

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010**

**STATE OF NEW MEXICO
TOWN OF BERNALILLO**

<u>CONTENTS</u>	<u>Page</u>
OFFICIAL ROSTER	
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Required Supplementary Information)	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	24
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	30
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	31
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Community Development Fund	32
Statement of Net Assets – Proprietary Funds	33
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	34
Statement of Cash Flows – Proprietary Funds	35
Statement of Fiduciary Assets and Liabilities	36
Notes to Financial Statements	37

**STATE OF NEW MEXICO
TOWN OF BERNALILLO**

<u>CONTENTS (Cont'd)</u>	<u>Page</u>
SUPPLEMENTARY INFORMATION	
Other Major Governmental Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
2008 Revenue Bond Debt Service	58
Capital Projects	59
2008 Revenue Bond Capital Projects	60
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
Non-Major Special Revenue Funds:	
Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	66
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Fire Fund	69
Recreation Fund	70
Corrections Fund	71
Law Enforcement Fund	72
Gas Tax Fund	73
Lodger’s Tax Fund	74
Ambulance Fund	75
EMS Grant Fund	76
Rescue Fund	77
Proprietary Funds:	
Water and Sewer Fund	80
Housing Assistance Fund	81
Campground Fund	82
OTHER SUPPLEMENTAL INFORMATION	
Schedule of Changes in Assets and Liabilities – Agency Funds	84
Schedule of Pledged Collateral	85
Schedule of Deposit and Investment Accounts	86
Schedule of Joint Powers Agreements	87

**STATE OF NEW MEXICO
TOWN OF BERNALILLO**

<u>CONTENTS (Cont'd)</u>	<u>Page</u>
Combining Statement of Net Assets – All HUD Programs	88
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – All HUD Programs	89
 SINGLE AUDIT SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	93
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	95
Schedule of Expenditures of Federal Awards	97
Notes to Schedule of Expenditures of Federal Awards	98
Schedule of Findings and Questioned Costs	99
Summary Schedule of Prior Audit Findings	119
Exit Conference	121

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
OFFICIAL ROSTER
JUNE 30, 2010**

Board of Trustees

Jack Torres
Mayor

Marian A. Jaramillo
Town Councilor

Santiago Montoya
Town Councilor

Ronnie A. Sisneros
Town Councilor

Dale Prairie
Town Councilor

Administrative Officials

Juan Torres
Interim Town Treasurer

Ida Fierro
Town Clerk

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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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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 comparisons for the General Fund and major Special Revenue Fund of the Town of Bernalillo, New Mexico (Town), as of and for the year ended June 30, 2010, 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 capital project funds, debt service fund, enterprise funds and all nonmajor funds presented as Supplementary Information as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and major Special Revenue 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, 2010, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital project funds, debt service fund, 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 July 23, 2012, 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 13 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

July 23, 2012

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

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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

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 current fiscal year.

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 increased \$722,543 and business-type activities increased \$592,961. In total, the net change of \$1.3 million represents an increase of 13 percent from the prior year.
- General revenues from governmental activities accounted for \$8.9 million in revenue, or 83 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1.8 million or 17 percent of total governmental activities revenues. The Town had \$5.5 million of program revenues and \$118,037 in general revenues related to business-type activities.
- The Town had \$10.0 million in expenses related to governmental activities, a decrease of 23 percent from the prior fiscal year. The Town had \$5.0 million in expenses related to business-type activities a decrease of 18 percent from the prior fiscal year.
- The General Fund had \$7.5 million in revenues, which primarily consisted of municipal and state shared taxes. The total expenditures of the General Fund were \$7.2 million. The General Fund's fund balance decreased from a deficit of \$314,039 to a deficit of \$904,658.
- The Capital Projects Fund had \$2.0 million in revenues, consisting entirely of state and federal sources. Total expenditures of the Capital Projects Fund were \$2.7 million. The fund reported a deficit fund balance of \$712,285 at year end.
- The 2008 Revenue Bond Capital Projects Fund had \$42,307 in revenues, consisting entirely of investment income. The total expenditures of the 2008 Revenue Bond Capital Projects Fund were \$286,077. The 2008 Revenue Bond Capital Projects Fund's fund balance decreased approximately \$3.3 million.
- The Water and Sewer Fund operating revenues of \$3.2 million exceeded operating expenses of \$2.4 million. The Water and Sewer Fund's net assets increased from \$3.2 million to \$4.3 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

OVERVIEW OF FINANCIAL STATEMENTS (Cont'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, Community Development, 2008 Revenue Bond Debt Service, Capital Projects, and 2008 Revenue Bond Capital Projects Funds, all of which are considered to be the Town's major governmental funds. 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

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 and major Special Revenue Fund as a component of the fund financial statements within the basic financial statements.

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 \$11.3 million at current fiscal year end.

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, improvements other than buildings, 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, 2010 and June 30, 2009.

	2010	2009	2010	2009	2010 Total	2009 Total
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities		
Current and other assets	\$ 4,530,925	\$ 6,665,188	\$ 4,054,386	\$ 7,935,812	\$ 8,585,311	\$14,601,000
Capital assets, net	11,798,186	9,363,400	18,140,822	18,273,427	29,939,008	27,636,827
Total assets, net	<u>16,329,111</u>	<u>16,028,588</u>	<u>22,195,208</u>	<u>26,209,239</u>	<u>38,524,319</u>	<u>42,237,827</u>
Current and other liabilities	6,819,213	3,538,147	3,242,055	7,746,924	10,061,268	11,285,071
Long-term liabilities	3,811,399	7,514,485	12,689,895	13,446,251	16,501,294	20,960,736
Total liabilities	<u>10,630,612</u>	<u>11,052,632</u>	<u>15,931,950</u>	<u>21,193,175</u>	<u>26,562,562</u>	<u>32,245,807</u>
Invested in capital assets, net of related debt	9,137,574	6,393,979	5,011,307	4,489,680	14,148,881	10,883,659
Unrestricted	(3,439,075)	(1,418,023)	1,251,951	526,384	(2,187,124)	(891,639)
Total net assets	<u>\$ 5,698,499</u>	<u>\$ 4,975,956</u>	<u>\$ 6,263,258</u>	<u>\$ 5,016,064</u>	<u>\$ 11,961,757</u>	<u>\$ 9,992,020</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The Town's total revenues for the current fiscal year ended were \$16.3 million. The total cost of all programs and services was \$14.3 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

	2010 Governmental Activities	2009 Governmental Activities	2010 Business-type Activities	2009 Business-type Activities	2010 Total	2009 Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,542,411	\$ 639,088	\$ 3,548,708	\$ 3,861,467	\$ 5,091,119	\$ 4,500,555
Operating grants and contributions	236,790	867,048	1,931,094	673,778	2,167,884	1,540,826
Capital grants and contributions	2,410,652			1,250,149	2,410,652	1,250,149
General revenues:						
Property taxes, levied for general purposes	582,356	468,881			582,356	468,881
Gross receipts taxes	5,133,804	4,051,050			5,133,804	4,051,050
Franchise taxes	171,730	174,810			171,730	174,810
Unrestricted grants, aid, and state shared revenues	570,153	186,464	116,045	93,019	686,198	279,483
Investment income	50,542	198,804	1,992	6,872	52,534	205,676
Total revenues	<u>10,698,438</u>	<u>6,586,145</u>	<u>5,597,839</u>	<u>5,885,285</u>	<u>16,296,277</u>	<u>12,471,430</u>
Expenses:						
General government	3,396,019	5,703,279			3,396,019	5,703,279
Public safety	3,480,662	4,117,645			3,480,662	4,117,645
Public works	1,021,541	820,731			1,021,541	820,731
Culture and recreation	1,772,909	2,178,559			1,772,909	2,178,559
Interest on long-term debt	304,764	193,894			304,764	193,894
Water and sewer			2,932,432	5,034,474	2,932,432	5,034,474
Housing assistance			1,284,547	984,689	1,284,547	984,689
Campground			133,666	120,388	133,666	120,388
Total expenses	<u>9,975,895</u>	<u>13,014,108</u>	<u>4,350,645</u>	<u>6,139,551</u>	<u>14,326,540</u>	<u>19,153,659</u>
Changes in net assets	<u>\$ 722,543</u>	<u>\$ (6,427,963)</u>	<u>\$ 1,247,194</u>	<u>\$ (254,266)</u>	<u>\$ 1,969,737</u>	<u>(6,682,229)</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

Governmental and Business-type activities. The following table presents the cost of the Town's major 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.

	2010		2009	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 3,396,019	\$ (2,793,326)	\$ 5,703,279	\$ (5,217,788)
Public safety	3,480,662	(2,840,162)	4,117,645	(3,764,431)
Public works	1,021,541	1,474,268	820,731	(488,396)
Culture and recreation	1,772,909	(1,322,058)	2,178,559	(1,843,463)
Interest on long-term debt	304,764	(304,764)	193,894	(193,894)
Total	<u>\$ 9,975,895</u>	<u>(5,786,042)</u>	<u>\$ 13,014,108</u>	<u>\$(11,507,972)</u>
Business-type Activities				
Water and sewer	\$ 2,932,432	949,066	\$ 5,034,474	\$ (406,427)
Housing assistance	1,284,547	180,395	984,689	21,131
Campground	133,666	(304)	120,388	31,139
Total	<u>\$ 4,350,645</u>	<u>\$ 1,129,157</u>	<u>\$ 6,139,551</u>	<u>\$ (354,157)</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

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 deficit fund balance of \$1.7 million, a decrease of \$5.4 million.

The General Fund is the principal operating fund of the Town. The General Fund's fund balance decreased \$590,619 to a deficit of \$904,658.

The Community Development Fund's fund balance decreased \$627,770 to a deficit of \$1.3 million.

The 2008 Revenue Bond Capital Fund's fund balance decreased \$3.3 million to \$1.5 million.

Proprietary funds. Net assets of the Enterprise Funds increased \$1.2 million to \$6.3 million at year-end.

BUDGETARY HIGHLIGHTS

There were no amendments to the Town of Bernalillo's fiscal year 2009-10 operating and capital budget. A statement reporting the original and final budget amounts compared to the Town's actual financial activity for the General Fund is provided in this report as a basic financial statement.

The favorable variance of \$832,836 in General Fund revenues was mainly attributed to an unanticipated increase in miscellaneous revenues. Expenditures had an unfavorable variance of \$112,859 primarily due to more than expected increases in general government expenditures.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the Town had invested \$41.4 million in capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the current fiscal year was \$785,364.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2010 and June 30, 2009.

<u>Governmental Activities</u>	As of <u>June 30, 2010</u>	As of <u>June 30, 2009</u>
Land	\$ 260,810	\$ 264,808
Construction in progress	2,263,106	
Infrastructure	7,499,918	7,509,567
Buildings and improvements	4,189,196	3,972,034
Improvements other than buildings	1,038,278	1,038,278
Vehicles, machinery and equipment	3,159,083	2,736,987
Less: Accumulated depreciation	<u>(6,612,205)</u>	<u>(6,158,274)</u>
Total	<u><u>\$ 11,798,186</u></u>	<u><u>\$ 9,363,400</u></u>
<u>Business-type Activities</u>	As of <u>June 30, 2010</u>	As of <u>June 30, 2009</u>
Land	\$ 409,428	\$ 410,285
Construction in progress	12,706,096	12,721,886
Infrastructure	4,731,964	5,121,638
Buildings and improvements	4,443,355	4,192,217
Vehicles, furniture and equipment	719,198	673,536
Less: Accumulated depreciation	<u>(4,869,219)</u>	<u>(4,846,135)</u>
Total	<u><u>\$ 18,140,822</u></u>	<u><u>\$ 18,273,427</u></u>

Additional information on the Town's capital assets can be found in Note 4.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

Debt Administration. At year end, the Town had \$17.6 million in long-term debt outstanding, \$1.4 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, 2010 and June 30, 2009.

	Governmental Activities	
	2010	2009
Loans payable	\$ 141,958	\$ 159,426
Revenue bonds payable	4,150,000	7,795,000
Total	\$ 4,291,958	\$ 7,954,426
	Business-type Activities	
	2010	2009
Loans payable	\$ 3,612,817	\$ 3,765,575
Revenue bonds payable	9,728,306	10,246,518
Deferred bond premium	84,641	89,344
Total	\$ 13,425,764	\$ 14,101,437

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 \$6.5 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 2010-11 totals \$19.5 million, an increase of \$7.5 million or 63% more than fiscal year 2009-10. Stronger budgetary controls designed to capture all expenditures and expected projects are the primary reasons for the increase.

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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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 1,979,503	\$ 1,185,510	\$ 3,165,013
Investments		2,383,727	2,383,727
Accounts receivable		451,843	451,843
Due from federal government	1,162,138	15,293	1,177,431
Due from state government	955,463	21,726	977,189
Internal balances	312,076	(312,076)	
Prepaid items		7,713	7,713
Inventory		4,300	4,300
Total current assets	4,409,180	3,758,036	8,167,216
Noncurrent assets:			
Deferred bond issuance costs	121,745	296,350	418,095
Land	260,810	409,428	670,238
Infrastructure	7,499,918	4,731,964	12,231,882
Buildings and improvements	5,227,474	4,443,355	9,670,829
Vehicles, furniture and equipment	3,159,083	719,198	3,878,281
Construction in progress	2,263,106	12,706,096	14,969,202
Accumulated depreciation	(6,612,205)	(4,869,219)	(11,481,424)
Total noncurrent assets	11,919,931	18,437,172	30,357,103
Total assets	16,329,111	22,195,208	38,524,319
<u>LIABILITIES</u>			
Current liabilities:			
Overdraft of cash on deposit	4,786,503		4,786,503
Accounts payable	11,335	2,358,170	2,369,505
Accrued payroll	86,094	27,175	113,269
Accrued interest payable	905	47,057	47,962
Construction contracts payable	1,248,831		1,248,831
Compensated absences payable	102,441	14,745	117,186
Due to other governments		6,830	6,830
Customer deposits		15,247	15,247
Loans payable	18,104	158,152	176,256
Revenue bonds payable	565,000	614,679	1,179,679
Total current liabilities	6,819,213	3,242,055	10,061,268
Noncurrent liabilities:			
Non-current portion of long-term obligations	3,811,399	12,689,895	16,501,294
Total non-current liabilities	3,811,399	12,689,895	16,501,294
Total liabilities	10,630,612	15,931,950	26,562,562
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	9,137,574	5,011,307	14,148,881
Unrestricted	(3,439,075)	1,251,951	(2,187,124)
Total net assets	\$ 5,698,499	\$ 6,263,258	\$ 11,961,757

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental activities:					
General government	\$ 3,396,019	\$ 602,693	\$	\$	\$ (2,793,326)
Public safety	3,480,662	571,789	50,062	18,649	(2,840,162)
Public works	1,021,541	42,528	61,278	2,392,003	1,474,268
Culture and recreation	1,772,909	325,401	125,450		(1,322,058)
Interest on long-term debt	304,764				(304,764)
Total governmental activities	9,975,895	1,542,411	236,790	2,410,652	(5,786,042)
Business-type activities:					
Water and sewer	2,932,432	3,181,389	700,109		
Housing assistance	1,284,547	233,957	1,230,985		
Campground	133,666	133,362			
Total business-type activities	4,350,645	3,548,708	1,931,094		
Total primary government	\$ 14,326,540	\$ 5,091,119	\$ 2,167,884	\$ 2,410,652	(5,786,042)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					582,356
Gross receipts taxes					5,133,804
Franchise taxes					171,730
Unrestricted grants, aid and state shared revenues					570,153
Investment income					50,542
Total general revenues					6,508,585
Changes in net assets					722,543
Net assets, beginning of year					4,975,956
Net assets, end of year					\$ 5,698,499

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

Net (Expense) Revenue
and Changes in Net Assets

Business-type Activities	Totals
\$	\$ (2,793,326)
	(2,840,162)
	1,474,268
	(1,322,058)
	(304,764)
	(5,786,042)
949,066	949,066
180,395	180,395
(304)	(304)
1,129,157	1,129,157
1,129,157	(4,656,885)
	582,356
	5,133,804
	171,730
116,045	686,198
1,992	52,534
118,037	6,626,622
1,247,194	1,969,737
5,016,064	9,992,020
\$ 6,263,258	\$ 11,961,757

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FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General	Community Development	2008 Revenue Bond Debt Service
<u>ASSETS</u>			
Cash and cash equivalents	\$	\$	\$
Due from federal government			
Due from state government	955,463		
Due from other funds	749,951		
Total assets	\$ 1,705,414	\$	\$
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Overdraft of cash on deposit	\$ 2,540,297	\$ 1,071,662	\$
Accounts payable			
Accrued payroll	69,775	16,319	
Construction contracts payable			
Due to other funds		165,176	
Total liabilities	2,610,072	1,253,157	\$
Fund balances (deficits):			
Unreserved:			
Undesignated	(904,658)	(1,253,157)	
Unreserved reported in:			
Special revenue funds			
Total fund balances	(904,658)	(1,253,157)	\$
Total liabilities and fund balances	\$ 1,705,414	\$	\$

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

Capital Projects	2008 Revenue Bond Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
\$ 757,696	\$ 1,528,330	\$ 451,173	\$ 1,979,503
		404,442	1,162,138
			955,463
		80	750,031
<u>\$ 757,696</u>	<u>\$ 1,528,330</u>	<u>\$ 855,695</u>	<u>\$ 4,847,135</u>
\$ 230,972	\$	\$ 943,572	\$ 4,786,503
		11,335	11,335
			86,094
1,105,362		143,469	1,248,831
133,647		139,132	437,955
<u>1,469,981</u>		<u>1,237,508</u>	<u>6,570,718</u>
(712,285)	1,528,330		(1,341,770)
		(381,813)	(381,813)
<u>(712,285)</u>	<u>1,528,330</u>	<u>(381,813)</u>	<u>(1,723,583)</u>
<u>\$ 757,696</u>	<u>\$ 1,528,330</u>	<u>\$ 855,695</u>	<u>\$ 4,847,135</u>

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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total governmental fund balances		\$ (1,723,583)
<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	\$ 18,410,391	
Less accumulated depreciation	<u>(6,612,205)</u>	11,798,186
<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	(905)	
Loans payable	(141,958)	
Revenue bonds payable	(4,150,000)	
Compensated absences payable	<u>(186,257)</u>	(4,479,120)
<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>103,016</u>
Net assets of governmental activities		<u><u>\$ 5,698,499</u></u>

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	General	Community Development	2008 Revenue Bond Debt Service
Revenues:			
Property taxes	\$ 582,356	\$	\$
Municipal and state shared taxes	5,138,518		
Intergovernmental	311,327	64,373	
Charges for services	24,508	32,520	
Licenses and permits	162,903		
Fines and forfeits	145,069		
Franchise fees	171,730		
Contributions and donations	305		
Investment income	8,235		
Other revenues	923,310	132,509	
Total revenues	<u>7,468,261</u>	<u>229,402</u>	
Expenditures:			
Current -			
General government	2,569,484		
Public safety	2,858,302		
Public works	245,398		
Culture and recreation	643,804	857,172	
Capital outlay	884,443		
Debt service -			
Principal			3,662,468
Interest and fiscal charges			294,981
Total expenditures	<u>7,201,431</u>	<u>857,172</u>	<u>3,957,449</u>
Excess (deficiency) of revenues over expenditures	<u>266,830</u>	<u>(627,770)</u>	<u>(3,957,449)</u>
Other financing sources (uses):			
Transfers in			3,957,449
Transfers out	(857,449)		
Total other financing sources (uses)	<u>(857,449)</u>		<u>3,957,449</u>
Changes in fund balances	<u>(590,619)</u>	<u>(627,770)</u>	
Fund balances (deficits), beginning of year	(314,039)	(625,387)	
Fund balances (deficits), end of year	<u>\$ (904,658)</u>	<u>\$ (1,253,157)</u>	<u>\$</u>

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

<u>Capital Projects</u>	<u>2008 Revenue Bond Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$	\$ 582,356
		254,112	5,392,630
1,975,889		607,180	2,958,769
			57,028
			162,903
		60,419	205,488
			171,730
			305
	42,307		50,542
		60,868	1,116,687
<u>1,975,889</u>	<u>42,307</u>	<u>982,579</u>	<u>10,698,438</u>
	125,782	76,421	2,771,687
	92,588	110,988	3,061,878
	18,939	755,538	1,019,875
	48,768	30,823	1,580,567
2,688,174		143,469	3,716,086
			3,662,468
			294,981
<u>2,688,174</u>	<u>286,077</u>	<u>1,117,239</u>	<u>16,107,542</u>
<u>(712,285)</u>	<u>(243,770)</u>	<u>(134,660)</u>	<u>(5,409,104)</u>
			3,957,449
	(3,100,000)		(3,957,449)
	<u>(3,100,000)</u>		
<u>(712,285)</u>	<u>(3,343,770)</u>	<u>(134,660)</u>	<u>(5,409,104)</u>
	4,872,100	(247,153)	3,685,521
<u>\$ (712,285)</u>	<u>\$ 1,528,330</u>	<u>\$ (381,813)</u>	<u>\$ (1,723,583)</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Net changes in fund balances - total governmental funds **\$ (5,409,104)**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

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.

Expenditures for capitalized assets	\$ 2,902,364	
Less current year depreciation	<u>(459,744)</u>	2,442,620

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.

Loan retirement	17,468	
Revenue bond retirement	<u>3,645,000</u>	3,662,468

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.

Loss on disposal of capital assets	(7,834)	
Amortization of deferred bond items	(9,889)	
Accrued interest	106	
Compensated absences	<u>44,176</u>	<u>26,559</u>

Change in net assets in governmental activities **\$ 722,543**

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 350,000	\$ 350,000	\$ 582,356	\$ 232,356
Municipal and state shared taxes	4,884,816	4,884,816	5,138,518	253,702
Intergovernmental	565,074	565,074	311,327	(253,747)
Charges for services	20,468	20,468	24,508	4,040
Licenses and permits	177,349	177,349	162,903	(14,446)
Fines and forfeits	215,035	215,035	145,069	(69,966)
Franchise fees	185,300	185,300	171,730	(13,570)
Contributions and donations	8,222	8,222	305	(7,917)
Investment income	96,642	96,642	8,235	(88,407)
Other revenues	132,519	132,519	923,310	790,791
Total revenues	<u>6,635,425</u>	<u>6,635,425</u>	<u>7,468,261</u>	<u>832,836</u>
Expenditures:				
Current -				
General government	2,410,102	2,464,432	2,569,484	(105,052)
Public safety	2,709,499	2,822,433	2,858,302	(35,869)
Public works	270,361	272,885	245,398	27,487
Culture and recreation	682,989	688,081	643,804	44,277
Capital outlay	331,580	840,741	884,443	(43,702)
Total expenditures	<u>6,404,531</u>	<u>7,088,572</u>	<u>7,201,431</u>	<u>(112,859)</u>
Excess (deficiency) of revenues over expenditures	<u>230,894</u>	<u>(453,147)</u>	<u>266,830</u>	<u>719,977</u>
Other financing sources (uses):				
Transfers out			(857,449)	(857,449)
Total other financing sources (uses)			<u>(857,449)</u>	<u>(857,449)</u>
Change in fund balances	<u>230,894</u>	<u>(453,147)</u>	<u>(590,619)</u>	<u>(137,472)</u>
Fund balances (deficits), July 1, 2009			(314,039)	(314,039)
Fund balances (deficits), June 30, 2010	<u>\$ 230,894</u>	<u>\$ (453,147)</u>	<u>\$ (904,658)</u>	<u>\$ (451,511)</u>

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 262,019	\$ 64,373	\$ (197,646)
Charges for services	319,009	32,520	(286,489)
Other revenues	129,448	132,509	3,061
Total revenues	<u>710,476</u>	<u>229,402</u>	<u>(481,074)</u>
Expenditures:			
Current -			
Culture and recreation	838,587	857,172	(18,585)
Total expenditures	<u>838,587</u>	<u>857,172</u>	<u>(18,585)</u>
Change in fund balances	<u>(128,111)</u>	<u>(627,770)</u>	<u>(499,659)</u>
Fund balances (deficits), July 1, 2009		(625,387)	(625,387)
Fund balances (deficits), June 30, 2010	<u>\$ (128,111)</u>	<u>\$ (1,253,157)</u>	<u>\$ (1,125,046)</u>

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010**

Enterprise Funds

ASSETS

Current assets:

	Water and Sewer	Housing Assistance	Non-Major Enterprise Fund	Total
Cash and cash equivalents	\$ 738,497	\$ 397,425	\$ 49,588	\$ 1,185,510
Investments	2,383,727			2,383,727
Accounts receivable	374,118	77,725		451,843
Due from federal government		15,293		15,293
Due from state government	21,726			21,726
Due from other funds	209,906			209,906
Prepaid items		7,713		7,713
Inventory		4,300		4,300
Total current assets	3,727,974	502,456	49,588	4,280,018

Noncurrent assets:

Deferred bond issuance costs	296,350			296,350
Land	377,428	32,000		409,428
Infrastructure	4,731,964			4,731,964
Buildings and improvements	87,742	4,355,613		4,443,355
Vehicles, furniture and equipment	628,993	79,001	11,204	719,198
Construction in progress	12,705,670	426		12,706,096
Accumulated depreciation	(2,180,065)	(2,682,618)	(6,536)	(4,869,219)
Total noncurrent assets	16,648,082	1,784,422	4,668	18,437,172
Total assets	20,376,056	2,286,878	54,256	22,717,190

LIABILITIES

Current liabilities:

Accounts payable	2,327,252	30,918		2,358,170
Accrued payroll	14,252	11,107	1,816	27,175
Accrued interest payable	47,057			47,057
Compensated absences payable	7,233	6,569	943	14,745
Due to other governments		6,830		6,830
Due to other funds	267,708	251,961	2,313	521,982
Deposits held for others	2,582	12,665		15,247
Loans payable	158,152			158,152
Revenue bonds payable	614,679			614,679
Total current liabilities	3,438,915	320,050	5,072	3,764,037

Noncurrent liabilities:

Non-current portion of long-term obligations	12,681,963	4,159	3,773	12,689,895
Total non-current liabilities	12,681,963	4,159	3,773	12,689,895
Total liabilities	16,120,878	324,209	8,845	16,453,932

NET ASSETS

Invested in capital assets, net of related debt	3,222,217	1,784,422	4,668	5,011,307
Unrestricted	1,032,961	178,247	40,743	1,251,951
Total net assets	\$ 4,255,178	\$ 1,962,669	\$ 45,411	\$ 6,263,258

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Enterprise Funds			
	Water and Sewer	Housing Assistance	Non-Major Enterprise Fund	Total
Operating revenues:				
Charges for services	\$ 3,181,389	\$ 233,957	\$ 133,362	\$ 3,548,708
Total operating revenues	<u>3,181,389</u>	<u>233,957</u>	<u>133,362</u>	<u>3,548,708</u>
Operating expenses:				
Payroll and benefits	843,377	239,055	84,908	1,167,340
Supplies and services	1,323,209	299,530	47,358	1,670,097
Housing assistance payments		639,080		639,080
Depreciation	217,338	106,882	1,400	325,620
Total operating expenses	<u>2,383,924</u>	<u>1,284,547</u>	<u>133,666</u>	<u>3,802,137</u>
Operating income (loss)	<u>797,465</u>	<u>(1,050,590)</u>	<u>(304)</u>	<u>(253,429)</u>
Nonoperating revenues (expenses):				
Municipal and state shared taxes	116,045			116,045
Intergovernmental	919	1,217,293		1,218,212
Investment income	41	1,951		1,992
Other revenues	699,190	13,692		712,882
Interest expense	(548,508)			(548,508)
Total nonoperating revenues (expenses)	<u>267,687</u>	<u>1,232,936</u>		<u>1,500,623</u>
Changes in net assets	<u>1,065,152</u>	<u>182,346</u>	<u>(304)</u>	<u>1,247,194</u>
Total net assets, beginning of year	3,190,026	1,780,323	45,715	5,016,064
Total net assets, end of year	<u>\$ 4,255,178</u>	<u>\$ 1,962,669</u>	<u>\$ 45,411</u>	<u>\$ 6,263,258</u>

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010**

	Enterprise Funds			Totals
	Water and Sewer	Housing Assistance	Non-major Enterprise	
<u>Decrease In Cash and Cash Equivalents</u>				
Cash flows from operating activities:				
Cash received from customers	\$ 3,562,365	\$ 277,331	\$ 133,362	\$ 3,973,058
Cash payments to suppliers for goods and services	(5,591,201)	(901,185)	(49,442)	(6,541,828)
Cash payments to employees for services	(869,429)	(239,055)	(86,839)	(1,195,323)
Net cash used for operating activities	(2,898,265)	(862,909)	(2,919)	(3,764,093)
Cash flows from noncapital and related financing activities:				
Intergovernmental revenues	116,964	1,217,293		1,334,257
Miscellaneous revenues	769,911	13,692	375	783,978
Interfund borrowing	57,802	(452,650)	2,313	(392,535)
Net cash provided by noncapital financing activities	944,677	778,335	2,688	1,725,700
Cash flows from capital and related financing activities:				
Principal paid on bonds and loans	(670,870)			(670,870)
Interest paid on bonds and loans	(548,508)			(548,508)
Acquisition and construction of capital assets		(253,401)		(253,401)
Net cash used for capital and related financing activities	(1,219,378)	(253,401)		(1,472,779)
Cash flows from investing activities:				
Interest on investments	41	1,951		1,992
Net cash provided by investing activities	41	1,951		1,992
Net decrease in cash and cash equivalents	(3,172,925)	(336,024)	(231)	(3,509,180)
Cash and cash equivalents, July 1, 2009	6,295,149	733,449	49,819	7,078,417
Cash and cash equivalents, June 30, 2010	\$ 3,122,224	\$ 397,425	\$ 49,588	\$ 3,569,237
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Operating income (loss)	\$ 797,465	\$ (1,050,590)	\$ (304)	\$ (253,429)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	217,338	106,882	1,400	325,620
Changes in assets and liabilities:				
Decrease in accounts receivable	716,334	61,069		777,403
Increase in due from federal government		(15,293)		(15,293)
(Increase) Decrease in due from state government	(21,726)			(21,726)
Decrease in prepaid items		3,057		3,057
Increase (decrease) in accounts payable	(4,267,992)	27,317	(2,084)	(4,242,759)
Increase (decrease) in accrued payroll and employee benefits	(8)	2,271	219	2,482
Decrease in compensated absences payable	(26,044)	(2,050)	(2,150)	(30,244)
Increase in due to other governments		6,830		6,830
Increase in deposits held for others	2,582	436		3,018
Decrease in unearned revenues	(316,214)	(2,838)		(319,052)
Total adjustments	(3,695,730)	187,681	(2,615)	(3,510,664)
Net cash provided by (used for) operating activities	\$ (2,898,265)	\$ (862,909)	\$ (2,919)	\$ (3,764,093)

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2010**

	<u>Agency</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 114,407
Total assets	<u>\$ 114,407</u>
<u>LIABILITIES</u>	
Deposits held for others	114,407
Total liabilities	<u>\$ 114,407</u>

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Town's significant accounting policies are described below.

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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.

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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

Property taxes recognized are net of estimated refunds and uncollectible amounts. Delinquent property taxes have been recorded as deferred revenue. Delinquent property taxes and other receivables that will not be collected within the available period have 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.

Community Development Fund – This fund accounts for funds used for the New Mexico Wine Festival and other activities to promote Community Development.

2008 Revenue Bond Debt Service Fund – This fund accounts for the debt service payments related to the 2008 Revenue Bond

Capital Projects Fund – This fund accounts for various capital projects in progress by the Town.

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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. 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.

F. 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.

G. Prepaid Items

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

H. 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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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.

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

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

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

I. 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.

J. 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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.

K. 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 year end, the Town had no reservations of fund balance in the governmental funds.

L. 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.

M. 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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.

N. 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.

O. 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, 2010 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 major and non-major funds reported deficits in fund balance.

	<u>Deficit</u>
Major Funds:	
General	\$ 904,658
Community Development	1,253,157
Capital Projects	712,285
Non-Major Governmental Funds:	
Law Enforcement	16,212
Gas Tax	520,010
Rescue	271,659

The deficits arose because of operations during the year and prior years. Additional revenues received in fiscal year 2010-11 are expected to eliminate the deficits.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concl'd)

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	\$ 7,088,572	\$ 8,058,880	\$ (970,308)
Community Development	838,587	857,172	(18,585)
2008 Revenue Bond Debt Service		3,957,449	(3,957,449)
Capital Projects		2,688,174	(2,688,174)
2008 Revenue Bond Capital Projects		286,077	(286,077)
Non-Major Governmental Funds:			
Recreation	21,000	30,823	(9,823)
Corrections		2,304	(2,304)
Law Enforcement		30,292	(30,292)
Gas Tax	402,000	899,007	(497,007)
Proprietary Fund:			
Housing Assistance		1,177,665	(1,177,665)

NOTE 3 – CASH AND INVESTMENTS

At year end, the carrying amount of the Town's deposits was \$3,279,420 and the bank balance was \$3,097,589. 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, \$569,227 of the Town's deposits were covered by Federal depository insurance, \$924,344 were guaranteed under the transaction account guarantee component of the Temporary Liquidity Guarantee Program, and \$1,604,018 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	\$ 3,097,589
Less FDIC coverage and Temporary Liquidity Guarantee Program	1,493,571
Total unsecured public funds	1,604,018
50% collateral requirement	802,009
Pledged securities, fair value	5,920,914
Pledged in excess of requirement	<u>\$ 5,118,905</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 – CASH AND INVESTMENTS (Concl'd)

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	\$ 706,214	\$ 706,214	\$
Municipal bond:			
Town of Bernalillo, Series 2008	1,677,513		1,677,513
	<u>\$ 2,383,727</u>	<u>\$ 706,214</u>	<u>\$ 1,677,513</u>

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 70% of the Town's investments.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 – CAPITAL ASSETS

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

<u>Governmental Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 264,808	\$	\$ 3,998	\$ 260,810
Construction in progress		2,263,106		2,263,106
Total capital assets, not being depreciated	<u>264,808</u>	<u>2,263,106</u>	<u>3,998</u>	<u>2,523,916</u>
Capital assets, being depreciated:				
Infrastructure	7,509,567		9,649	7,499,918
Buildings and improvements	3,972,034	217,162		4,189,196
Improvements other than buildings	1,038,278			1,038,278
Vehicles, furniture and equipment	2,736,987	422,096		3,159,083
Total capital assets being depreciated	<u>15,256,866</u>	<u>639,258</u>	<u>9,649</u>	<u>15,886,475</u>
Less accumulated depreciation for:				
Infrastructure	(2,933,661)	(148,547)	(5,813)	(3,076,395)
Buildings and improvements	(1,214,158)	(74,106)		(1,288,264)
Improvements other than buildings	(155,413)	(20,631)		(176,044)
Vehicles, furniture and equipment	(1,855,042)	(216,460)		(2,071,502)
Total accumulated depreciation	<u>(6,158,274)</u>	<u>(459,744)</u>	<u>(5,813)</u>	<u>(6,612,205)</u>
Total capital assets, being depreciated, net	<u>9,098,592</u>	<u>179,514</u>	<u>3,836</u>	<u>9,274,270</u>
Governmental activities capital assets, net	<u>\$ 9,363,400</u>	<u>\$ 2,442,62</u>	<u>\$ 7,834</u>	<u>\$ 11,798,186</u>
<u>Business-type Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 410,285	\$	\$ 857	\$ 409,428
Construction in process	12,721,886	238,734	254,524	12,706,096
Total capital assets, not being depreciated	<u>13,132,171</u>	<u>238,734</u>	<u>255,381</u>	<u>13,115,524</u>
Capital assets, being depreciated:				
Infrastructure	5,121,638		389,674	4,731,964
Buildings and improvements	4,192,217	255,620	4,482	4,443,355
Vehicles, furniture and equipment	673,536	45,662		719,198
Total capital assets being depreciated	<u>9,987,391</u>	<u>301,282</u>	<u>394,156</u>	<u>9,894,517</u>
Less accumulated depreciation for:				
Infrastructure	(1,926,452)	(152,961)	(298,550)	(1,780,863)
Buildings and improvements	(2,566,709)	(103,108)	(3,986)	(2,665,831)
Vehicles, furniture and equipment	(352,974)	(69,551)		(422,525)
Total accumulated depreciation	<u>(4,846,135)</u>	<u>(325,620)</u>	<u>(302,536)</u>	<u>(4,869,219)</u>
Total capital assets, being depreciated, net	<u>5,141,256</u>	<u>(24,338)</u>	<u>91,620</u>	<u>5,025,298</u>
Governmental activities capital assets, net	<u>\$ 18,273,427</u>	<u>\$ 214,396</u>	<u>\$ 347,001</u>	<u>\$ 18,140,822</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 – CAPITAL ASSETS (Concl'd)

Depreciation expense was charged to functions/programs as follows.

Governmental Activities:	
General government	\$ 257,832
Public safety	139,210
Culture and recreation	<u>62,702</u>
Total depreciation expense – governmental activities	<u>459,744</u>
 Business-Type Activities:	
Water and sewer	\$ 217,338
Housing assistance	106,882
Campground	<u>1,400</u>
Total depreciation expense – business-type activities	<u>\$ 325,620</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, 2010, are presented below.

<u>Purpose</u>	<u>Interest Rates (Including Fees)</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2010</u>	<u>Due Within One Year</u>
Governmental activities:				
NMFA Loan (Fire Truck)	3.82%	5/1/11-17	\$ 141,958	\$ 18,104
Total			<u>\$ 141,958</u>	<u>\$ 18,104</u>
 Business-type activities:				
San Juan-Chama Project	3.05%	9/1/10-22	\$ 126,320	\$ 8,071
Arsenic Removal Loan	3.88%	5/1/11-27	3,149,502	135,575
Land Purchase Loan	3.88%	5/1/11-27	<u>336,995</u>	<u>14,506</u>
Total			<u>\$ 3,612,817</u>	<u>\$ 158,152</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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.

		<u>Governmental Activities</u>	
		<u>Principal</u>	<u>Interest</u>
Year ending June 30:			
	2011	\$ 18,104	\$ 5,432
	2012	18,768	4,770
	2013	19,468	4,070
	2014	20,204	3,338
	2015	20,978	2,566
	2016-17	44,436	2,658
Total		<u>\$ 141,958</u>	<u>\$ 22,834</u>
		 <u>Business-type Activities</u>	
		<u>Principal</u>	<u>Interest</u>
Year ending June 30:			
	2011	\$ 158,152	\$ 137,899
	2012	163,860	132,207
	2013	169,805	126,276
	2014	175,981	120,115
	2015	182,434	113,676
	2016-20	1,019,775	461,040
	2021-25	1,206,404	251,080
	2026-27	536,506	32,348
Total		<u>\$ 3,612,917</u>	<u>\$ 1,374,641</u>

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010</u>	<u>Due Within One Year</u>
Governmental activities:					
Revenue Bonds, 2008	\$ 8,125,000	3.25-4.95%	6/1/11-21	\$ 4,150,000	\$ 565,000
Total				<u>\$ 4,150,000</u>	<u>\$ 565,000</u>
Business-type activities:					
Refunding Revenue Bonds, 2005	\$ 2,938,111	4.07%	6/1/11-15	\$ 1,628,306	\$ 304,679
Revenue Bonds, 2006	8,775,000	3.05%	6/1/11-28	8,100,000	310,000
Total				<u>9,728,306</u>	<u>\$ 614,679</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>
	2011	\$ 565,000	\$ 315,180
	2012	585,000	295,405
	2013	610,000	272,005
	2014		
	2015		
	2016-20	1,960,000	260,176
	2021	430,000	21,285
Total		<u>\$ 4,150,000</u>	<u>\$ 1,164,051</u>
		<u>Business-type Activities</u>	
<u>Year ending June 30:</u>		<u>Principal</u>	<u>Interest</u>
	2011	\$ 614,679	\$ 405,404
	2012	635,588	380,604
	2013	662,714	354,960
	2014	690,212	327,386
	2015	705,113	298,662
	2016-20	2,070,000	1,178,026
	2021-25	2,550,000	701,492
	2026-28	1,800,000	153,012
Total		<u>\$ 9,728,306</u>	<u>\$ 3,799,546</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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
Governmental Activities:					
Loans payable	\$ 159,426	\$	\$ 17,468	\$ 141,958	\$ 18,104
Revenue bonds payable	7,795,000		3,645,000	4,150,000	565,000
Compensated absences	230,433		44,176	186,257	102,441
Total	<u>\$ 8,184,859</u>	<u>\$</u>	<u>\$ 3,706,644</u>	<u>\$ 4,478,215</u>	<u>\$ 685,545</u>
Business-type Activities:					
Loans payable	\$ 3,765,575	\$	\$ 152,658	\$ 3,612,917	\$ 158,152
Revenue bonds payable	10,246,518		518,212	9,728,306	614,679
Compensated absences	83,170		42,291	51,606	36,862
Total	<u>\$ 14,095,263</u>	<u>\$</u>	<u>\$ 713,161</u>	<u>\$ 13,392,829</u>	<u>\$ 809,693</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
	General Fund	Non-Major Governmental Funds	Water and Sewer Fund	
Community Development Fund	\$ 88,837	\$	\$ 76,339	\$ 165,176
Capital Projects Fund		80	133,567	133,647
Non-Major Governmental Funds	139,132			139,132
Water and Sewer Fund	267,708			267,708
Housing Assistance Fund	251,961			251,961
Non-Major Enterprise Fund	2,313			2,313
Total	<u>\$ 749,951</u>	<u>\$ 80</u>	<u>\$ 209,906</u>	<u>\$ 959,937</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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

Transfers of \$857,449 from the General Fund and \$3,100,000 from the 2008 Revenue Bond Capital Projects Fund to the 2008 Revenue Bond Debt Service Fund were for the purpose of retirement of long-term debt.

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, 2010; however, the Town expects no material disallowance of expenditures.

Lawsuits – The Town is a defendant in a number of lawsuits as of June 30, 2010. It is the opinion of management and Town counsel that the amount of losses resulting from these litigations at June 30, 2010, 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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.

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 in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Town's contributions to PERA for the years ended 2010, 2009, and 2008, were \$693,761, \$866,085, and \$636,808, respectively, which were equal to the amount of the required contributions for each year.

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

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

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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

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

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. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows.

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2011	1.666%	0.833%
2012	1.834	0.917
2013	2.000	1.000

Also, 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, 2010, 2009 and 2008 were \$41,692, \$59,055, and \$43,132, respectively, which equal the required contributions for each year.

SUPPLEMENTARY INFORMATION

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - 2008 REVENUE BOND DEBT SERVICE
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Expenditures:			
Debt service -	\$	\$	\$
Principal		3,662,468	(3,662,468)
Interest and fiscal charges		294,981	(294,981)
Total expenditures		<u>3,957,449</u>	<u>(3,957,449)</u>
 Excess (deficiency) of revenues over expenditures		<u>(3,957,449)</u>	<u>(3,957,449)</u>
 Other financing sources (uses):			
Transfers in		3,957,449	3,957,449
Total other financing sources (uses)		<u>3,957,449</u>	<u>3,957,449</u>
 Change in fund balances			
 Fund balances, July 1, 2009			
 Fund balances, June 30, 2010	<u>\$</u>	<u>\$</u>	<u>\$</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$	\$ 1,975,889	\$ 1,975,889
Total revenues		1,975,889	1,975,889
Expenditures:			
Capital outlay		2,688,174	(2,688,174)
Total expenditures		2,688,174	(2,688,174)
Change in fund balances		(712,285)	(712,285)
Fund balances, July 1, 2009			
Fund balances (deficits), June 30, 2010	\$	\$ (712,285)	\$ (712,285)

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - 2008 REVENUE BOND CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Investment income	\$	\$ 42,307	\$ 42,307
Total revenues		<u>42,307</u>	<u>42,307</u>
Expenditures:			
Current -			
General government		125,782	(125,782)
Public safety		92,588	(92,588)
Public works		18,939	(18,939)
Culture and recreation		48,768	(48,768)
Total expenditures		<u>286,077</u>	<u>(286,077)</u>
Excess (deficiency) of revenues over expenditures		<u>(243,770)</u>	<u>(243,770)</u>
Other financing sources (uses):			
Transfers out		(3,100,000)	(3,100,000)
Total other financing sources (uses)		<u>(3,100,000)</u>	<u>(3,100,000)</u>
Change in fund balances		<u>(3,343,770)</u>	<u>(3,343,770)</u>
Fund balances, July 1, 2009		4,872,100	4,872,100
Fund balances, June 30, 2010	<u>\$</u>	<u>\$ 1,528,330</u>	<u>\$ 1,528,330</u>

**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS
AND SCHEDULES**

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NON-MAJOR SPECIAL REVENUE FUNDS

Fire – to account for the operation and maintenance of the fire department, pursuant to Section 59A-53 of New Mexico Annotated (NMSA) 1978.

Recreation – to account for the operation and maintenance of the town’s recreation and park facilities, pursuant to Section 7-12-15 NMSA 1978. 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 and 33-3-25 of NMSA 1978.

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 Section 7-24A, NMSA 1978.

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 funds received to be used in the operation of the Town’s emergency medical services (EMS) pursuant to Section 24-10A NMSA 1978.

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010**

	Fire	Recreation	Corrections	Law Enforcement
<u>ASSETS</u>				
Cash and cash equivalents	\$ 29,422	\$ 134,780	\$ 168,820	\$
Due from federal government				
Due from other funds				
Total assets	\$ 29,422	\$ 134,780	\$ 168,820	\$
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Overdraft of cash on deposit	\$	\$	\$	\$ 15,283
Accounts payable	5,383	4,464		929
Construction contracts payable				
Due to other funds				
Total liabilities	5,383	4,464		16,212
Fund balances (deficits):				
Unreserved:				
Undesignated	24,039	130,316	168,820	(16,212)
Total fund balances	24,039	130,316	168,820	(16,212)
Total liabilities and fund balances	\$ 29,422	\$ 134,780	\$ 168,820	\$

<u>Gas Tax</u>	<u>Lodger's Tax</u>	<u>Ambulance</u>	<u>EMS Grant</u>	<u>Rescue</u>	<u>Totals</u>
\$ 15,338	\$ 87,032	\$ 2,184	\$ 13,597	\$	\$ 451,173
404,442					404,442
	80				80
<u>\$ 419,780</u>	<u>\$ 87,112</u>	<u>\$ 2,184</u>	<u>\$ 13,597</u>	<u>\$</u>	<u>\$ 855,695</u>
\$ 770,660	\$	\$	\$	\$ 157,629	\$ 943,572
				559	11,335
143,469					143,469
25,661				113,471	139,132
<u>939,790</u>	<u></u>	<u></u>	<u></u>	<u>271,659</u>	<u>1,237,508</u>
(520,010)	87,112	2,184	13,597	(271,659)	(381,813)
<u>(520,010)</u>	<u>87,112</u>	<u>2,184</u>	<u>13,597</u>	<u>(271,659)</u>	<u>(381,813)</u>
<u>\$ 419,780</u>	<u>\$ 87,112</u>	<u>\$ 2,184</u>	<u>\$ 13,597</u>	<u>\$</u>	<u>\$ 855,695</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010**

	Fire	Recreation	Corrections
Revenues:			
Municipal and state shared taxes	\$	\$ 2,366	\$
Intergovernmental	50,062	61,077	
Fines and forfeits			60,419
Other revenues		49,035	
Total revenues	50,062	112,478	60,419
Expenditures:			
Current -			
General government			
Public safety	26,023		2,304
Public works			
Culture and recreation		30,823	
Capital outlay			
Total expenditures	26,023	30,823	2,304
Change in fund balances	24,039	81,655	58,115
Fund balances (deficits), beginning of year		48,661	110,705
Fund balances (deficits), end of year	\$ 24,039	\$ 130,316	\$ 168,820

Law Enforcement	Gas Tax	Lodger's Tax	Ambulance	EMS Grant	Rescue
\$ 18,649	\$ 158,932	\$ 92,814	\$	\$	\$
	477,392				
11,253				580	
29,902	636,324	92,814		580	
30,292		76,421			52,369
	755,538				
	143,469				
30,292	899,007	76,421			52,369
(390)	(262,683)	16,393		580	(52,369)
(15,822)	(257,327)	70,719	2,184	13,017	(219,290)
\$ (16,212)	\$ (520,010)	\$ 87,112	\$ 2,184	\$ 13,597	\$ (271,659)

(Continued)

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010
(Concluded)**

	Totals
Revenues:	
Municipal and state shared taxes	\$ 254,112
Intergovernmental	607,180
Fines and forfeits	60,419
Other revenues	60,868
Total revenues	982,579
 Expenditures:	
Current -	
General government	76,421
Public safety	110,988
Public works	755,538
Culture and recreation	30,823
Capital outlay	143,469
Total expenditures	1,117,239
 Change in fund balances	 (134,660)
 Fund balances (deficits), beginning of year	 (247,153)
 Fund balances (deficits), end of year	 \$ (381,813)

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FIRE
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 55,051	\$ 55,051	\$ 50,062	\$ (4,989)
Total revenues	<u>55,051</u>	<u>55,051</u>	<u>50,062</u>	<u>(4,989)</u>
Expenditures:				
Current -				
Public safety	32,000	29,434	26,023	3,411
Total expenditures	<u>32,000</u>	<u>29,434</u>	<u>26,023</u>	<u>3,411</u>
Change in fund balances	<u>23,051</u>	<u>25,617</u>	<u>24,039</u>	<u>(1,578)</u>
Fund balances, July 1, 2009				
Fund balances, June 30, 2010	<u>\$ 23,051</u>	<u>\$ 25,617</u>	<u>\$ 24,039</u>	<u>\$ (1,578)</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - RECREATION
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Municipal and state shared taxes	\$	\$ 2,366	\$ 2,366
Intergovernmental		61,077	61,077
Other revenues	18,824	49,035	30,211
Total revenues	<u>18,824</u>	<u>112,478</u>	<u>93,654</u>
Expenditures:			
Current -			
Culture and recreation	21,000	30,823	(9,823)
Total expenditures	<u>21,000</u>	<u>30,823</u>	<u>(9,823)</u>
Change in fund balances	<u>(2,176)</u>	<u>81,655</u>	<u>83,831</u>
Fund balances, July 1, 2009		48,661	48,661
Fund balances (deficits), June 30, 2010	<u>\$ (2,176)</u>	<u>\$ 130,316</u>	<u>\$ 132,492</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CORRECTIONS
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Fines and forfeits	\$	\$ 60,419	\$ 60,419
Total revenues		60,419	60,419
Expenditures:			
Current -			
Public safety		2,304	(2,304)
Total expenditures		2,304	(2,304)
Change in fund balances		58,115	58,115
Fund balances, July 1, 2009		110,705	110,705
Fund balances, June 30, 2010	\$	\$ 168,820	\$ 168,820

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$	\$ 18,649	\$ 18,649
Other revenues		11,253	11,253
Total revenues		<u>29,902</u>	<u>29,902</u>
Expenditures:			
Current -			
Public safety		30,292	(30,292)
Total expenditures		<u>30,292</u>	<u>(30,292)</u>
Change in fund balances		<u>(390)</u>	<u>(390)</u>
Fund balances (deficits), July 1, 2009		(15,822)	(15,822)
Fund balances (deficits), June 30, 2010	<u>\$</u>	<u>\$ (16,212)</u>	<u>\$ (16,212)</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAS TAX
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Municipal and state shared taxes	\$ 162,000	\$ 158,932	\$ (3,068)
Intergovernmental	240,000	477,392	237,392
Total revenues	<u>402,000</u>	<u>636,324</u>	<u>234,324</u>
Expenditures:			
Current -			
Public works	402,000	755,538	(353,538)
Capital outlay		143,469	(143,469)
Total expenditures	<u>402,000</u>	<u>899,007</u>	<u>(497,007)</u>
Change in fund balances		<u>(262,683)</u>	<u>(262,683)</u>
Fund balances (deficits), July 1, 2009		(257,327)	(257,327)
Fund balances (deficits), June 30, 2010	<u>\$</u>	<u>\$ (520,010)</u>	<u>\$ (520,010)</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LODGER'S TAX
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Municipal and state shared taxes	\$ 120,300	\$ 92,814	\$ (27,486)
Total revenues	<u>120,300</u>	<u>92,814</u>	<u>(27,486)</u>
Expenditures:			
Current -			
General government	120,300	76,421	43,879
Total expenditures	<u>120,300</u>	<u>76,421</u>	<u>43,879</u>
Change in fund balances		<u>16,393</u>	<u>16,393</u>
Fund balances, July 1, 2009		70,719	70,719
Fund balances, June 30, 2010	<u>\$</u>	<u>\$ 87,112</u>	<u>\$ 87,112</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - AMBULANCE
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Change in fund balances	\$	\$	\$
Total revenues			
Fund balances, July 1, 2009		2,184	2,184
Fund balances, June 30, 2010	<u>\$</u>	<u>\$ 2,184</u>	<u>\$ 2,184</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - EMS GRANT
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Change in fund balances	\$	\$ 580	\$ 580
Total revenues		580	580
Fund balances, July 1, 2009		13,017	13,017
Fund balances, June 30, 2010	\$	\$ 13,597	\$ 13,597

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - RESCUE
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 11,872	\$ 11,872	\$	\$ (11,872)
Total revenues	<u>11,872</u>	<u>11,872</u>		<u>(11,872)</u>
Expenditures:				
Current -				
Public safety	95,713	72,273	52,369	19,904
Total expenditures	<u>95,713</u>	<u>72,273</u>	<u>52,369</u>	<u>19,904</u>
Change in fund balances	<u>(83,841)</u>	<u>(60,401)</u>	<u>(52,369)</u>	<u>8,032</u>
Fund balances (deficits), July 1, 2009			(219,290)	(219,290)
Fund balances (deficits), June 30, 2010	<u>\$ (83,841)</u>	<u>\$ (60,401)</u>	<u>\$ (271,659)</u>	<u>\$ (211,258)</u>

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PROPRIETARY FUNDS

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL - WATER AND SEWER
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 2,499,632	\$ 2,499,632	\$ 3,181,389	\$ 681,757
Municipal and state shared taxes	92,500		116,045	116,045
Intergovernmental			919	919
Investment income			41	41
Other revenues			699,190	699,190
Total revenues	<u>2,592,132</u>	<u>2,499,632</u>	<u>3,997,584</u>	<u>1,497,952</u>
Expenditures:				
Operations	2,949,973	2,949,973	2,166,586	783,387
Interest and fiscal charges			548,508	(548,508)
Total expenditures	<u>2,949,973</u>	<u>2,949,973</u>	<u>2,715,094</u>	<u>234,879</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (357,841)</u>	<u>\$ (450,341)</u>	1,282,490	<u>\$ 1,732,831</u>
Expenses not budgeted:				
Depreciation			(217,338)	
Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets			<u>\$ 1,065,152</u>	

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL - HOUSING ASSISTANCE
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts Original & Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for services	\$	\$ 233,957	\$ 233,957
Intergovernmental		1,217,293	1,217,293
Investment income		1,951	1,951
Other revenues		13,692	13,692
Total revenues		1,466,893	1,466,893
Expenditures:			
Operations		1,177,665	(1,177,665)
Total expenditures		1,177,665	(1,177,665)
Excess (deficiency) of revenues over expenditures	\$	289,228	\$ 289,228
Expenses not budgeted:			
Depreciation		(106,882)	
Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets		\$ 182,346	

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL - CAMPGROUND
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 144,000	\$ 144,000	\$ 133,362	\$ (10,638)
Total revenues	<u>144,000</u>	<u>144,000</u>	<u>133,362</u>	<u>(10,638)</u>
Expenditures:				
Operations	<u>138,403</u>	<u>138,403</u>	<u>132,266</u>	<u>6,137</u>
Total expenditures	<u>138,403</u>	<u>138,403</u>	<u>132,266</u>	<u>6,137</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 5,597</u>	<u>\$ 5,597</u>	<u>1,096</u>	<u>\$ (4,501)</u>
Expenses not budgeted:				
Depreciation			(1,400)	
Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets			<u>\$ (304)</u>	

OTHER SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2010**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>MOTOR VEHICLE DIVISION</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 68,442	\$ 130,901	\$ 84,936	\$ 114,407
Total assets	<u>\$ 68,442</u>	<u>\$ 130,901</u>	<u>\$ 84,936</u>	<u>\$ 114,407</u>
<u>Liabilities</u>				
Deposits held for others	\$ 68,442	\$ 130,901	\$ 84,936	\$ 114,407
Total liabilities	<u>\$ 68,442</u>	<u>\$ 130,901</u>	<u>\$ 84,936</u>	<u>\$ 114,407</u>
<u>HOUSING ASSISTANCE - TOWN OF CUBA</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 104,592	\$ _____	\$ 104,592	\$ _____
Total assets	<u>\$ 104,592</u>	<u>\$ _____</u>	<u>\$ 104,592</u>	<u>\$ _____</u>
<u>Liabilities</u>				
Accounts payable	\$ 84,121		84,121	
Deposits held for others	20,471	\$ _____	\$ 20,471	\$ _____
Total liabilities	<u>\$ 104,592</u>	<u>\$ _____</u>	<u>\$ 104,592</u>	<u>\$ _____</u>
<u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$ 173,034	\$ 130,901	\$ 189,528	\$ 114,407
Total assets	<u>\$ 173,034</u>	<u>\$ 130,901</u>	<u>\$ 189,528</u>	<u>\$ 114,407</u>
<u>Liabilities</u>				
Accounts payable	\$ 84,121	\$ _____	\$ 84,121	\$ _____
Deposits held for others	88,913	130,901	105,407	114,407
Total liabilities	<u>\$ 173,034</u>	<u>\$ 130,901</u>	<u>\$ 189,528</u>	<u>\$ 114,407</u>

TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2010

	First Community Bank	Wells Fargo Bank
Bank Accounts:		
Checking/Demand Accounts	\$ 1,174,344	\$ 26,693
Savings/CD/Money Market Accounts	1,854,018	42,534
Total amount of deposits in bank	3,028,362	69,227
Less: FDIC coverage	1,424,344	69,227
Total uninsured public funds	1,604,018	
Collateral requirements (Per 6-10-10 & 6-10-17, NMSA 1978)		
50% of uninsured time and demand accounts	802,009	
Pledged collateral		
JT WTR & SWR SYS REV, matures June 1, 2015, CUSIP BERNALILL	1,628,306	
GNR 2009-67 GA, matures Jan. 16, 2037, CUSIP 38373AQS8	270,710	
GNR 2009-50 MA, matures Jan. 16, 2038, CUSIP 38374VP45	2,614,766	
MBS GNMA Platinum, matures Sept. 15, 2024, CUSIP 36241LBT2	1,407,132	
Total collateral	5,920,914	
Over / (under) secured	\$ 5,118,905	\$
Custodial Credit Risk:		
Insured	\$ 1,424,344	\$ 69,227
Collateralized with securities held by pledging financial institutions trust department	1,604,018	
Uninsured and uncollateralized		
Total deposits	\$ 3,028,362	\$ 69,227
Location of collateral:		
First Community Bank, Dallas, TX		

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2010**

<u>Bank Account Type / Name</u>	<u>Community Bank</u>	<u>Wells Fargo Bank</u>	<u>LPL Financial</u>	<u>Total</u>
Checking - General	\$ 2,929,359	\$	\$	\$ 2,929,359
Savings - General		42,534		42,534
Money market - General		26,693		26,693
Checking - Water	32,367			32,367
Investment Account - Water			2,383,727	2,383,727
Checking - Housing	66,636			66,636
	<hr/>	<hr/>	<hr/>	<hr/>
Total on deposit	3,028,362	69,227	2,383,727	5,481,316
Reconciling items	181,831			181,831
	<hr/>	<hr/>	<hr/>	<hr/>
Reconciled balance, June 30, 2010	3,210,193	69,227	2,383,727	5,663,147
	<hr/>	<hr/>	<hr/>	<hr/>
Total deposits and investments	<u>\$ 3,210,193</u>	<u>\$ 69,227</u>	<u>\$ 2,383,727</u>	<u>\$ 5,663,147</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2010**

Participants:	Town of Bernalillo and the Southern Sandoval County Arroyo Flood Control Authority
Responsible Party:	Town of Bernalillo
Description:	Plan, design and construct needed flood control and drainage improvements in the Calle Baack in the Town of Bernalillo
Date of Agreement:	April 2009
Total Amount/Town Share:	50% of total costs up to \$100,000
Fiscal Year 2010 Amount:	unknown
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, 2010

FDS Line #	Account Description	Low Rent Public Housing 14.850a	Housing Choice Vouchers 14.871	Capital Fund Program 14.872	TOTAL
ASSETS:					
111	Cash - unrestricted	\$ 149,728	\$ 159,485	\$	\$ 309,213
113	Cash - other restricted		74,547		74,547
114	Cash - tenant security deposits	12,665			12,665
121	Accounts receivable - PHA projects	15,293			15,293
124	Accounts receivable - other governments		69,428		69,428
125	Accounts receivable - miscellaneous	4,138			4,138
126	Accounts receivable - tenants - dwelling rents	5,159			5,159
126.1	Allowance for doubtful accounts - dwelling rents	(1,000)			(1,000)
142	Prepaid expenses and other assets	7,713			7,713
143	Inventories	4,500			4,500
143.1	Allowance for obsolete inventories	(200)			(200)
144	Interprogram - due from	60,735			60,735
161	Land	32,000			32,000
162	Buildings	4,278,885			4,278,885
164	Furniture, equipment and machinery - administration	79,001			79,001
165	Leasehold improvements	76,728			76,728
166	Accumulated depreciation	(2,682,618)			(2,682,618)
167	Construction in progress	426			426
TOTAL ASSETS		<u>\$ 2,043,153</u>	<u>\$ 303,460</u>	<u>\$</u>	<u>\$ 2,346,613</u>
LIABILITIES:					
312	Accounts payable <90 days	\$ 30,552	\$ 366	\$	\$ 30,918
321	Accrued wage/payroll taxes payable	4,985	1,634		6,619
322	Accrued compensated absences - current portion	6,340	229		6,569
333	Accounts payable - other governments	151,675			151,675
341	Tenant security deposits	12,665			12,665
347	Interprogram - due to		60,735		60,735
354	Accrued compensated absences - noncurrent	3,013	1,146		4,159
355	Loan liability - noncurrent		96,512		96,512
TOTAL LIABILITIES		<u>209,230</u>	<u>160,622</u>		<u>369,852</u>
NET ASSETS					
508.1	Invested in capital assets, net of related debt	1,784,422			1,784,422
511.1	Restricted net assets		75,547		75,547
512.1	Unrestricted net assets	49,503	68,291		117,794
TOTAL NET ASSETS		<u>1,833,925</u>	<u>143,838</u>		<u>1,977,763</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 2,043,155</u>	<u>\$ 304,460</u>	<u>\$</u>	<u>\$ 2,347,615</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, 2010

FDS Line #	Account Description	Low Rent Public Housing 14.850a	Housing Choice Vouchers 14.871	Capital Fund Program 14.872	TOTAL
REVENUE:					
703	Net tenant rental income	\$ 184,098	\$	\$	\$ 184,098
706	HUD PHA operating grants	255,210	708,681	144,796	1,108,687
706.1	Capital grants	108,606			108,606
711	Investment income - unrestricted	1,551	400		1,951
714	Fraud recovery		732		732
715	Other revenue	12,960	49,859		62,819
	TOTAL REVENUE	<u>562,425</u>	<u>759,672</u>	<u>144,796</u>	<u>1,466,893</u>
EXPENSES:					
911	Administrative salaries	82,920	52,605		135,525
912	Auditing fees	7,000			7,000
915	Employee benefit contributions - administration	32,488	24,999		57,487
916	Office expenses	50,888	44,660		95,548
918	Travel	1,812			1,812
922	Relocation costs	3,126			3,126
931	Water	23,164			23,164
932	Electricity	4,992	1,422		6,414
933	Gas	33,202			33,202
938	Other utilities expense	19,990			19,990
941	Ordinary maintenance and operations - labor	33,929			33,929
942	Ordinary maintenance and operations - materials and other	24,484			24,484
943	Ordinary maintenance and operations - contracts	42,979			42,979
945	Employee benefit contributions - ordinary maintenance	9,675			9,675
961	Insurance premiums	11,677			11,677
961.3	Workmen's compensation	9,309			9,309
962	Other general expenses	995			995
962.1	Compensated absences	(2,049)			(2,049)
	TOTAL OPERATING EXPENSES	<u>390,581</u>	<u>123,686</u>		<u>514,267</u>
971	Extraordinary maintenance	19,830			19,830
973	Housing assistance payments		639,080		639,080
974	Depreciation expense	106,882			106,882
	TOTAL EXPENSES	<u>517,293</u>	<u>762,766</u>		<u>1,280,059</u>
OTHER FINANCING SOURCES (USES)					
1001	Operating transfers in	167,187			167,187
1002	Operating transfers out	(22,391)		(144,796)	(167,187)
	TOTAL OTHER FINANCING SOURCES (USES)	<u>144,796</u>		<u>(144,796)</u>	
	CHANGE IN NET ASSETS	189,928	(3,094)		186,834
	NET ASSETS, BEGINNING OF YEAR	<u>1,643,997</u>	<u>146,932</u>		<u>1,790,929</u>
	NET ASSETS, END OF YEAR	<u>\$ 1,833,925</u>	<u>\$ 143,838</u>	<u>\$</u>	<u>\$ 1,977,763</u>
MEMO account information					
1103	Beginning equity	1,643,997	146,932		1,790,929
1104	Prior period adjustments, equity transfers and corrections	144,796		(144,796)	
11119	Unit months available	912	1,596		2,508

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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, the aggregate remaining fund information, and budgetary comparisons of the General Fund and major Special Revenue Fund of the Town of Bernalillo, New Mexico (Town), as of and for the year ended June 30, 2010, and have issued our report thereon dated July 23, 2012. We were also engaged to audit the financial statements of each of the Town's nonmajor funds and the budgetary comparisons for the major capital project funds, debt service fund, enterprise funds and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund statements as of and for the year ended June 30, 2010, as listed in the table of contents. 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

Management of Town of Bernalillo, New Mexico is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2006-03, 2006-04, 2006-08, 2007-02, 2007-03 and 2008-04 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2006-01, 2006-07, 2007-01, 2007-04, 2008-03, 2008-05, 2008-06, and 2010-01 to be significant deficiencies.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2006-4.

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 Department of Finance and Administration, 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

July 23, 2012



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Independent Auditor's Report

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 Town of Bernalillo, New Mexico's compliance of with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Bernalillo, New Mexico's major federal programs for the year ended June 30, 2010. 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.

As described in item FA 2006-01 in the accompanying schedule of findings and questioned costs, Town of Bernalillo, New Mexico did not submit audit reports within nine months following the end of the fiscal year. In addition, as described in items FA 2009-02 and FA 2010-01 in the accompanying schedule of findings and questioned costs, Town of Bernalillo, New Mexico did not comply with requirements regarding eligibility and special tests and provisions that are applicable to its Section 8 Housing Choice Vouchers. Compliance with such requirements is necessary, in our opinion, for Town of Bernalillo to comply with requirements applicable to its major federal programs.

In our opinion, except for the effects of the noncompliance described in the preceding paragraph, Town of Bernalillo, New Mexico complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FA 2006-01, FA 2009-02 and FA 2010-01 to be material weaknesses.

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 Department of Finance and Administration, 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

July 23, 2012

STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>	<u>Total Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct programs:				
Public and Indian Housing	14.850	NM035AF0057	\$	\$ 213,440
Section 8 Housing Choice Vouchers	14.871	NM035		708,681
Capital Project Fund Cluster:				
Public Housing Capital Fund	14.872	NM02P03550109	150,376	
Public Housing Capital Fund Stimulus, Recovery Act	14.885	NM02S03550109	<u>144,796</u>	
Capital Project Fund Cluster Total				<u>295,172</u>
Total U.S. Department of Housing and Urban Development				<u>1,217,293</u>
<u>U.S. Department of Transportation</u>				
Passed through New Mexico Department of Transportation:				
Highway Planning and Construction, Recovery Act	20.205	ESL3310		2,257,016
<u>U.S. Department of Justice</u>				
Passed through the City of Rio Rancho:				
Edward Byrne Memorial Justice Assistance Grant Program, Recovery Act	16.804	2009-SB-B9-1800		68,949
Passed through the New Mexico Department of Public Safety:				
Edward Byrne Memorial Justice Assistance Grant Program, Recovery Act	16.803	2009-SU-B9-0022		<u>102,600</u>
Total U.S. Department of Justice				<u>171,549</u>
Total Expenditures of Federal Awards				<u><u>\$ 3,645,858</u></u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010**

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 2010 *Catalog of Federal Domestic Assistance*.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

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?

 X yes 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)? yes X none reported

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

Qualified

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>
14.871	Section 8 Housing Choice Vouchers
20.205	Highway Planning and Construction, Recovery Act

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

 \$300,000

Auditee qualified as low-risk auditee?

 yes X no

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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	\$ 970,308
Community Development	18,585
2008 Revenue Bond Debt Service	3,957,449
Capital Projects	2,688,174
2008 Revenue Bond Capital Projects	286,077
Recreation	9,823
Corrections	2,304
Law Enforcement	30,292
Gas Tax	497,007
Housing Assistance	1,177,665

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)

2006-03 Accounts Receivables Records and Procedures

CONDITION

Due to an excessive penalty policy, which existed in prior years, the Town 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 2009-10 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 2009-10 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (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 in May 2012.

CRITERIA

Per 2.2.2.9 NMAC, the Town was required to submit its fiscal year 2009-10 annual financial report to the New Mexico State Auditor by December 1, 2010.

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 was a delay in the completion of the fiscal year 2008-09 audit which caused a delay in the completion of the 2009-10 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

2006-07 Approval of Adjusting Journal Entries

CONDITION

The Town did 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 was 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (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, 2010.

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; however the activity was subsequently tracked in a spreadsheet for inclusion in the financial statements. 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (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.

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (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 issued for nine transactions selected. Additionally, the Town was unable to provide evidence that written quotes were obtained for eight 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)

2008-03 Credit Card Purchases

CONDITION

Per review of the Town's controls over credit card purchases, we noted the following:

- For 8 of 20 credit card purchases selected for review, supporting documentation of the purchase could not be provided.
- For 10 of 12 credit card purchases reviewed, no indication of the employee making the purchases was documented.

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 control over credit cards transactions were not adequate to ensure processing of authorized transactions.

CAUSE

The Town did not maintain sufficient evidence for all credit card purchases.

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 the vendor. When this is the case, a purchase order must be generated for the credit card use. The Town has established and enacted a credit card policy, which the governing board approved on April 11, 2011.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

2008-04 Insufficient Capital Asset Support

CONDITION

The Town did not provide a listing of fiscal year 2009-10 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

2008-05 Insufficient Controls Over Disbursements

CONDITION

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

- For 13 of 40 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.
- For five of 40 disbursements reviewed, we determined that the purchase order was prepared after the purchase was made.

CRITERIA

The Town's policy requires purchase requisitions and purchase orders to be obtained and approved before procurement of goods and services.

EFFECT

The Town'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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'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	\$ 904,658	Community Development	\$ 128,111
Community Development	1,253,157	Recreation	2,176
Capital Projects	712,285	Rescue	83,841
Law Enforcement	16,212	Water and Sewer	357,841
Gas Tax	520,000		
Rescue	271,659		

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

2010-01 Improper use of bond proceeds

CONDITION

The Town utilized proceeds from the State-Shared Gross Receipts Tax Revenue Bonds, Series 2008 for funding operations of the Department of Housing Services during the fiscal year. Such use of the bonds was not identified as a purpose for the issuance of the bonds.

CRITERIA

Management is responsible for ensuring the proper usage of bond proceeds as identified at the time of issuance of the bonds, and detailed in the bond issuance statement.

EFFECT

The Town was not in compliance with requirements set forth at the time of the issuance of the bonds. In addition, a journal entry of \$1,288,804 was recorded to repay the bond proceeds fund.

CAUSE

Cash flow with the Department of Housing Services resulted in the town supplementing operations of the department with available funds. The unexpended proceeds of the bond issuance were utilized due to its availability.

RECOMMENDATION

The Town should ensure there are adequate internal controls over the disbursement of bond proceeds to ensure expenditures are allowable in accordance with the bond issuance documents.

AGENCY RESPONSE

Current administration has performed an internal audit of the bond proceeds to account for all expenditures. The account is presently being reconciled monthly and all expenses verified in order to ensure proper usage of bond proceeds.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

FA 2006-01 Late Audit Report

Program Name:	CFDA Numbers:	Grantor Numbers:	Questioned Costs:
Public and Indian Housing	14.850	NM035AF0057	N/A
Section 8 Housing Choice Vouchers	14.871	NM035	N/A
Highway Planning and Construction, Recovery Act	20.205	ESL3310	N/A

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

CONDITION

The Town's audit reports were not submitted to the Federal Clearinghouse or HUD, as applicable, 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) reporting requirements in 24 CFR section 5 specify that the 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 which resulted in a delay in the completion of the 2008-09 report to January 2012 and further delayed the completion of the fiscal year 2009-10 audit.

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS
(Cont'd)**

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

Program Name:	CFDA Numbers:	Grantor Number:	Questioned Costs:
Section 8 Housing Choice Vouchers	14.871	NM035	\$8,379

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

CONDITION

The Town could not provide documentation of the submission of HUD form 60002. In addition, corrective action related to deficiencies in internal control over ensuring tenant files include all elements required to document tenant eligibility identified in the 2009 audit had not yet been implemented during fiscal year 2010 related to Section 8 Housing Choice Vouchers. In addition, tests of compliance with eligibility for Section 8 Housing Choice Vouchers resulted in the following:

- For one of 40 tenant files reviewed, the Town did not perform a timely annual reexamination; Payments of \$579 were made monthly for 11 months prior to a reexamination resulting in questioned costs of \$6,369.
- For three of 40 tenant files reviewed, there was no evidence or insufficient evidence that third party verifications were performed on key tenant information, resulting in questioned costs of \$2,010.

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 funding.

CAUSE

Significant turnover in key management and financial positions in the prior year resulted in a late audit report, as such; the Town had not implemented the corrective action to address deficiencies in internal control over eligibility.

RECOMMENDATION

The Town should ensure that internal controls established in response to the prior year audit finding are in place and operating effectively to ensure compliance in future years.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS
(Cont'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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS
(Cont'd)**

FA 2010-01 Insufficient Controls over the Federal Section 8 Housing Choice Vouchers Grant

Program Name	CFDA Number	Grantor Number	Questioned Costs
Section 8 Housing Choice Vouchers	14.871	NM035	N/A

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

CONDITION

Internal controls over ensuring tenant files included all elements required to document compliance with special tests and provisions of the program were not in place. Tests of compliance over special tests and provisions for Section 8 Housing Choice Vouchers resulted in the following:

- For eight of 40 tenant files reviewed, the Town did not perform HQS re-inspections on an annual basis.
- For six of 40 tenant files reviewed, there was no evidence or insufficient evidence that a rent comparability was performed at the time of initial leasing to determine the reasonableness of rent.
- For one of five failed housing quality standards (HQS) inspections reviewed, the Town did not retain documentation to support that a re-inspection was performed on a non-life threatening deficiency or that the unit was returned to HQS. For an additional one of five failed HQS inspections reviewed, the Town did not retain documentation that the required corrections of non-life threatening deficiencies were made within 30 days.
- The Town did not provide documentation which verified the existence of depository agreements with their financial institutions in the form required by HUD.

CRITERIA

OMB Circular A-133 requires the auditee to comply with laws, regulations and the provisions of contracts or grant agreements related to each of its Federal programs. According to 24 CFR, special tests and provisions for Section 8 Housing Choice Vouchers include requirements that the Town:

- Determine that the rent to owner is reasonable at the time of initial leasing.
- Inspect the unit leased to a family at least annually to determine if the unit meets HQS and the PHA must conduct quality control re-inspections. In addition, the Town must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified Town-approved extension.
- Enter into depository agreements with their financial institutions in the form required by HUD. The agreements serve as safeguards for Federal funds and provide third-party rights to HUD.

EFFECT

The Town did not comply with all specific program requirements related to Section 8 Housing Choice vouchers and may be subject to penalties or reduction in program funding.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS
(Concl'd)**

**FA 2010-01 Insufficient Controls over the Federal Section 8 Housing Choice Vouchers Grant
(Concl'd)**

CAUSE

Significant turnover in key management and financial positions in prior years.

RECOMMENDATION

The Town should thoroughly review all requirements found in the laws, regulations and contract provisions for funds received under the Section 8 Housing Choice Vouchers to appropriate internal controls designed to address the requirements are in place and operating effectively.

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

Status of Prior Year Findings

Financial Statement Findings:

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

Finding No. FS 2008-04
Status: Not corrected.
See current year finding FS 2008-04.

Finding No. FS 2006-03
Status: Not corrected.
See current year finding FS 2006-03.

Finding No. FS 2008-05
Status: Not corrected.
See current year finding FS 2008-05.

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

Finding No. FS 2008-06
Status: Not corrected.
See current year finding FS 2008-06.

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

Finding No. FS 2006-08
Status: Not corrected.
See current year finding FS 2006-08.

Finding No. FS 2007-01
Status: Not corrected.
See current year finding FS 2007-01.

Finding No. FS 2007-02
Status: Not corrected.
See current year finding FS 2007-02.

Finding No. FS 2007-03
Status: Not corrected.
See current year finding FS 2007-03.

Finding No. FS 2007-04
Status: Not corrected.
See current year finding FS 2007-04.

Finding No. FS 2008-03
Status: Not corrected.
See current year finding FS 2008-03.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

Status of Prior Year Findings (Concl'd)

Federal Award Findings:

Finding No. FA 2006-01

Status: Not corrected.

See current year finding FA 2006-01.

Finding No. FA 2009-01

Status: Not corrected.

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 however, corrective action related to deficiencies in internal control over ensuring tenant files include all elements required to document tenant eligibility identified in the 2009 audit had not yet been implemented during fiscal year 2010 related to Public and Indian Housing.

Finding No. FA 2009-02

Status: Not corrected.

See current year finding FA 2009-02.

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2010**

An exit conference was held on April 30, 2012, in a closed meeting, in which the contents of this report were discussed with the following.

Town of Bernalillo

Marian A. Jaramillo, Mayor Pro-tem
Ida Fierro, Town Clerk
Juan Torres, Interim Town Treasurer

Heinfeld, Meech & Co., P.C.

Melissa Spangler, Partner

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