties or reductions in grant funding.

**CAUSE**

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

**RECOMMENDATION**

The Town should consider allocating the necessary resources to implement internal controls over the administration of the Federal Public and Indian Housing program to ensure compliance with Federal grant requirements.

**AGENCY RESPONSE**

Town management recognized the need for comprehensive internal controls and has implemented a quality control checklist that encompasses tenant file requirements and separation of duties. All tenant files are being reviewed to ensure accurate and complete tenant information. For re-verification of a tenant, HUD now requires an Enterprise Income Verification report generated by HUD. This report has been added to the tenant file and is a part of the quality control checklist. Rent payments have been added to the quality control checklist and are verified by a supervisor before the effective date. The Town is committed to comply with all HUD requirements including accurate and timely submission of required forms.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Cont'd)**

**FA 2009-02 Insufficient Controls over the Federal Section 8 Housing Choice Vouchers Grant**

Program Name: Section 8 Housing Choice Vouchers

Questioned Costs: \$1,708

Grantor Number: NM035

CFDA Number: 14.871

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

**CONDITION**

During our review of compliance requirements for the Town's Section 8 Housing Choice Vouchers program we noted the following:

- For one of 20 tenant files reviewed, the file did not include necessary releases for the Town to verify income eligibility.
- For eight of 20 tenant files reviewed, there was no evidence or insufficient evidence that third party verifications were performed on key tenant information.
- For two of 20 tenant files reviewed, the housing assistance payments were not calculated correctly due to clerical errors.
- For one of 20 tenant files reviewed, the Town did not re-verify family income and composition annually.
- For three of 20 tenant files reviewed, the utility allowance schedule on file was expired.
- For two of five tenant files reviewed containing failed HQS inspections, the PHA did not retain documentation that required the correction of any life threatening deficiencies within 24 hours and all other deficiencies within 30 days.

**CRITERIA**

The Town is responsible for establishing and maintaining internal controls that ensure compliance with Federal grant requirements related to the Section 8 Housing Choice Vouchers program (24 CFR parts 5, 982 and 985).

**EFFECT**

The Town is not in compliance with OMB Circular A-133 and HUD grant requirements and may be subject to penalties or reductions in grant funding.

**CAUSE**

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

**RECOMMENDATION**

The Town should consider allocating the necessary resources to implement internal controls over the administration of the Federal Section 8 Housing Choice Vouchers program to ensure compliance with Federal grant requirements.

**TOWN OF BERNALILLO, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Concl'd)**

**FA 2009-02 Insufficient Controls over the Federal Section 8 Housing Choice Vouchers Grant (Concl'd)**

**AGENCY RESPONSE**

Town management recognized the need for comprehensive internal controls and has implemented a quality control checklist that encompasses tenant file requirements and separation of duties. All tenant files are being reviewed to ensure accurate and complete tenant information. HAP payments are calculated and verified by a supervisor. For re-verification of a tenant, HUD now requires an Enterprise Income Verification report generated by HUD. This report has been added to the tenant file and is a part of the quality control checklist. Tenant utility allowance schedule is now a part of HAPPY software system and no longer calculated manually. The schedule is included in the tenant file and is a part of the quality control checklist. The HQS inspection is contracted out to a qualified inspector. If any deficiencies are detected, notifications are given to the landlord and/or tenant in the time required. If the inspector detects a life threatening 24-hour deficiency, it is repaired (if possible) and documented.



**TOWN OF BERNALILLO, NEW MEXICO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2009**

**Status of Prior Year Findings**

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

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

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

Finding No. FS2008-01  
Status: Corrected.

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

Finding No. FS2008-02  
Status: Corrected.

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

Finding No. FS2008-03  
Status: Not corrected.  
See current year finding FS2008-03.

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

Finding No. FS2008-04  
Status: Not corrected.  
See current year finding FS2008-04.

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

Finding No. FS2008-05  
Status: Not corrected.  
See current year finding FS2008-05.

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

Finding No. FS2008-06  
Status: Not corrected.  
See current year finding FS2008-06.

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

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

**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, 2009**

An exit conference was held on March 16, 2011, in a closed meeting, in which the contents of this report were discussed with the following.

**Town of Bernalillo**

Jack Torres, Mayor

Ida Fierro, Town Clerk

Juan Torres, Accountant

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

Corey Arvizu, Partner

(via conference call)

Melissa Spangler, Partner

Mike Hoerig, Audit Manager

(via conference call)