

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011**

**STATE OF NEW MEXICO
TOWN OF BERNALILLO**

<u>CONTENTS</u>	<u>Page</u>
OFFICIAL ROSTER	
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Gas Tax Fund	20
Statement of Net Assets – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23
Statement of Fiduciary Assets and Liabilities	24
Notes to Financial Statements	25

**STATE OF NEW MEXICO
TOWN OF BERNALILLO**

<u>CONTENTS (Cont'd)</u>	<u>Page</u>
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – 2008 Revenue Bond Debt Service Fund	48
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Capital Projects Fund	49
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – 2008 Revenue Bond Capital Projects Fund	50
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
Special Revenue Funds:	
Combining Balance Sheet	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	56
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Fire Fund	58
Recreation Fund	59
Corrections Fund	60
Law Enforcement Fund	61
Lodgers' Tax Fund	62
Ambulance Fund	63
EMS Grant Fund	64
Rescue Fund	65
Community Development Fund	66
Proprietary Funds:	
Water and Sewer Fund	68
Housing Assistance Fund	69
Campground Fund	70

**STATE OF NEW MEXICO
TOWN OF BERNALILLO**

<u>CONTENTS (Cont'd)</u>	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Changes in Assets and Liabilities – Agency Funds	72
Schedule of Pledged Collateral	73
Schedule of Deposit and Investment Accounts	74
Schedule of Joint Powers Agreements	75
Combining Statement of Net Assets – All HUD Programs	76
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – All HUD Programs	77
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>	81
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	83
Schedule of Expenditures of Federal Awards	85
Notes to Schedule of Expenditures of Federal Awards	86
Schedule of Findings and Questioned Costs	87
Summary Schedule of Prior Audit Findings	106
Exit Conference	107

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
OFFICIAL ROSTER
JUNE 30, 2011**

Town Council

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

(This page intentionally left blank)

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(This page intentionally left blank)

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, 2011, 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 debt service fund, capital project funds, enterprise funds and all nonmajor funds presented as Supplementary Information as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the 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, 2011, 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, 2011, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major debt service fund, capital project funds, 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.

As described in Note 1, the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 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.

Management has omitted the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

We were engaged 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 in the accompanying combining and individual fund financial statements. 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. Because of the significance of the matter described above, it is inappropriate to and we do not express an opinion on the supplementary information referenced to above.

Heinfeld, Meech & Co., P.C.

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

September 14, 2012

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

(This page intentionally left blank)

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Governmental Activites	Business-type Activites	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 2,748,096	\$ 353,987	\$ 3,102,083
Investments		2,235,904	2,235,904
Accounts receivable		48,678	48,678
Due from state government	906,793	20,639	927,432
Internal balances	(2,281)	2,281	
Prepaid items	320	7,713	8,033
Inventory		3,950	3,950
Total current assets	<u>3,652,928</u>	<u>2,673,152</u>	<u>6,326,080</u>
Noncurrent assets:			
Deferred bond issuance costs	110,057	275,010	385,067
Land	260,810	409,428	670,238
Infrastructure	10,435,769	17,437,634	27,873,403
Buildings and improvements	5,227,474	4,480,839	9,708,313
Vehicles, furniture and equipment	3,198,065	730,908	3,928,973
Construction in progress		33,321	33,321
Accumulated depreciation	(7,080,736)	(5,081,903)	(12,162,639)
Total noncurrent assets	<u>12,151,439</u>	<u>18,285,237</u>	<u>30,436,676</u>
Total assets	<u>15,804,367</u>	<u>20,958,389</u>	<u>36,762,756</u>
<u>LIABILITIES</u>			
Current liabilities:			
Overdraft of cash on deposit	4,214,490		4,214,490
Accounts payable	38,641	3,461,125	3,499,766
Accrued payroll	90,105	25,071	115,176
Accrued interest payable	795	44,371	45,166
Compensated absences payable	100,382	23,039	123,421
Due to other governments		6,830	6,830
Deposits held for others		7,600	7,600
Loans payable	18,768	163,860	182,628
Bonds payable	585,000	635,588	1,220,588
Total current liabilities	<u>5,048,181</u>	<u>4,367,484</u>	<u>9,415,665</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	3,187,217	11,788,835	14,976,052
Total noncurrent liabilities	<u>3,187,217</u>	<u>11,788,835</u>	<u>14,976,052</u>
Total liabilities	<u>8,235,398</u>	<u>16,156,319</u>	<u>24,391,717</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	10,331,815	5,791,789	16,123,604
Restricted for:			
Special purposes	452,399		452,399
Capital outlay	2,123,404		2,123,404
Unrestricted	(5,338,649)	(989,719)	(6,328,368)
Total net assets	<u>\$ 7,568,969</u>	<u>\$ 4,802,070</u>	<u>\$ 12,371,039</u>

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

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	\$ 2,106,852	\$ 224,272	\$	\$	\$ (1,882,580)	
Public safety	2,985,424	383,511	62,610	235,813	(2,303,490)	
Public works	956,324	26,335		1,337,569	407,580	
Culture and recreation	1,409,857	176,496	7,000		(1,226,361)	
Interest on long-term debt	269,068				(269,068)	
Total governmental activities	<u>7,727,525</u>	<u>810,614</u>	<u>69,610</u>	<u>1,573,382</u>	<u>(5,273,919)</u>	
Business-type activities:						
Water and sewer	2,561,367	943,540	101,579			
Housing assistance	1,305,689	242,272	1,019,292			
Campground	134,099	133,831				
Total business-type activities	<u>4,001,155</u>	<u>1,319,643</u>	<u>1,120,871</u>			
Total primary government	<u>\$ 11,728,680</u>	<u>\$ 2,130,257</u>	<u>\$ 1,190,481</u>	<u>\$ 1,573,382</u>	<u>(5,273,919)</u>	
General revenues:						
Taxes:						
Property taxes, levied for general purposes						582,660
Gross receipts taxes						4,355,009
Franchise taxes						159,223
Unrestricted grants, aid and state shared revenues						1,810,351
Investment income						237,146
Total general revenues						<u>7,144,389</u>
Changes in net assets						1,870,470
Net assets, beginning of year						<u>5,698,499</u>
Net assets, end of year						<u>\$ 7,568,969</u>

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

Net (Expense) Revenue and
Changes in Net Assets

Business-type Activities	Totals
	\$ (1,882,580)
	(2,303,490)
	407,580
	(1,226,361)
	(269,068)
	(5,273,919)
(1,516,248)	(1,516,248)
(44,125)	(44,125)
(268)	(268)
(1,560,641)	(1,560,641)
(1,560,641)	(6,834,560)
	582,660
	4,355,009
	159,223
99,354	1,909,705
99	237,245
99,453	7,243,842
(1,461,188)	409,282
6,263,258	11,961,757
\$ 4,802,070	12,371,039

(This page intentionally left blank)

FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General	Gas Tax	2008 Revenue Bond Debt Service
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,184	\$	\$
Due from state government	906,793		
Due from other funds	956,533		
Prepaid items		320	
Total assets	\$ 1,865,510	\$ 320	\$
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Overdraft of cash on deposit	\$ 2,789,152	\$ 1,405,565	\$
Accounts payable	2,099		
Accrued payroll	90,105		
Due to other funds	181,837	372,688	
Bonds payable			
Total liabilities	3,063,193	1,778,253	
Fund balances (deficits):			
Nonspendable		320	
Restricted			
Unassigned	(1,197,683)	(1,778,253)	
Total fund balances	(1,197,683)	(1,777,933)	
 Total liabilities and fund balances	 \$ 1,865,510	 \$ 320	 \$

The notes to the basic 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>
\$ 404,364	\$ 1,889,229	\$ 452,319	\$ 2,748,096
		80	906,793
			956,613
			320
<u>\$ 404,364</u>	<u>\$ 1,889,229</u>	<u>\$ 452,399</u>	<u>\$ 4,611,822</u>
\$ 36,542	\$	\$ 19,773	\$ 4,214,490
			38,641
133,647		270,722	90,105
<u>170,189</u>	<u></u>	<u>290,495</u>	<u>958,894</u>
			320
234,175	1,889,229	452,399	2,575,803
		(290,495)	(3,266,431)
<u>234,175</u>	<u>1,889,229</u>	<u>161,904</u>	<u>(690,308)</u>
\$ 404,364	\$ 1,889,229	\$ 452,399	\$ 4,611,822

(This page intentionally left blank)

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total governmental fund balances		\$ (690,308)
Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets	\$ 19,122,118	
Less accumulated depreciation	<u>(7,080,736)</u>	12,041,382
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable	(795)	
Loans payable	(123,854)	
Revenue bonds payable	(3,585,000)	
Compensated absences payable	<u>(182,513)</u>	(3,892,162)
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.		<u>110,057</u>
Net assets of governmental activities		<u><u>\$ 7,568,969</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, 2011**

	<u>General</u>	<u>Gas Tax</u>	<u>2008 Revenue Bond Debt Service</u>
Revenues:			
Property taxes	\$ 582,660	\$	\$
Municipal and state shared taxes	4,392,516	199,145	
Intergovernmental	1,471,335	235,813	
Charges for services	244,157		
Licenses and permits	207,865		
Fines and forfeits	127,486		
Franchise fees	159,223		
Investment income	234,671		
Other revenues	194,571		
Total revenues	<u>7,614,484</u>	<u>434,958</u>	
Expenditures:			
Current -			
General government	1,710,292		
Public safety	2,646,021		
Public works	200,827	104,170	
Culture and recreation	1,345,951		
Capital outlay	293,394	831,015	
Debt service -			
Principal			583,104
Interest and fees			276,219
Total expenditures	<u>6,196,485</u>	<u>935,185</u>	<u>859,323</u>
Excess (deficiency) of revenues over expenditures	<u>1,417,999</u>	<u>(500,227)</u>	<u>(859,323)</u>
Other financing sources (uses):			
Transfers in	399,272		859,323
Transfers out	(859,323)	(757,696)	
Total other financing sources (uses):	<u>(460,051)</u>	<u>(757,696)</u>	<u>859,323</u>
Changes in fund balances	<u>957,948</u>	<u>(1,257,923)</u>	
Fund balances (deficits), beginning of year	(2,155,631)	(520,010)	
Fund balances (deficits), end of year	<u>\$ (1,197,683)</u>	<u>\$ (1,777,933)</u>	<u>\$</u>

The notes to the basic 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>
\$	\$	\$	\$
		102,364	582,660
1,305,569		101,610	4,694,025
			3,114,327
			244,157
			207,865
		36,535	164,021
			159,223
	2,475		237,146
			194,571
<u>1,305,569</u>	<u>2,475</u>	<u>240,509</u>	<u>9,597,995</u>
		99,927	1,810,219
		113,938	2,759,959
			304,997
		753	1,346,704
359,109			1,483,518
			583,104
			276,219
<u>359,109</u>	<u></u>	<u>214,618</u>	<u>8,564,720</u>
<u>946,460</u>	<u>2,475</u>	<u>25,891</u>	<u>1,033,275</u>
	757,696		2,016,291
	(399,272)		(2,016,291)
	<u>358,424</u>		
<u>946,460</u>	<u>360,899</u>	<u>25,891</u>	<u>1,033,275</u>
(712,285)	1,528,330	136,013	(1,723,583)
<u>\$ 234,175</u>	<u>\$ 1,889,229</u>	<u>\$ 161,904</u>	<u>\$ (690,308)</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, 2011**

Net changes in fund balances - total governmental funds **\$ 1,033,275**

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	\$ 711,727	
Less current year depreciation	<u>(468,531)</u>	243,196

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	18,104	
Revenue bond retirement	<u>565,000</u>	583,104

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.

Amortization of deferred bond items	7,041	
Accrued interest	110	
Compensated absences	<u>3,744</u>	<u>10,895</u>

Change in net assets in governmental activities **\$ 1,870,470**

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, 2011**

	Original	Final	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>			
Revenues:				
Property taxes	\$ 560,000	\$ 582,660	\$ 582,660	\$
Municipal and state shared taxes	5,425,900	5,347,078	4,392,516	(954,562)
Intergovernmental	131,400	320,890	1,227,683	906,793
Charges for services	43,805	82,577	23,287	(59,290)
Licenses and permits	115,710	126,433	207,865	81,432
Fines and forfeits	201,660	166,136	127,486	(38,650)
Franchise fees	190,000	159,223	159,223	
Investment income	229,000	235,000	234,671	(329)
Other revenues	147,900	182,820	193,918	11,098
Total revenues	<u>7,045,375</u>	<u>7,202,817</u>	<u>7,149,309</u>	<u>(53,508)</u>
Expenditures:				
Current -				
General government	2,119,533	2,066,984	1,710,292	356,692
Public safety	2,511,777	2,809,648	2,646,021	163,627
Public works			200,827	(200,827)
Culture and recreation	713,153	628,917	582,012	46,905
Capital outlay			293,394	(293,394)
Total expenditures	<u>5,344,463</u>	<u>5,505,549</u>	<u>5,432,546</u>	<u>73,003</u>
Excess (deficiency) of revenues over expenditures	<u>1,700,912</u>	<u>1,697,268</u>	<u>1,716,763</u>	<u>19,495</u>
Other financing sources (uses):				
Transfers in	52,319	38,709	399,272	360,563
Transfers out	(1,330,611)	(1,262,221)	(859,323)	402,898
Total other financing sources (uses):	<u>(1,278,292)</u>	<u>(1,223,512)</u>	<u>(460,051)</u>	<u>763,461</u>
Changes in fund balances - budgetary basis	<u>422,620</u>	<u>473,756</u>	<u>1,256,712</u>	<u>782,956</u>
Reconciliation to change in fund balance - GAAP basis:				
Change in fund balance for fund budgeted separately from the General Fund			<u>(298,764)</u>	
Change in fund balance - GAAP basis			<u>\$ 957,948</u>	

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GAS TAX
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
	Original & Final		(Negative)
Revenues:			
Municipal and state shared taxes	\$ 158,000	\$ 199,145	\$ 41,145
Intergovernmental	1,625,000	235,813	(1,389,187)
Other revenues	513,717	(513,717)	(513,717)
Total revenues	<u>2,296,717</u>	<u>434,958</u>	<u>(1,861,759)</u>
Expenditures:			
Current -			
Public works	2,453,262	104,170	2,349,092
Capital outlay		831,015	(831,015)
Total expenditures	<u>2,453,262</u>	<u>935,185</u>	<u>1,518,077</u>
Excess (deficiency) of revenues over expenditures	<u>(156,545)</u>	<u>(500,227)</u>	<u>(343,682)</u>
Other financing sources (uses):			
Transfers in	156,545		(156,545)
Transfers out		(757,696)	(757,696)
Total other financing sources (uses):	<u>156,545</u>	<u>(757,696)</u>	<u>(914,241)</u>
Changes in fund balances		<u>(1,257,923)</u>	<u>(1,257,923)</u>
Fund balances (deficits), beginning of year		(520,010)	(520,010)
Fund balances (deficits), end of year	<u>\$</u>	<u>\$ (1,777,933)</u>	<u>\$ (1,777,933)</u>

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

	<u>Enterprise Funds</u>			
	<u>Water and Sewer Utility</u>	<u>Housing Assistance</u>	<u>Non-Major Enterprise Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$	\$ 303,007	\$ 50,980	\$ 353,987
Investments	2,235,904			2,235,904
Accounts receivable		48,678		48,678
Due from state government	20,639			20,639
Due from other funds	209,906	25,352		235,258
Prepaid items		7,713		7,713
Inventory		3,950		3,950
Total current assets	<u>2,466,449</u>	<u>388,700</u>	<u>50,980</u>	<u>2,906,129</u>
Noncurrent assets:				
Deferred bond issuance costs	275,010			275,010
Land	377,428	32,000		409,428
Infrastructure	17,437,634			17,437,634
Buildings and improvements	87,742	4,393,097		4,480,839
Vehicles, furniture and equipment	628,993	90,711	11,204	730,908
Construction in progress		33,321		33,321
Accumulated depreciation	(2,327,385)	(2,746,582)	(7,936)	(5,081,903)
Total noncurrent assets	<u>16,479,422</u>	<u>1,802,547</u>	<u>3,268</u>	<u>18,285,237</u>
Total assets	<u>18,945,871</u>	<u>2,191,247</u>	<u>54,248</u>	<u>21,191,366</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	3,450,184	10,941		3,461,125
Accrued payroll	14,505	8,681	1,885	25,071
Accrued interest payable	44,371			44,371
Compensated absences payable	17,798	1,315	3,926	23,039
Due to other governments		6,830		6,830
Due to other funds		230,664	2,313	232,977
Deposits held for others		7,600		7,600
Loans payable	163,860			163,860
Bonds payable	635,588			635,588
Total current liabilities	<u>4,326,306</u>	<u>266,031</u>	<u>8,124</u>	<u>4,600,461</u>
Noncurrent liabilities:				
Non-current portion of long-term obligations	11,781,281	6,573	981	11,788,835
Total noncurrent liabilities	<u>11,781,281</u>	<u>6,573</u>	<u>981</u>	<u>11,788,835</u>
Total liabilities	<u>16,107,587</u>	<u>272,604</u>	<u>9,105</u>	<u>16,389,296</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	3,989,242	1,802,547		5,791,789
Unrestricted	(1,150,958)	116,096	45,143	(989,719)
Total net assets	<u>\$ 2,838,284</u>	<u>\$ 1,918,643</u>	<u>\$ 45,143</u>	<u>\$ 4,802,070</u>

The notes to the basic 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, 2011**

	Enterprise Funds			Total
	Water and Sewer Utility	Housing Assistance	Non-Major Enterprise Fund	
Operating revenues:				
Charges for services	\$ 943,540	\$ 242,272	\$ 133,831	\$ 1,319,643
Total operating revenues	<u>943,540</u>	<u>242,272</u>	<u>133,831</u>	<u>1,319,643</u>
Operating expenses:				
Salaries and benefits	694,855	214,207	85,414	994,476
Supplies and services	1,218,300	368,983	47,285	1,634,568
Housing assistance payments		658,535		658,535
Depreciation	147,320	63,964	1,400	212,684
Total operating expenses	<u>2,060,475</u>	<u>1,305,689</u>	<u>134,099</u>	<u>3,500,263</u>
Operating income (loss)	<u>(1,116,935)</u>	<u>(1,063,417)</u>	<u>(268)</u>	<u>(2,180,620)</u>
Nonoperating revenues (expenses):				
Municipal and state shared taxes	99,354			99,354
Intergovernmental	20,639	1,006,109		1,026,748
Investment income		99		99
Other revenues	80,940	13,183		94,123
Interest and fees	(500,892)			(500,892)
Total nonoperating revenues (expenses)	<u>(299,959)</u>	<u>1,019,391</u>		<u>719,432</u>
Changes in net assets	<u>(1,416,894)</u>	<u>(44,026)</u>	<u>(268)</u>	<u>(1,461,188)</u>
Total net assets, beginning of year	4,255,178	1,962,669	45,411	6,263,258
Total net assets, end of year	<u>\$ 2,838,284</u>	<u>\$ 1,918,643</u>	<u>\$ 45,143</u>	<u>\$ 4,802,070</u>

The notes to the basic 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, 2011**

	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	\$ 1,316,163	\$ 281,547	\$ 133,831	\$ 1,731,541
Cash payments to suppliers for goods and services	(95,368)	(1,047,145)	(47,285)	(1,189,798)
Cash payments to employees for services	(708,518)	(219,473)	(85,154)	(1,013,145)
Net cash used for operating activities	512,277	(985,071)	1,392	(471,402)
Cash flows from noncapital and related financing activities:				
Intergovernmental revenues	119,993	1,006,109		1,126,102
Miscellaneous revenues	84,564	13,183		97,747
Interfund borrowing	(267,708)	(46,649)		(314,357)
Net cash provided by noncapital financing activities	(63,151)	972,643		909,492
Cash flows from capital and related financing activities:				
Principal paid on bonds and loans	(772,831)			(772,831)
Interest paid on bonds and loans	(500,892)			(500,892)
Acquisition and construction of capital assets		(82,089)		(82,089)
Net cash used for capital and related financing activities	(1,273,723)	(82,089)		(1,355,812)
Cash flows from investing activities:				
Interest on investments		99		99
Decrease in market value	(61,723)			(61,723)
Net cash provided by (used for) investing activities	(61,723)	99		(61,624)
Net decrease in cash and cash equivalents	(886,320)	(94,418)	1,392	(979,346)
Cash and cash equivalents, beginning of year	3,122,224	397,425	49,588	3,569,237
Cash and cash equivalents, end of year	\$ 2,235,904	\$ 303,007	\$ 50,980	\$ 2,589,891
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Operating income (loss)	\$ (1,116,935)	\$ (1,063,417)	\$ (268)	\$ (2,180,620)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	147,320	63,964	1,400	212,684
Changes in assets and liabilities:				
Decrease in accounts receivable	374,118	29,047		403,165
Decrease in due from federal government		15,293		15,293
Decrease in due from state government	1,087			1,087
Decrease in inventory		350		350
Increase (decrease) in accounts payable	1,122,932	(19,977)		1,102,955
Increase in accrued payroll and employee benefits	253	(2,426)	69	(2,104)
Increase (decrease) in compensated absences payable	(13,916)	(2,840)	191	(16,565)
Decrease in deposits held for others	(2,582)	(5,065)		(7,647)
Total adjustments	1,629,212	78,346	1,660	1,709,218
Net cash provided by (used for) operating activities	\$ 512,277	\$ (985,071)	\$ 1,392	\$ (471,402)

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2011**

	<u>Agency</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 121,340
Total assets	<u>\$ 121,340</u>
<u>LIABILITIES</u>	
Deposits held for others	\$ 121,340
Total liabilities	<u>\$ 121,340</u>

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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.

During the year ended June 30, 2011, the Town implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds, and clarifies existing governmental fund type definitions.

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

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

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

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

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

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In addition, derived tax revenues, such as gross receipts and gasoline taxes, are recognized as revenues when the underlying exchange transaction has occurred. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

Property taxes, gross receipts taxes, state shared taxes, franchise fees, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received.

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

Property taxes recognized are net of estimated refunds and uncollectible amounts. Delinquent property taxes have been recorded as deferred revenue. 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.

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. The General Fund includes the Town's Ambulance and Community Development Funds. These funds are maintained as separate funds for accounting and budgetary purposes but do not meet the criteria for separate reporting in the financial statements.

Gas Tax Fund – This fund accounts for funds used for construction and maintenance of streets and bridges and is provided by a one (1) cent per gallon tax on gasoline purchased in the community as authorized by Section 7-24A, NMSA 1978.

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

The Town reports the following major proprietary funds.

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

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

Additionally, the Town reports the following fund type:

Fiduciary Fund – The Fiduciary Fund is an agency fund 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.

The Agency Fund is custodial in nature and does not have a measurement focus and is reported on the accrual basis of accounting. The agency fund is reported by fund type.

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

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 year-end were cash in bank and investments held by the Town.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

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.

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. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the governmental fund financial statements and in nonoperating revenues in the proprietary fund financial statements.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All trade receivables are shown net of allowance for uncollectibles.

G. 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

H. 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.

I. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, vehicles, furniture, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Software is capitalized when acquired while library books are not capitalized because the aggregated cost of books is considered immaterial. Donated capital assets are recorded at estimated fair market value at the date of donation. General government infrastructure assets acquired prior to July 1, 2006, consist of road network assets that were acquired or that received substantial improvements subsequent. These infrastructure assets are reported at estimated historical cost using deflated replacement cost.

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

J. 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

K. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Property Tax Calendar

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.

M. 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

N. Budgets

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

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

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

O. 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.

NOTE 2 – FUND BALANCE CLASSIFICATIONS

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2 – FUND BALANCE CLASSIFICATIONS (Cont'd)

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Town Council. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action it employed to previously commit those accounts.

Assigned. Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Town Council or a management official delegated that authority by the formal Town Council action.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2 – FUND BALANCE CLASSIFICATIONS (Concl'd)

The table below provides detail of the major components of the Town's fund balance classifications at year end.

	<u>General Fund</u>	<u>Gas Tax Fund</u>	<u>Capital Projects Fund</u>	<u>2008 Revenue Bond Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>
Fund Balances:					
Nonspendable:					
Prepaid items	\$	\$ 320	\$	\$	\$
Restricted:					
Capital projects			234,175	1,889,229	
Recreation					137,016
Corrections					176,009
Other purposes					139,374
Unassigned	<u>(1,197,683)</u>	<u>(1,778,253)</u>			<u>(290,495)</u>
Total fund balances	<u>(1,197,683)</u>	<u>\$(1,777,933)</u>	<u>\$ 234,175</u>	<u>\$ 1,889,229</u>	<u>\$ 161,904</u>

The July 1, 2010 fund balances of the General Fund and Non-Major Governmental Funds do not agree to the prior year financial statements for the reclassification of certain funds due to the new fund type definitions specified in GASB Statement No. 54.

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>
Fund balance, June 30, 2010, as previously reported	\$ (904,658)	\$ (1,114,960)
Reclassification of funds	<u>(1,250,973)</u>	<u>1,250,973</u>
Fund balance, July 1, 2010, as restated	<u>\$ (2,155,631)</u>	<u>\$ 136,013</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

	Deficit
Major Funds:	
General	\$1,197,683
Gas Tax	1,777,933
Non-Major Governmental Funds:	
Law Enforcement	19,773
Rescue	270,722

The deficits arose because of operations during the year and prior years. The deficits are expected to be eliminated in fiscal year 2013 when the Town investigates and corrects the accumulation of prior year errors in the general ledger.

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

	Budget	Expenditures	Excess
Non-Major Governmental Funds:			
Law Enforcement	\$ 32,000	\$ 35,561	\$ (3,561)
Rescue	7,500	8,643	(1,143)
Community Development	698,394	763,939	(65,545)
Proprietary Funds:			
Water and Sewer	2,209,347	2,399,941	(190,594)
Housing Assistance		1,241,725	(1,241,725)
Campground	132,457	132,699	(242)

Compliance – The Town received notice from the Office of the State Auditor that indicated the Town has been designated as high-risk for not submitting the fiscal year 2010-11 annual financial and compliance audit by the deadline as required by the Audit Act and the Audit Rule. As a result, the Town will have continued special monitoring by the Office of the State Auditor until the issue is resolved.

NOTE 4 – CASH AND INVESTMENTS

At year end, the carrying amount of the Town’s deposits was \$3,223,423 and the bank balance was \$4,188,820. 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 – CASH AND INVESTMENTS (Cont'd)

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, \$500,000 of the Town's deposits were covered by Federal depository insurance, \$1,307,802 were guaranteed under the Dodd-Frank Deposit Insurance Provision, and \$2,381,018 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	\$ 4,188,820
Less FDIC and Dodd-Frank coverage	<u>1,807,802</u>
Total unsecured public funds	2,381,018
50% collateral requirement	1,190,509
Pledged securities, fair value	<u>3,340,477</u>
Pledged in excess of requirement	<u>\$ 2,149,968</u>

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

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	More than 10
Money market – U.S. Treasuries	\$ 1,549,177	\$ 1,549,177	\$
Municipal bond:			
Town of Bernalillo, Series 2008	<u>686,727</u>		<u>686,727</u>
	<u>\$ 2,235,904</u>	<u>\$ 1,549,177</u>	<u>\$ 686,727</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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 – CASH AND INVESTMENTS (Concl'd)

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 30% of the Town's investments.

NOTE 5 – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 260,810	\$	\$	\$ 260,810
Construction in progress	<u>2,263,106</u>	<u>672,745</u>	<u>2,935,851</u>	
Total capital assets, not being depreciated	<u>2,523,916</u>	<u>672,745</u>	<u>2,935,851</u>	<u>260,810</u>
Capital assets, being depreciated:				
Infrastructure	7,499,918	2,935,851		10,435,769
Buildings and improvements	4,189,196			4,189,196
Improvements other than buildings	1,038,278			1,038,278
Vehicles, furniture and equipment	<u>3,159,083</u>	<u>38,982</u>		<u>3,198,065</u>
Total capital assets being depreciated	<u>15,886,475</u>	<u>2,974,833</u>		<u>18,861,308</u>
Less accumulated depreciation for:				
Infrastructure	(3,076,395)	(148,546)		(3,224,941)
Buildings and improvements	(1,288,264)	(83,784)		(1,372,048)
Improvements other than buildings	(176,044)	(20,631)		(196,675)
Vehicles, furniture and equipment	<u>(2,071,502)</u>	<u>(215,570)</u>		<u>(2,287,072)</u>
Total accumulated depreciation	<u>(6,612,205)</u>	<u>(468,531)</u>		<u>(7,080,736)</u>
Total capital assets, being depreciated, net	<u>9,274,270</u>	<u>2,506,302</u>		<u>11,780,572</u>
Governmental activities capital assets, net	<u>\$ 11,798,186</u>	<u>\$ 3,179,047</u>	<u>\$ 2,935,851</u>	<u>\$ 12,041,382</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 – CAPITAL ASSETS (Concl'd)

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 409,428	\$	\$	\$ 409,428
Construction in process	12,706,096	32,895	12,705,670	33,321
Total capital assets, not being depreciated	<u>13,115,524</u>	<u>32,895</u>	<u>12,705,670</u>	<u>442,749</u>
Capital assets, being depreciated:				
Infrastructure	4,731,964	12,705,670		17,437,634
Buildings and improvements	4,443,355	37,484		4,480,839
Vehicles, furniture and equipment	719,198	11,710		730,908
Total capital assets being depreciated	<u>9,894,517</u>	<u>12,754,864</u>		<u>22,649,381</u>
Less accumulated depreciation for:				
Infrastructure	(1,780,863)	(94,640)		(1,875,503)
Buildings and improvements	(2,665,831)	(60,190)		(2,726,021)
Vehicles, furniture and equipment	(422,525)	(57,854)		(480,379)
Total accumulated depreciation	<u>(4,869,219)</u>	<u>(212,684)</u>		<u>(5,081,903)</u>
Total capital assets, being depreciated, net	<u>5,025,298</u>	<u>12,542,180</u>		<u>17,567,478</u>
Governmental activities capital assets, net	<u>\$ 18,140,822</u>	<u>\$ 12,575,075</u>	<u>\$12,705,670</u>	<u>\$ 18,010,227</u>

Depreciation expense was charged to functions/programs as follows.

Governmental Activities:	
General government	\$ 260,504
Public safety	144,437
Culture and recreation	63,590
Total depreciation expense – governmental activities	<u>\$ 468,531</u>
Business-Type Activities:	
Water and sewer	\$ 147,320
Housing assistance	63,964
Campground	1,400
Total depreciation expense – business-type activities	<u>\$ 212,684</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 – 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 General Fund through a transfer to the Debt Service Fund. The business-type loans will be repaid by the Water and Sewer Fund. The loans payable at year-end, are presented below.

<u>Purpose</u>	<u>Interest Rates (Including Fees)</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2011</u>	<u>Due Within One Year</u>
Governmental activities:				
NMFA Loan (Fire Truck)	3.82%	5/1/12-17	\$ 123,854	\$ 18,768
Total			<u>\$ 123,854</u>	<u>\$ 18,768</u>
Business-type activities:				
San Juan-Chama Project	3.05%	9/1/11-22	\$ 118,349	\$ 8,317
Arsenic Removal Loan	3.88%	5/1/12-27	3,013,927	140,509
Land Purchase Loan	3.88%	5/1/12-27	322,489	15,034
Total			<u>\$ 3,454,765</u>	<u>\$ 163,860</u>

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>Year ending June 30:</u>		<u>Principal</u>	<u>Interest</u>
	2012	\$ 18,768	\$ 4,770
	2013	19,468	4,070
	2014	20,204	3,338
	2015	20,978	2,566
	2016	21,790	1,756
	2017	22,646	902
Total		<u>\$ 123,854</u>	<u>\$ 17,402</u>
		<u>Business-type Activities</u>	
<u>Year ending June 30:</u>		<u>Principal</u>	<u>Interest</u>
	2012	\$ 163,860	\$ 132,206
	2013	169,805	126,278
	2014	175,981	120,115
	2015	182,434	113,676
	2016	189,176	106,952
	2017-21	1,058,397	422,512
	2022-26	1,241,612	204,068
	2027	273,500	10,940
Total		<u>\$ 3,454,765</u>	<u>\$ 1,236,747</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 – 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.

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, 2011</u>	<u>Due Within One Year</u>
Governmental activities:					
Revenue Bonds, 2008	\$ 8,125,000	3.25-4.95%	6/1/12-21	\$ 3,585,000	\$ 585,000
Total				<u>\$ 3,585,000</u>	<u>\$ 585,000</u>
Business-type activities:					
Refunding Revenue					
Bonds, 2005	\$ 2,938,111	4.07%	6/1/12-15	\$ 1,323,627	\$ 315,588
Revenue Bonds, 2006	8,775,000	3.05%	6/1/12-28	7,790,000	320,000
Total				<u>\$ 9,113,627</u>	<u>\$ 635,588</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.

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 585,000	\$ 295,405
2013	610,000	272,005
2014		
2015		
2016		
2017-21	<u>2,390,000</u>	<u>281,461</u>
Total	<u>\$ 3,585,000</u>	<u>\$ 848,871</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 – BONDS PAYABLE (Concl'd)

Year ending June 30:	Business-type Activities	
	Principal	Interest
2012	\$ 635,588	\$ 380,604
2013	662,714	354,960
2014	690,212	327,386
2015	705,113	298,662
2016	380,000	269,308
2017-21	2,160,000	1,090,050
2022-26	2,655,000	595,472
2027-31	1,225,000	77,700
Total	<u>\$ 9,113,627</u>	<u>\$ 3,394,142</u>

Pledged revenues – governmental activities. The Town has pledged future state-shared gross receipts tax revenues to repay outstanding revenue bonds of \$3.6 million as of June 30, 2011. Proceeds from the original bond issuance provided financing for capital improvement projects. The bonds are paid solely from the Town's gross receipts tax and are payable through 2021. Total annual principal and interest payments for all gross receipts tax revenue bonds are expected to require less than 20% of gross revenues. Total principal and interest to be paid on the bonds is \$10.7 million. The current total gross receipts tax revenues were \$4.4 million and the total principal and interest paid on the bonds was \$859,323 million, or 19.7% of gross revenues.

NOTE 8 – 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	\$ 141,958	\$	\$ 18,104	\$ 123,854	\$ 18,768
Revenue bonds payable	4,150,000		565,000	3,585,000	585,000
Compensated absences	186,257		3,744	182,513	100,382
Total	<u>\$ 4,478,215</u>	<u>\$</u>	<u>\$ 586,848</u>	<u>\$ 3,891,367</u>	<u>\$ 704,150</u>
Business-type Activities:					
Loans payable	\$ 3,612,917	\$	\$ 158,152	\$ 3,454,765	\$ 163,860
Revenue bonds payable	9,728,306		614,679	9,113,627	635,588
Compensated absences	51,606		8,676	42,930	23,039
Total	<u>\$ 13,392,829</u>	<u>\$</u>	<u>\$ 781,507</u>	<u>\$ 12,611,322</u>	<u>\$ 822,487</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 – 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	Housing Assistance Fund	
General Fund	\$	\$ 80	\$ 156,405	\$ 25,352	\$ 181,837
Gas Tax Fund	372,688				372,688
Capital Projects Fund	133,647				133,647
Non-Major Governmental Funds	217,221		53,501		270,722
Housing Assistance Fund	230,664				230,664
Non-Major Enterprise Fund	2,313				2,313
Total.	<u>\$ 956,533</u>	<u>\$ 80</u>	<u>\$ 209,906</u>	<u>\$ 25,352</u>	<u>\$ 1,191,871</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.

Transfers out	Transfers in			Total
	General Fund	2008 Revenue Bond Debt Service Fund	2008 Revenue Bond Capital Projects Fund	
General Fund	\$	\$ 859,323	\$	\$ 859,323
Gas Tax Fund			757,696	757,696
2008 Revenue Bond Capital Projects Fund	399,272			399,272
Total	<u>\$ 399,272</u>	<u>\$ 859,323</u>	<u>\$ 757,696</u>	<u>\$ 2,016,291</u>

Transfers between funds were used 1) to move funds to the Debt Service Fund for payment, 2) to move bond proceeds from the Bond Building Fund to reimburse expenditures for a project in the General Fund and 3) to move unspent bond proceeds back to the Bond Building Fund for future use.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 10 – CONTINGENT LIABILITIES

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

Lawsuits – The Town is a defendant in a number of lawsuits as of June 30, 2011. It is the opinion of management and Town counsel that the amount of losses resulting from these litigations at June 30, 2011, would not be material to the financial position of the Town.

NOTE 11 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Therefore, the Town joined the New Mexico Self-Insurers' Fund Risk Pool (Pool), together with other cities and towns in the State. The Pool is a public entity risk pool currently operating as a common risk management and insurance program for member cities and towns. The Town pays an annual premium to the Pool for its general insurance coverage. The agreement provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the annual aggregate per policy for general liability, property, and workers' compensation claims. The Town carries commercial insurance for all other risks of loss including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 – 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 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

**NOTE 12 –PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(Concl'd)**

Funding Policy. Plan members (other than police and fire) are required to contribute 6.26% of their gross salary; police and fire are required to contribute 4.94% and 5.12% of their gross salary, respectively. The Town is required to contribute 25.91% for police, 28.93% for fire and 21.04% 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 2011, 2010, and 2009, were \$733,170, \$693,761, and \$866,085, respectively, which were equal to the amount of the required contributions for each year.

NOTE 13 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN

Plan Description. The Town 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 event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

**NOTE 13 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN
(Cont'd)**

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 1.666% of each participating employee's annual salary; each participating employee is required to contribute 0.8333% of their salary. In the fiscal years ending June 30, 2012 and 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>
2012	1.834	0.917
2013	2.000	1.000

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 2.084% of each participating employee's annual salary, and each participating employee was required to contribute 1.042% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contributions rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2012	2.292	1.146
2013	2.500	1.250

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

**NOTE 13 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN
(Concl'd)**

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, 2011, 2010 and 2009 were \$75,080, \$41,692, and \$59,055, respectively, which equal the required contributions for each year.

NOTE 14 – SUBSEQUENT EVENT

Beginning July 1, 2012 the oversight of the Town of Bernalillo Public Housing Authority will be transferred from Town of Bernalillo to the Santa Fe Civic Housing Authority. The financial statements and compliance for the programs will no longer be included in the Town's financial statements beginning in fiscal year 2013.

SUPPLEMENTARY INFORMATION

**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, 2011**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Expenditures:			
Debt service -			
Principal	\$ 1,542,780	\$ 583,104	\$ 959,676
Interest and fees	724,175	276,219	447,956
Total expenditures	<u>2,266,955</u>	<u>859,323</u>	<u>1,407,632</u>
Excess (deficiency) of revenues over expenditures	<u>(2,266,955)</u>	<u>(859,323)</u>	<u>1,407,632</u>
Other financing sources (uses):			
Transfers in	2,266,955	859,323	(1,407,632)
Total other financing sources (uses):	<u>2,266,955</u>	<u>859,323</u>	<u>(1,407,632)</u>
Changes in fund balances			
Fund balances, beginning of year			
Fund balances, end of year	<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, 2011**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 3,786,832	\$ 1,305,569	\$ (2,481,263)
Other revenues	1,105,370		(1,105,370)
Total revenues	<u>4,892,202</u>	<u>1,305,569</u>	<u>(3,586,633)</u>
Expenditures:			
Capital outlay	4,941,405	359,109	4,582,296
Total expenditures	<u>4,941,405</u>	<u>359,109</u>	<u>4,582,296</u>
Excess (deficiency) of revenues over expenditures	<u>(49,203)</u>	<u>946,460</u>	<u>995,663</u>
Other financing sources (uses):			
Transfers in	49,203		(49,203)
Total other financing sources (uses):	<u>49,203</u>		<u>(49,203)</u>
Changes in fund balances		<u>946,460</u>	<u>946,460</u>
Fund balances (deficits), beginning of year		(712,285)	(712,285)
Fund balances, end of year	<u>\$</u>	<u>\$ 234,175</u>	<u>\$ 234,175</u>

**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, 2011**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Investment income	\$	2,475	\$ 2,475
Total revenues		<u>2,475</u>	<u>2,475</u>
Excess (deficiency) of revenues over expenditures		<u>2,475</u>	<u>2,475</u>
Other financing sources (uses):			
Transfers in		757,696	757,696
Transfers out		(399,272)	(399,272)
Total other financing sources (uses):		<u>358,424</u>	<u>358,424</u>
Changes in fund balances		<u>360,899</u>	<u>360,899</u>
Fund balances, beginning of year		1,528,330	1,528,330
Fund balances, end of year	\$	<u><u>1,889,229</u></u>	\$ <u><u>1,889,229</u></u>

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

(This page intentionally left blank)

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.

Lodgers’ 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.

Community Development – to account for funds used for the New Mexico Wine Festival and other activities to promote Community Development.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011**

	Fire	Recreation	Corrections
<u>ASSETS</u>			
Cash and cash equivalents	\$ 36,681	\$ 137,016	\$ 176,009
Due from other funds			
Total assets	\$ 36,681	\$ 137,016	\$ 176,009
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Overdraft of cash on deposit	\$	\$	\$
Due to other funds			
Total liabilities			
Fund balances (deficits):			
Restricted	36,681	137,016	176,009
Unassigned			
Total fund balances	36,681	137,016	176,009
 Total liabilities and fund balances	\$ 36,681	\$ 137,016	\$ 176,009

<u>Law Enforcement</u>	<u>Lodgers' Tax</u>	<u>EMS Grant</u>	<u>Rescue</u>	<u>Totals</u>
\$	\$ 89,016	\$ 13,597	\$	\$ 452,319
	80			80
<u>\$</u>	<u>\$ 89,096</u>	<u>\$ 13,597</u>	<u>\$</u>	<u>\$ 452,399</u>
\$ 19,773	\$	\$	\$	\$ 19,773
			270,722	270,722
<u>19,773</u>			<u>270,722</u>	<u>290,495</u>
	89,096	13,597		452,399
(19,773)			(270,722)	(290,495)
<u>(19,773)</u>	<u>89,096</u>	<u>13,597</u>	<u>(270,722)</u>	<u>161,904</u>
<u>\$</u>	<u>\$ 89,096</u>	<u>\$ 13,597</u>	<u>\$</u>	<u>\$ 452,399</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, 2011**

	<u>Fire</u>	<u>Recreation</u>	<u>Corrections</u>
Revenues:			
Municipal and state shared taxes	\$	\$ 453	\$
Intergovernmental	53,030	7,000	
Fines and forfeits			36,535
Total revenues	<u>53,030</u>	<u>7,453</u>	<u>36,535</u>
Expenditures:			
Current -			
General government			
Public safety	40,388		29,346
Culture and recreation		753	
Total expenditures	<u>40,388</u>	<u>753</u>	<u>29,346</u>
Changes in fund balances	<u>12,642</u>	<u>6,700</u>	<u>7,189</u>
Fund balances (deficits), beginning of year	24,039	130,316	168,820
Fund balances (deficits), end of year	<u>\$ 36,681</u>	<u>\$ 137,016</u>	<u>\$ 176,009</u>

<u>Law Enforcement</u>	<u>Lodgers' Tax</u>	<u>EMS Grant</u>	<u>Rescue</u>	<u>Totals</u>
\$ 32,000	\$ 101,911	\$	\$ 9,580	\$ 102,364
<u>32,000</u>	<u>101,911</u>		<u>9,580</u>	<u>101,610</u>
				36,535
				<u>240,509</u>
	99,927			99,927
35,561			8,643	113,938
<u>35,561</u>	<u>99,927</u>		<u>8,643</u>	<u>753</u>
				<u>214,618</u>
(3,561)	1,984		937	25,891
(16,212)	87,112	13,597	(271,659)	136,013
<u>\$ (19,773)</u>	<u>\$ 89,096</u>	<u>\$ 13,597</u>	<u>\$ (270,722)</u>	<u>\$ 161,904</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FIRE
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 55,501	\$ 53,030	\$ (2,471)
Total revenues	<u>55,501</u>	<u>53,030</u>	<u>(2,471)</u>
Expenditures:			
Current -			
Public safety	55,501	40,388	15,113
Total expenditures	<u>55,501</u>	<u>40,388</u>	<u>15,113</u>
Changes in fund balances		<u>12,642</u>	<u>12,642</u>
Fund balances, beginning of year		24,039	24,039
Fund balances, end of year	<u>\$</u>	<u>\$ 36,681</u>	<u>\$ 36,681</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, 2011**

	Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
	Original & Final		(Negative)
Revenues:			
Municipal and state shared taxes	\$	\$ 453	\$ 453
Intergovernmental		7,000	7,000
Other revenues	5,000		(5,000)
Total revenues	<u>5,000</u>	<u>7,453</u>	<u>2,453</u>
Expenditures:			
Current -			
Culture and recreation	5,000	753	4,247
Total expenditures	<u>5,000</u>	<u>753</u>	<u>4,247</u>
Changes in fund balances		<u>6,700</u>	<u>6,700</u>
Fund balances, beginning of year		130,316	130,316
Fund balances, end of year	<u>\$</u>	<u>\$ 137,016</u>	<u>\$ 137,016</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, 2011**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Fines and forfeits	\$ 68,340	\$ 36,535	\$ (31,805)
Total revenues	<u>68,340</u>	<u>36,535</u>	<u>(31,805)</u>
Expenditures:			
Current -			
Public safety	68,340	29,346	38,994
Total expenditures	<u>68,340</u>	<u>29,346</u>	<u>38,994</u>
Changes in fund balances		<u>7,189</u>	<u>7,189</u>
Fund balances, beginning of year		168,820	168,820
Fund balances, end of year	<u>\$</u>	<u>\$ 176,009</u>	<u>\$ 176,009</u>

**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, 2011**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 32,000	\$ 32,000	\$
Total revenues	<u>32,000</u>	<u>32,000</u>	
Expenditures:			
Current -			
Public safety	32,000	35,561	(3,561)
Total expenditures	<u>32,000</u>	<u>35,561</u>	<u>(3,561)</u>
Changes in fund balances		<u>(3,561)</u>	<u>(3,561)</u>
Fund balances (deficits), beginning of year		(16,212)	(16,212)
Fund balances (deficits), end of year	<u>\$</u>	<u>(19,773)</u>	<u>\$ (19,773)</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LODGERS' TAX
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Municipal and state shared taxes	\$ 110,000	\$ 101,911	\$ (8,089)
Total revenues	<u>110,000</u>	<u>101,911</u>	<u>(8,089)</u>
Expenditures:			
Current -			
General government		99,927	(99,927)
Public safety	110,000		110,000
Total expenditures	<u>110,000</u>	<u>99,927</u>	<u>10,073</u>
Changes in fund balances		<u>1,984</u>	<u>1,984</u>
Fund balances, beginning of year		87,112	87,112
Fund balances, end of year	<u>\$</u>	<u>\$ 89,096</u>	<u>\$ 89,096</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, 2011**

	Budgeted Amounts	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original & Final	Actual	(Negative)
Changes in fund balances			
Fund balances, beginning of year		2,184	2,184
Fund balances, end of year	\$	\$ 2,184	\$ 2,184

**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, 2011**

	Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
	Original & Final		
Changes in fund balances			
Fund balances, beginning of year		13,597	13,597
Fund balances, end of year	\$	\$ 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, 2011**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 7,500	\$ 9,580	\$ 2,080
Total revenues	<u>7,500</u>	<u>9,580</u>	<u>2,080</u>
Expenditures:			
Current -			
Public safety	7,500	8,643	(1,143)
Total expenditures	<u>7,500</u>	<u>8,643</u>	<u>(1,143)</u>
Changes in fund balances		937	937
Fund balances (deficits), beginning of year		(271,659)	(271,659)
Fund balances (deficits), end of year	<u>\$</u>	<u>(270,722)</u>	<u>\$ (270,722)</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Non-GAAP Actual	
Revenues:			
Intergovernmental	\$ 301,914	\$ 243,652	\$ (58,262)
Charges for services	311,800	220,870	(90,930)
Other revenues	2,000	653	(1,347)
Total revenues	<u>615,714</u>	<u>465,175</u>	<u>(150,539)</u>
Expenditures:			
Current -			
Culture and recreation	698,394	763,939	(65,545)
Total expenditures	<u>698,394</u>	<u>763,939</u>	<u>(65,545)</u>
Excess (deficiency) of revenues over expenditures	<u>(82,680)</u>	<u>(298,764)</u>	<u>(216,084)</u>
Other financing sources (uses):			
Transfers in	98,170		(98,170)
Transfers out	(15,490)		15,490
Total other financing sources (uses):	<u>82,680</u>		<u>(82,680)</u>
Changes in fund balances		<u>(298,764)</u>	<u>(298,764)</u>
Fund balances (deficits), beginning of year		(1,253,157)	(1,253,157)
Fund balances (deficits), end of year	<u>\$</u>	<u>\$ (1,551,921)</u>	<u>\$ (1,551,921)</u>

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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 3,478,450	\$ 3,478,450	\$ 943,540	\$ (2,534,910)
Municipal and state shared taxes	120,900	120,900	99,354	(21,546)
Intergovernmental			20,639	20,639
Other revenues			80,940	80,940
Total revenues	<u>3,599,350</u>	<u>3,599,350</u>	<u>1,144,473</u>	<u>(2,454,877)</u>
Expenditures:				
Operations	2,049,193	2,209,347	1,913,155	296,192
Interest and fiscal charges			500,892	(500,892)
Total expenditures	<u>2,049,193</u>	<u>2,209,347</u>	<u>2,414,047</u>	<u>(204,700)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,550,157</u>	<u>\$ 1,390,003</u>	<u>(1,269,574)</u>	<u>\$ (2,659,577)</u>
Expenses not budgeted:				
Depreciation			(147,320)	
Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets			<u>\$ (1,416,894)</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, 2011**

	Budgeted Amounts Original & Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for services	\$	\$ 242,272	\$ 242,272
Intergovernmental		1,006,109	1,006,109
Investment income		99	99
Other revenues		13,183	13,183
Total revenues		1,261,663	1,261,663
Expenditures:			
Operations		1,241,725	(1,241,725)
Total expenditures		1,241,725	(1,241,725)
Excess (deficiency) of revenues over expenditures	\$	19,938	\$ 19,938
Expenses not budgeted:			
Depreciation		(63,964)	
Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets		\$ (44,026)	

**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, 2011**

	Budgeted Amounts		Variance with Final Budget
	Original & Final	Actual	Positive (Negative)
Revenues:			
Charges for services	\$ 144,000	\$ 133,831	\$ (10,169)
Intergovernmental			
Investment income			
Other revenues			
Total revenues	144,000	133,831	(10,169)
Expenditures:			
Operations	132,457	132,699	(242)
Total expenditures	132,457	132,699	(242)
Excess (deficiency) of revenues over expenditures	\$ 11,543	1,132	\$ (10,411)
Expenses not budgeted:			
Depreciation		(1,400)	
Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets		\$ (268)	

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2011

	<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	\$ <u>114,407</u>	\$ <u>96,016</u>	\$ <u>89,083</u>	\$ <u>121,340</u>
Total assets	\$ <u><u>114,407</u></u>	\$ <u><u>96,016</u></u>	\$ <u><u>89,083</u></u>	\$ <u><u>121,340</u></u>
<u>Liabilities</u>				
Deposits held for others	\$ <u>114,407</u>	\$ <u>96,016</u>	\$ <u>89,083</u>	\$ <u>121,340</u>
Total liabilities	\$ <u><u>114,407</u></u>	\$ <u><u>96,016</u></u>	\$ <u><u>89,083</u></u>	\$ <u><u>121,340</u></u>

**TOWN OF BERNALILLO, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2011**

	<u>First Community Bank</u>
Bank Accounts:	
Checking/Demand Accounts	\$ 1,557,802
Savings/CD/Money Market Accounts	2,631,018
Total amount of deposits in bank	<u>4,188,820</u>
Less: FDIC and Dodd-Frank Deposit Insurance Provision coverage	<u>1,807,802</u>
Total uninsured public funds	<u>2,381,018</u>
Collateral requirements (Per 6-10-10 & 6-10-17, NMSA 1978)	
50% of uninsured time and demand accounts	1,190,509
Pledged collateral	
GNR 2009-67 GA, matures Jan. 16, 2037, CUSIP 38373AQS8	180,005
GNR 2009-50 MA, matures Jan. 16, 2038, CUSIP 38374VP45	2,060,960
MBS GNMA Platinum, matures Sept. 15, 2024, CUSIP 36241LBT2	1,099,512
Total collateral	<u>3,340,477</u>
Over / (under) secured	<u><u>\$ 2,149,968</u></u>
Custodial Credit Risk:	
Insured	\$ 1,807,802
Collateralized with securities held by pledging financial institutions trust department	2,381,018
Uninsured and uncollateralized	
Total deposits	<u><u>\$ 4,188,820</u></u>
Location of collateral:	
First Community Bank, Dallas, TX	

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2011**

<u>Bank Account Type / Name</u>	<u>First Community Bank</u>	<u>LPL Financial</u>	<u>Total</u>
Checking - General	\$ 3,973,009		\$ 3,973,009
Checking - Water	54,078		54,078
Investment Account - Water		2,235,904	2,235,904
Checking - Housing	161,733		161,733
 Total on deposit	 4,188,820	 2,235,904	 6,424,724
Reconciling items	(965,397)		(965,397)
Reconciled balance, June 30, 2011	3,223,423	2,235,904	5,459,327
Total deposits and investments	<u>\$ 3,223,423</u>	<u>\$ 2,235,904</u>	<u>\$ 5,459,327</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2011**

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 2011 Amount:	unknown
Audit Responsibility:	Town of Bernalillo

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
HOUSING ASSISTANCE PROGRAMS
FINANCIAL DATA SCHEDULES
COMBINING STATEMENT OF NET ASSETS - ALL HUD PROGRAMS
JUNE 30, 2011**

FDS Line #	Account Description	Low Rent Public Housing 14.850a	Housing Choice Vouchers 14.871	TOTAL
ASSETS:				
111	Cash - unrestricted	\$ 36,920	\$ 59,031	\$ 95,951
113	Cash - other restricted		9,239	9,239
114	Cash - tenant security deposits	7,600		7,600
124	Accounts receivable- other government		44,263	44,263
126	Accounts receivable - tenants - dwelling rents	6,415		6,415
126.1	Allowance for doubtful accounts - dwelling rents	(2,000)		(2,000)
142	Prepaid expenses and other assets	7,713		7,713
143	Inventories	4,150		4,150
143.1	Allowance for obsolete inventories	(200)		(200)
144	Interprogram - due from	25,352		25,352
161	Land	32,000		32,000
162	Buildings	4,312,368		4,312,368
163	Furniture, equipment and machinery - dwellings	5,631		5,631
164	Furniture, equipment and machinery - administration	85,080		85,080
165	Leasehold improvements	80,728		80,728
166	Accumulated depreciation	(2,746,582)		(2,746,582)
167	Construction in progress	33,321		33,321
	TOTAL ASSETS	\$ 1,888,496	\$ 112,533	\$ 2,001,029
LIABILITIES:				
312	Accounts payable <90 days	\$ 8,356	\$ 2,585	\$ 10,941
321	Accrued wage/payroll taxes payable	4,869	3,812	8,681
322	Accrued compensated absences - current portion	637	678	1,315
333	Accounts payable - other governments		6,830	6,830
341	Tenant security deposits	7,600		7,600
347	Interprogram - due to		25,352	25,352
354	Accrued compensated absences - noncurrent	3,185	3,388	6,573
	TOTAL LIABILITIES	24,647	42,645	67,292
NET ASSETS				
508.1	Invested in capital assets, net of related debt	1,802,546		1,802,546
511.1	Restricted net assets		9,239	9,239
512.1	Unrestricted net assets	61,303	60,649	121,952
	TOTAL NET ASSETS	1,863,849	69,888	1,933,737
	TOTAL LIABILITIES AND NET ASSETS	\$ 1,888,496	\$ 112,533	\$ 2,001,029

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
HOUSING ASSISTANCE PROGRAMS
FINANCIAL DATA SCHEDULES
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - ALL HUD PROGRAMS
JUNE 30, 2011**

FDS Line #	Account Description	Low Rent Public Housing 14.850a	Housing Choice Vouchers 14.871	TOTAL
REVENUE:				
703	Net tenant rental income	\$ 184,847		\$ 184,847
706	HUD PHA operating grants	236,509	688,143	924,652
706.1	Capital grants	81,457		81,457
711	Investment income - unrestricted	76	23	99
715	Other Revenue	6,474	64,134	70,608
	TOTAL REVENUE	<u>509,363</u>	<u>752,300</u>	<u>1,261,663</u>
EXPENSES:				
911	Administrative salaries	67,569	71,833	139,402
912	Auditing fees	1,500		1,500
913	Bookkeeping fee	12,912	17,225	30,137
915	Employee benefit contributions - administration	26,121	31,319	57,440
916	Office expenses	25,224	15,093	40,317
917	Legal expense	231		231
918	Travel	474		474
919	Other	26,102	32,245	58,347
922	Relocation costs			-
931	Water	53,122		53,122
932	Electricity	4,944		4,944
933	Gas	23,068		23,068
938	Other utilities expense			-
941	Ordinary maintenance and operations - labor	17,657		17,657
942	Ordinary maintenance and operations - materials and other	40,013		40,013
943	Ordinary maintenance and operations - contracts	79,754		79,754
945	Employee benefit contributions - ordinary maintenance	5,238		5,238
961	Insurance premiums	15,426		15,426
961.3	Workmen's compensation	7,737		7,737
962	Other general expenses	391		391
962.1	Compensated absences	(5,530)		(5,530)
964	Bad debt - tenant rents	5,355		5,355
	TOTAL OPERATING EXPENSES	<u>407,308</u>	<u>167,715</u>	<u>575,023</u>
971	Extraordinary maintenance	8,167		8,167
973	Housing assistance payments		658,535	658,535
974	Depreciation expense	63,964		63,964
	TOTAL EXPENSES	<u>479,439</u>	<u>826,250</u>	<u>1,305,689</u>
OTHER FINANCING SOURCES (USES)				
1001	Operating transfers in	46,263		46,263
1002	Operating transfers out	(46,263)		(46,263)
	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>		
	CHANGE IN NET ASSETS	29,924	(73,950)	(44,026)
	NET ASSETS, BEGINNING OF YEAR	<u>1,833,925</u>	<u>143,838</u>	<u>1,977,763</u>
	NET ASSETS, END OF YEAR	<u>\$ 1,863,849</u>	<u>\$ 69,888</u>	<u>\$ 1,933,737</u>
MEMO account information				
1103	Beginning equity	1,833,925	143,838	1,977,763
1117	Administrative Fee Equity		60,649	
1118	Housing Assistance Payments Equity		9,239	
1119	Unit months available	900	1,560	

(This page intentionally left blank)

SINGLE AUDIT SECTION

(This page intentionally left blank)

**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, 2011, and have issued our report thereon dated September 14, 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, 2011, 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 FS 2006-03, FS 2006-04, FS 2006-08, FS 2007-02, FS 2007-03 and FS 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 FS 2006-01, FS 2006-07, FS 2007-01, FS 2007-04, FS 2008-03, FS 2008-05, and FS2008-06 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 FS 2006-04.

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

September 14, 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, 2011. 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, 2011.

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 to determine the 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 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

September 14, 2012

STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Total Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct programs:			
Public and Indian Housing	14.850	NM035AF0057	\$ 236,509
Section 8 Housing Choice Vouchers	14.871	NM035	<u>601,228</u>
Total U.S. Department of Housing and Urban Development			837,737
<u>U.S. Department of Transportation</u>			
Passed through New Mexico Department of Transportation:			
Highway Planning and Construction, Recovery Act	20.205	ESL3310	391,158
<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	<u>18,649</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,247,544</u></u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

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 2011 *Catalog of Federal Domestic Assistance*.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

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, 2011**

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

Reference Number: FS 2006-01

Type of Finding: Significant Deficiency

Description: Exceeded Budget Authority

CONDITION

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

<u>Fund</u>	<u>Overbudget</u>
Governmental Funds:	
Law Enforcement	\$ 3,561
Rescue	1,143
Community Development	65,545
Proprietary Funds:	
Water and Sewer	190,594
Housing Assistance	1,241,725
Campground	242

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, 2011**

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

Reference Number: FS 2006-03

Type of Finding: Material Weakness

Description: 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 2010-11 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 2010-11 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, 2011**

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

Reference Number: FS 2006-04

Type of Finding: Material Weakness, Compliance

Description: 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 September 2012.

CRITERIA

Per 2.2.2.9 NMAC, the Town was required to submit its fiscal year 2010-11 annual financial report to the New Mexico State Auditor by December 1, 2011.

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 subsequent audits.

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, 2011**

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

Reference Number: FS 2006-07

Type of Finding: Significant Deficiency

Description: 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, 2011**

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

Reference Number: FS 2006-08

Type of Finding: Material Weakness

Description: Reconciliation and Recording of Bank Accounts

CONDITION

We noted material unreconciled balances in several funds at June 30, 2011 that could not be substantiated. Additionally, most bank accounts were not reconciled in a timely manner throughout the fiscal year.

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, 2011**

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

Reference Number: FS 2007-01

Type of Finding: Significant deficiency

Description: 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, 2011**

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

Reference Number: FS 2007-02

Type of Finding: Material Weakness

Description: Internal Control Over Financial Reporting

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, 2011**

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

Reference Number: FS 2007-03

Type of Finding: Material Weakness

Description: 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, 2011**

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

Reference Number: FS 2007-04

Type of Finding: Significant Deficiency

Description: Violation of Town's Procurement Policies

CONDITION

The Town was unable to provide evidence that competitive bids or sealed proposals were issued for three transactions selected. Additionally, the Town was unable to provide evidence that written quotes were obtained for seven 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, 2011**

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

Reference Number: FS 2008-03

Type of Finding: Significant Deficiency

Description: Credit Card Purchases

CONDITION

For seven of ten credit card transactions reviewed, the employee making the purchase the purchase was not documented or easily identifiable.

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, 2011**

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

Reference Number: FS 2008-04

Type of Finding: Material Weakness

Description: Insufficient Capital Asset Support

CONDITION

The Town did not provide a listing of fiscal year 2010-11 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, 2011**

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

Reference Number: FS 2008-05

Type of Finding: Significant Deficiency

Description: Insufficient Controls over Disbursements

CONDITION

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

- For 12 of 40 disbursements reviewed, a valid purchase order with proper approvals was not kept on file.
- For 17 of 40 disbursements reviewed, the receiving report was dated after the date of payment. In addition, for one of 40 disbursements reviewed, the receiving report was not dated nor was there any evidence that the goods were received prior to payment.
- For three of 40 disbursements reviewed, the amount of the purchase exceed the purchase order amount.

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, 2011**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (Concl'd)**

Reference Number: FS 2008-06

Type of Finding: Significant Deficiency

Description: Deficits in Actual Fund Balances

CONDITION

At year-end the following individual funds reported deficits in fund balance.

<u>Fund</u>	<u>Deficits</u>
General	\$ 1,197,683
Gas Tax	1,777,933
Law Enforcement	19,773
Rescue	270,722

CRITERIA

All Town fund annual expenditures should be limited to annual revenue sources plus fund balance in accordance with prudent business practices.

EFFECT

The Town reported deficits fund balances in the funds which could negatively impact the Town based on decisions made by the users of the financial statements (bond companies, oversight agencies).

CAUSE

Ineffective monitoring of expenditures in prior years and the cash reconciliation deficiencies noted in FS 2006-08 have resulted in the deficits reported.

RECOMMENDATION

The Town must investigate the deficits to determine if they actually exist or are the result of erroneous reporting. In addition, the amounts in error should be adjusted accordingly.

AGENCY RESPONSE

The Town in investigating the deficits and has determined that the erroneous fund balance numbers were caused by a system conversion from the former AS400 system to the current INCODE system. The Town will work to determine the correct fund balance numbers and acquire the appropriate approval from NMDFA in order to make the necessary correcting entries.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Reference Number: FA 2006-01

Programs:	CFDA Numbers:	Grantor Numbers:
Section 8 Housing Choice Vouchers	14.871	NM035
Highway Planning and Construction, Recovery Act	20.205	ESL3310

Federal Agencies: U.S Department of Housing and Urban Development, U.S. Department of Transportation

Pass-Through Agency: New Mexico Department of Transportation

Applicable ARRA Programs: Highway Planning and Construction, Recovery Act

Type of Finding: Material Weakness

Questioned Costs: None noted

Compliance Requirement: Other

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) requires that the Town submit its audited HUD Real Estate Assessment Center (REAC) report within nine months after year-end.

EFFECT

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

CAUSE

The Town has had significant turnover in key management and financial positions which resulted in a delay in the completion of the 2008-09 report to January 2012 and further delayed the completion of subsequent audits.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS (Cont'd)

Reference Number: FA 2006-01

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, 2011**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS (Cont'd)

Reference Number: FA 2009-02

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

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

Pass-Through Agency: N/A

Applicable ARRA Programs: N/A

Grantor Number: NM035

Type of Finding: Significant Deficiency

Compliance Requirement: Eligibility, Reporting

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 and 2010 audits had not yet been implemented during fiscal year 2011 related to Section 8 Housing Choice Vouchers. In addition, tests of compliance with eligibility for Section 8 Housing Choice Vouchers identified that for two of 40 tenant files reviewed, the file did not contain the "Authorization for Release of Information" form.

CRITERIA

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

EFFECT

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

CAUSE

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.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

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, 2011**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS (Cont'd)

Reference Number: FA 2010-01

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

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

Pass-Through Agency: N/A

Applicable ARRA Programs: N/A

Grantor Number: NM035

Type of Finding: Significant Deficiency

Compliance Requirement: Special Tests and Provisions

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 14 of 40 tenant files reviewed, the Town did not perform HQS re-inspections on an annual basis.
- The Town was unable to provide a waiting list, therefore audit procedures could not be performed.
- For 20 of 40 tenant files reviewed, there was no evidence or insufficient evidence of a determination of the reasonableness of rent.
- For eight of 40 tenant files reviewed, the utility allowance schedule was not maintained in the file.
- 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:

- 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.
- Maintain a waiting list and documentation that demonstrates the Town followed policies when selecting applicants for admission from the waiting list.
- Determine that the rent to owner is reasonable at the time of initial leasing.
- 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS (Concl'd)

Reference Number: FA 2010-01

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.

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, 2011**

Status of Prior Year Findings

Financial Statement Findings:

<u>Finding Reference</u>	<u>Status</u>
FS 2006-01 Exceeded Budget Authority	Not corrected. See current year finding FS 2006-01.
FS 2006-03 Accounts Receivables Records and Procedures	Not corrected. See current year finding FS 2006-03.
FS 2006-04 Late Audit Report	Not corrected. See current year finding FS 2006-04.
FS 2006-07 Approval of Adjusting Journal Entries	Not corrected. See current year finding FS 2006-07.
FS 2006-08 Reconciliation and Recording of Bank Accounts	Not corrected. See current year finding FS 2006-08.
FS 2007-01 Comprehensive Set of Policies	Not corrected. See current year finding FS 2007-01.
FS 2007-02 Internal Control over Financial Reporting	Not corrected. See current year finding FS 2007-02.
FS 2007-03 Year-end Cutoff	Not corrected. See current year finding FS 2007-03.
FS 2007-04 Violation of Town's Procurement Policies	Not corrected. See current year finding FS 2007-04.
FS 2008-03 Credit Card Purchases	Not corrected. See current year finding FS 2008-03.
FS 2008-04 Insufficient Capital Asset Support	Not corrected. See current year finding FS 2008-04.
FS 2008-05 Insufficient Controls over Disbursements	Not corrected. See current year finding FS 2008-05.
FS 2008-06 Deficits in Budgeted and/or Actual Fund Balances/Net Assets	Not corrected. See current year finding FS 2008-06.
FS 2010-01 Improper Use of Bond Proceeds	Corrected.

Federal Findings:

<u>Finding Reference</u>	<u>Status</u>
FA 2006-01	Not corrected. See current year finding FA 2006-01
FA 2009-01	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 and 2010 audits had not yet been implemented during fiscal year 2011 related to Public and Indian Housing.
FA 2009-02	Not Corrected. See current year finding FA 2009-02.
FA 2010-01	Not Corrected. See current year finding FA 2010-01.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2011**

An exit conference was held on August 16, 2012 in a closed meeting, in which the contents of this report were discussed with the following.

Town of Bernalillo

Jack Torres, Mayor

Juan Torres, Interim Town Treasurer

Heinfeld, Meech & Co., P.C.

Melissa Spangler, Partner

Audrey Jaramillo, Partner

Sara Specht, Senior Associate

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.

(This page intentionally left blank)