

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2012**

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO**

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**STATE OF NEW MEXICO  
TOWN OF BERNALILLO**

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**STATE OF NEW MEXICO  
TOWN OF BERNALILLO**

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**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
OFFICIAL ROSTER  
JUNE 30, 2012**

**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

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**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas  
New Mexico State Auditor

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

We 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, 2012, 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, 2012, 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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 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 Supplementary 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.  
CPAs and Business Consultants

November 28, 2012

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 2,249,559	\$ 252,909	\$ 2,502,468
Investments		828,851	828,851
Accounts receivable		99,998	99,998
Due from federal government	1,040,699		1,040,699
Due from state government	1,566,812	19,685	1,586,497
Prepaid items		2,458	2,458
Inventory		4,150	4,150
<b>Total current assets</b>	<u>4,857,070</u>	<u>1,208,051</u>	<u>6,065,121</u>
Noncurrent assets:			
Deferred bond issuance costs	98,369	253,670	352,039
Land	260,810	409,428	670,238
Infrastructure	10,435,769	17,437,634	27,873,403
Buildings and improvements	4,189,196	4,537,561	8,726,757
Improvements other than buildings	1,038,278		1,038,278
Vehicles, furniture and equipment	3,310,301	731,021	4,041,322
Construction in progress		33,321	33,321
Accumulated depreciation	(7,555,814)	(5,303,347)	(12,859,161)
<b>Total noncurrent assets</b>	<u>11,776,909</u>	<u>18,099,288</u>	<u>29,876,197</u>
<b>Total assets</b>	<u>16,633,979</u>	<u>19,307,339</u>	<u>35,941,318</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Overdraft of cash on deposit	4,432,642	1,637,213	6,069,855
Accounts payable	947,588	62,501	1,010,089
Accrued payroll	109,129	25,958	135,087
Accrued interest payable	11,688	40,445	52,133
Compensated absences payable	127,249	19,452	146,701
Due to other governments		56,010	56,010
Customer deposits		13,806	13,806
Loans payable	45,680	169,805	215,485
Bonds payable	610,000	662,714	1,272,714
<b>Total current liabilities</b>	<u>6,283,976</u>	<u>2,687,904</u>	<u>8,971,880</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	2,937,398	10,958,448	13,895,846
<b>Total noncurrent liabilities</b>	<u>2,937,398</u>	<u>10,958,448</u>	<u>13,895,846</u>
<b>Total liabilities</b>	<u>9,221,374</u>	<u>13,646,352</u>	<u>22,867,726</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	9,786,319	6,076,674	15,862,993
Restricted for:			
Special purposes	583,054		583,054
Capital outlay	1,761,597		1,761,597
Unrestricted	(4,718,365)	(415,687)	(5,134,052)
<b>Total net assets</b>	<u>\$ 7,412,605</u>	<u>\$ 5,660,987</u>	<u>\$ 13,073,592</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, 2012**

<b>Functions/Programs</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 2,566,773	\$ 232,379	\$	\$	\$ (2,334,394)
Public safety	3,999,861	430,007	50,330	127,069	(3,392,455)
Public works	1,135,969	27,994		1,391,128	283,153
Culture and recreation	2,082,695	213,137	438,179		(1,431,379)
Interest on long-term debt	198,233				(198,233)
Total governmental activities	<u>9,983,531</u>	<u>903,517</u>	<u>488,509</u>	<u>1,518,197</u>	<u>(7,073,308)</u>
Business-type activities:					
Water and sewer	2,948,763	3,593,710			
Housing assistance	1,154,533	418,892	814,203		
Campground	117,204	130,800			
Total business-type activities	<u>4,220,500</u>	<u>4,143,402</u>	<u>814,203</u>		
<b>Total primary government</b>	<u>\$ 14,204,031</u>	<u>\$ 5,046,919</u>	<u>\$ 1,302,712</u>	<u>\$ 1,518,197</u>	<u>(7,073,308)</u>

**General revenues:**

Taxes:

Property taxes, levied for general purposes	667,494
Gross receipts taxes	5,245,361
Franchise taxes	290,743
Unrestricted grants, aid and state shared revenues	698,362
Investment income	14,984

**Total general revenues** 6,916,944

**Changes in net assets** (156,364)

**Net assets, beginning of year** 7,568,969

**Net assets, end of year** \$ 7,412,605

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





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**FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<u>General</u>	<u>Gas Tax</u>	<u>Capital Projects</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$	\$	\$ 172,532
Due from federal government		1,040,699	
Due from state government	949,714	217,098	
<b>Total assets</b>	<u>\$ 949,714</u>	<u>\$ 1,257,797</u>	<u>\$ 172,532</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Overdraft of cash on deposit	\$ 761,508	\$ 3,375,792	\$
Accounts payable	90,440	847,582	7,680
Accrued payroll	109,129		
<b>Total liabilities</b>	<u>961,077</u>	<u>4,223,374</u>	<u>7,680</u>
Fund balances (deficits):			
Restricted	2,184		164,852
Unassigned	(13,547)	(2,965,577)	
<b>Total fund balances</b>	<u>(11,363)</u>	<u>(2,965,577)</u>	<u>164,852</u>
<b>Total liabilities and fund balances</b>	<u>\$ 949,714</u>	<u>\$ 1,257,797</u>	<u>\$ 172,532</u>

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

2008 Revenue Bond Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
\$ 1,596,745	\$ 480,282	\$ 2,249,559
	400,000	1,040,699
<u>\$ 1,596,745</u>	<u>\$ 880,282</u>	<u>\$ 4,857,070</u>
	\$ 295,342	\$ 4,432,642
	1,886	947,588
	<u>297,228</u>	<u>109,129</u>
		<u>5,489,359</u>
1,596,745	878,396	2,642,177
	(295,342)	(3,274,466)
<u>1,596,745</u>	<u>583,054</u>	<u>(632,289)</u>
<u>\$ 1,596,745</u>	<u>\$ 880,282</u>	<u>\$ 4,857,070</u>

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**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012**

<b>Total governmental fund balances</b>		<b>\$ (632,289)</b>
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	\$ 19,234,354	
Less accumulated depreciation	<u>(7,555,814)</u>	11,678,540
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable	(11,688)	
Loans payable	(488,966)	
Revenue bonds payable	(3,000,000)	
Compensated absences payable	<u>(231,361)</u>	(3,732,015)
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>98,369</u>
<b>Net assets of governmental activities</b>		<b><u><u>\$ 7,412,605</u></u></b>

**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, 2012**

	General	Gas Tax	2008 Revenue Bond Debt Service
<b>Revenues:</b>			
Property taxes	\$ 667,494	\$	\$
Municipal and state shared taxes	5,279,460	366,436	
Federal grants and aid		1,040,699	
State grants and aid	637,661	164,789	
Charges for services	456,216		
Licenses and permits	132,749		
Fines and forfeits	139,164		
Franchise fees	290,743		
Investment income	7,713		
Other revenues	141,013		
<b>Total revenues</b>	7,752,213	1,571,924	
<b>Expenditures:</b>			
Current -			
General government	1,489,493		
Public safety	2,545,432		
Public works	179,437	586,502	
Culture and recreation	1,356,614		
Capital outlay	318,291	2,173,066	
Debt service -			
Principal	18,497		585,000
Interest and fees	4,770		163,656
<b>Total expenditures</b>	5,912,534	2,759,568	748,656
<b>Excess (deficiency) of revenues over expenditures</b>	1,839,679	(1,187,644)	(748,656)
<b>Other financing sources (uses):</b>			
Transfers in	95,297		748,656
Transfers out	(748,656)		
Loan proceeds			
<b>Total other financing sources (uses):</b>	(653,359)		748,656
<b>Changes in fund balances</b>	1,186,320	(1,187,644)	
<b>Fund balances (deficits), beginning of year</b>	(1,197,683)	(1,777,933)	
<b>Fund balances (deficits), end of year</b>	\$ (11,363)	\$ (2,965,577)	\$

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>
\$	\$	\$	\$
		98,344	667,494
		31,400	5,744,240
185,640		145,999	1,072,099
		1,488	1,134,089
		32,888	457,704
			132,749
	7,271		172,052
			290,743
			14,984
			141,013
<u>185,640</u>	<u>7,271</u>	<u>310,119</u>	<u>9,827,167</u>
		58,930	1,548,423
		35,067	2,580,499
459,421		171,355	765,939
			1,356,614
			3,122,133
		105,357	708,854
		7,226	175,652
<u>459,421</u>	<u></u>	<u>377,935</u>	<u>10,258,114</u>
<u>(273,781)</u>	<u>7,271</u>	<u>(67,816)</u>	<u>(430,947)</u>
204,458	(299,755)		1,048,411
		488,966	(1,048,411)
<u>204,458</u>	<u>(299,755)</u>	<u>488,966</u>	<u>488,966</u>
<u>(69,323)</u>	<u>(292,484)</u>	<u>421,150</u>	<u>58,019</u>
234,175	1,889,229	161,904	(690,308)
<u>\$ 164,852</u>	<u>\$ 1,596,745</u>	<u>\$ 583,054</u>	<u>\$ (632,289)</u>

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**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, 2012**

**Net changes in fund balances - total governmental funds** **\$ 58,019**

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	\$ 112,236	
Less current year depreciation	(475,078)	(362,842)

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	123,854	
Revenue bond retirement	585,000	708,854

Long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets. (488,966)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of deferred bond items	(11,688)	
Accrued interest	(10,893)	
Compensated absences	(48,848)	(71,429)

**Change in net assets in governmental activities** **\$ (156,364)**

**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, 2012**

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 510,000	\$ 667,493	\$ 667,494	\$ 1
Municipal and state shared taxes	5,156,856	5,323,720	5,279,460	(44,260)
State grants and aid	198,710	259,463	259,463	
Charges for services	199,405	209,889	209,889	
Licenses and permits	141,885	132,749	132,749	
Fines and forfeits	124,494	139,092	139,164	72
Franchise fees	180,000	290,743	290,743	
Investment income	230,000	7,713	7,713	
Other revenues	131,032	138,770	138,770	
<b>Total revenues</b>	<u>6,872,382</u>	<u>7,169,632</u>	<u>7,125,445</u>	<u>(44,187)</u>
<b>Expenditures:</b>				
Current -				
General government	1,831,016	1,479,491	1,489,493	(10,002)
Public safety	2,743,817	2,537,364	2,545,432	(8,068)
Public works	249,693	190,244	179,437	10,807
Culture and recreation	638,800	573,679	560,711	12,968
Capital outlay	87,762	315,963	318,291	(2,328)
Debt service -				
Principal	23,000	23,000	18,497	4,503
Interest and fees	7,089	7,089	4,770	2,319
<b>Total expenditures</b>	<u>5,581,177</u>	<u>5,126,830</u>	<u>5,116,631</u>	<u>10,199</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,291,205</u>	<u>2,042,802</u>	<u>2,008,814</u>	<u>(33,988)</u>
<b>Other financing sources (uses):</b>				
Transfers in		95,297	95,297	
Transfers out	(825,000)	(737,480)	(748,656)	(11,176)
<b>Total other financing sources (uses):</b>	<u>(825,000)</u>	<u>(642,183)</u>	<u>(653,359)</u>	<u>(11,176)</u>
<b>Changes in fund balances - budgetary basis</b>	<u>\$ 466,205</u>	<u>\$ 1,400,619</u>	<u>1,355,455</u>	<u>\$ (45,164)</u>
<b>Reconciliation to change in fund balance - GAAP-basis:</b>				
Change in fund balance for funds budgeted separately from the General Fund			<u>(169,135)</u>	
<b>Change in fund balance - GAAP-basis</b>			<u>\$ 1,186,320</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, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GAS TAX  
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal and state shared taxes	\$ 191,500	\$ 313,567	\$ 366,436	\$ 52,869
Federal grants and aid			1,040,699	1,040,699
State grants and aid	2,692,189	560	164,789	164,229
<b>Total revenues</b>	<u>2,883,689</u>	<u>314,127</u>	<u>1,571,924</u>	<u>1,257,797</u>
<b>Expenditures:</b>				
Current -				
Public works	563,500	596,200	586,502	9,698
Capital outlay	2,692,189	1,933,597	2,173,066	(239,469)
<b>Total expenditures</b>	<u>3,255,689</u>	<u>2,529,797</u>	<u>2,759,568</u>	<u>(229,771)</u>
<b>Changes in fund balances</b>	<u>(372,000)</u>	<u>(2,215,670)</u>	<u>(1,187,644)</u>	<u>1,028,026</u>
<b>Fund balances (deficits), beginning of year</b>	2,215,670	2,215,670	(1,777,933)	(3,993,603)
<b>Fund balances (deficits), end of year</b>	<u>\$ 1,843,670</u>	<u>\$</u>	<u>\$ (2,965,577)</u>	<u>\$ (2,965,577)</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, 2012**

	Enterprise Funds		
	Water and Sewer Utility	Housing Assistance	Non-Major Enterprise Fund - Campground
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$	\$ 189,589	\$ 63,320
Investments	828,851		
Accounts receivable		99,998	
Due from state government	19,685		
Prepaid items		2,458	
Inventory		4,150	
<b>Total current assets</b>	<b>848,536</b>	<b>296,195</b>	<b>63,320</b>
Noncurrent assets:			
Deferred bond issuance costs	253,670		
Land	377,428	32,000	
Infrastructure	17,437,634		
Buildings and improvements	87,742	4,449,819	
Vehicles, furniture and equipment	628,993	90,824	11,204
Construction in progress		33,321	
Accumulated depreciation	(2,483,465)	(2,810,546)	(9,336)
<b>Total noncurrent assets</b>	<b>16,302,002</b>	<b>1,795,418</b>	<b>1,868</b>
<b>Total assets</b>	<b>17,150,538</b>	<b>2,091,613</b>	<b>65,188</b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Overdraft of cash on deposit	1,637,213		
Accounts payable	47,716	14,785	
Accrued payroll	15,182	9,050	1,726
Accrued interest payable	40,445		
Compensated absences payable	15,416	1,315	2,721
Due to other governments		56,010	
Customer deposits	7,131	6,675	
Loans payable	169,805		
Bonds payable	662,714		
<b>Total current liabilities</b>	<b>2,595,622</b>	<b>87,835</b>	<b>4,447</b>
Noncurrent liabilities:			
Non-current portion of long-term obligations	10,949,873	6,573	2,002
<b>Total noncurrent liabilities</b>	<b>10,949,873</b>	<b>6,573</b>	<b>2,002</b>
<b>Total liabilities</b>	<b>13,545,495</b>	<b>94,408</b>	<b>6,449</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	4,279,388	1,795,418	1,868
Unrestricted	(674,345)	201,787	56,871
<b>Total net assets</b>	<b>\$ 3,605,043</b>	<b>\$ 1,997,205</b>	<b>\$ 58,739</b>

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

Enterprise Funds

Totals

\$	252,909
	828,851
	99,998
	19,685
	2,458
	4,150
	<u>1,208,051</u>
	253,670
	409,428
	17,437,634
	4,537,561
	731,021
	33,321
	<u>(5,303,347)</u>
	<u>18,099,288</u>
	<u>19,307,339</u>
	1,637,213
	62,501
	25,958
	40,445
	19,452
	56,010
	13,806
	169,805
	<u>662,714</u>
	<u>2,687,904</u>
	10,958,448
	<u>10,958,448</u>
	<u>13,646,352</u>
	6,076,674
	<u>(415,687)</u>
\$	<u><u>5,660,987</u></u>

**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, 2012**

	Enterprise Funds		
	Water and Sewer Utility	Housing Assistance	Non-Major Enterprise Fund - Campground
<b>Operating revenues:</b>			
Charges for services	\$ 3,590,177	\$ 172,214	\$ 130,800
<b>Total operating revenues</b>	<u>3,590,177</u>	<u>172,214</u>	<u>130,800</u>
<b>Operating expenses:</b>			
Salaries and benefits	689,187	156,828	69,614
Supplies and services	1,570,668	278,141	46,190
Housing assistance payments		655,600	
Depreciation	156,080	63,964	1,400
<b>Total operating expenses</b>	<u>2,415,935</u>	<u>1,154,533</u>	<u>117,204</u>
<b>Operating income (loss)</b>	<u>1,174,242</u>	<u>(982,319)</u>	<u>13,596</u>
<b>Nonoperating revenues (expenses):</b>			
Municipal and state shared taxes	119,587		
Federal grants and aid		814,203	
Investment income	2,225		
Other revenues	3,533	246,678	
Interest and fees	(532,828)		
<b>Total nonoperating revenues (expenses)</b>	<u>(407,483)</u>	<u>1,060,881</u>	
<b>Changes in net assets</b>	<u>766,759</u>	<u>78,562</u>	<u>13,596</u>
<b>Total net assets, beginning of year</b>	2,838,284	1,918,643	45,143
<b>Total net assets, end of year</b>	<u>\$ 3,605,043</u>	<u>\$ 1,997,205</u>	<u>\$ 58,739</u>

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



Enterprise Funds

Totals

\$ 3,893,191  
3,893,191

915,629  
1,894,999  
655,600  
221,444  
3,687,672

205,519

119,587  
814,203  
2,225  
250,211  
(532,828)  
653,398

858,917

4,802,070

\$ 5,660,987

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012**

	Enterprise Funds			Totals
	Water and Sewer	Housing Assistance	Non-major Enterprise Fund - Campground	
<b><u>Increase (Decrease) In Cash and Cash Equivalents</u></b>				
Cash flows from operating activities:				
Cash received from customers	\$ 3,597,308	\$ 119,969	\$ 130,800	\$ 3,848,077
Cash payments to suppliers for goods and services	(4,973,136)	(924,842)	(46,190)	(5,944,168)
Cash payments to employees for services	(689,781)	(156,459)	(69,957)	(916,197)
<b>Net cash provided by (used for) operating activities</b>	<b>(2,065,609)</b>	<b>(961,332)</b>	<b>14,653</b>	<b>(3,012,288)</b>
Cash flows from noncapital and related financing activities:				
Intergovernmental revenues	120,541	863,383		983,924
Miscellaneous revenues		246,678		246,678
Overdrafts of cash deposits	3,141,923			3,141,923
Interfund borrowing	209,906	(205,312)	(2,313)	2,281
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>3,472,370</b>	<b>904,749</b>	<b>(2,313)</b>	<b>4,374,806</b>
Cash flows from capital and related financing activities:				
Principal paid on bonds and loans	(799,448)			(799,448)
Interest paid on bonds and loans	(511,881)			(511,881)
Acquisition and construction of capital assets		(56,835)		(56,835)
<b>Net cash used for capital and related financing activities</b>	<b>(1,311,329)</b>	<b>(56,835)</b>		<b>(1,368,164)</b>
Cash flows from investing activities:				
Interest on investments	1,205			1,205
<b>Net cash provided by investing activities</b>	<b>1,205</b>			<b>1,205</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>96,637</b>	<b>(113,418)</b>	<b>12,340</b>	<b>(4,441)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>732,214</b>	<b>303,007</b>	<b>50,980</b>	<b>1,086,201</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 828,851</b>	<b>\$ 189,589</b>	<b>\$ 63,320</b>	<b>\$ 1,081,760</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u></b>				
<b>Operating income (loss)</b>	<b>\$ 1,174,242</b>	<b>\$ (982,319)</b>	<b>\$ 13,596</b>	<b>\$ 205,519</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	156,080	63,964	1,400	221,444
Changes in assets and liabilities:				
Increase in accounts receivable		(51,320)		(51,320)
Decrease in prepaid items		5,255		5,255
Increase in inventory		(200)		(200)
Increase (decrease) in accounts payable	(3,402,468)	3,844		(3,398,624)
Increase (decrease) in accrued payroll and employee benefits	677	369	(159)	887
Decrease in compensated absences payable	(1,271)		(184)	(1,455)
Increase (decrease) in deposits	7,131	(925)		6,206
<b>Total adjustments</b>	<b>(3,239,851)</b>	<b>20,987</b>	<b>1,057</b>	<b>(3,217,807)</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (2,065,609)</b>	<b>\$ (961,332)</b>	<b>\$ 14,653</b>	<b>\$ (3,012,288)</b>

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 - AGENCY FUND  
JUNE 30, 2012**

	<u>Agency</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 40,160
<b>Total assets</b>	<b><u><u>\$ 40,160</u></u></b>
<b><u>LIABILITIES</u></b>	
Deposits held for others	\$ 40,160
<b>Total liabilities</b>	<b><u><u>\$ 40,160</u></u></b>

**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, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

The Town's significant accounting policies are described below.

**A. Reporting Entity**

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

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

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the Town as a whole. The reported information includes all of the nonfiduciary activities of the Town. 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, 2012**

**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, 2012**

**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, 2012**

**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 Town also reports one non-major proprietary fund, the Campground Fund. The Agency Fund is custodial in nature and does not have a measurement focus and is reported on the accrual basis of accounting.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

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

**D. Cash and Investments**

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, 2012**

**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, 2012**

**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 (per Section 12-6-10 NMSA 1978) 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
Infrastructure	25
Buildings and improvements	40
Improvements other than buildings	40
Vehicles, furniture 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, but payouts are capped at 240 hours. 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, 2012**

**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, 2012**

**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 legal level of budgetary control is at the fund level.

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, 2012**

**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 amounts.

*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.

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**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>	<u>Total</u>
<b>Fund Balances:</b>						
<b>Restricted:</b>						
Capital projects	\$	\$	\$ 164,852	\$ 1,596,745	\$	\$ 1,761,597
Recreation					138,504	138,504
Corrections					189,936	189,936
Other purposes	2,184				549,956	552,140
<b>Unassigned</b>	<u>(13,547)</u>	<u>(2,965,577)</u>			<u>(295,342)</u>	<u>(3,274,466)</u>
Total fund balances	<u>\$ (11,363)</u>	<u>\$ (2,965,577)</u>	<u>\$ 164,852</u>	<u>\$ 1,596,745</u>	<u>\$ 583,054</u>	<u>\$ (632,289)</u>

**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.

	<u>Deficit</u>
Major Funds:	
General	\$ 11,363
Gas Tax	2,965,577
Non-Major Governmental Funds:	
Law Enforcement	20,375
Rescue	274,967

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.

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**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concl'd)**

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

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Major Funds:			
Gas Tax	\$ 2,529,797	\$ 2,759,568	\$ (229,771)
2008 Revenue Bond Debt Service	737,480	748,656	(11,176)
Non-Major Governmental Funds:			
Fire	155,958	210,613	(54,655)
Corrections		18,961	(18,961)
Proprietary Funds:			
Housing Assistance	413,429	1,090,569	(677,140)

**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. Management has taken corrective action and plans to submit the 2011-12 audit by the deadline.

**NOTE 4 – CASH AND INVESTMENTS**

At year end, the carrying amount of the Town's deposits was \$2,542,628 and the bank balance was \$3,574,297. The difference represents outstanding checks, deposits, and other reconciling items.

***Custodial Credit Risk – Deposits.*** Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a specific deposit policy for custodial credit risk; however, under New Mexico law, all deposits with financial institutions must be collateralized in an amount not less than 50% of the uninsured balance.

The Town's agreement with its sole depository requires pledged collateral of 102% of the public money in each account. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). As of year end, \$250,995 of the Town's deposits were covered by Federal depository insurance, \$1,126,431 were guaranteed under the Dodd-Frank Deposit Insurance Provision, and \$2,196,871 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.

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**NOTE 4 – CASH AND INVESTMENTS (Concl'd)**

The pledged collateral by bank at year end consists of the following.

Deposits	\$ 3,574,297
Less FDIC and Dodd-Frank coverage	<u>1,377,426</u>
Total unsecured public funds	2,196,871
50% collateral requirement	1,098,436
Pledged collateral held by the pledging bank's trust department in the agency's name	<u>3,586,522</u>
Pledged in excess of requirement	<u>\$ 2,488,086</u>

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

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	10+
Money market - U.S. Treasuries	\$ 152,819	\$ 152,819	\$	\$	\$
U.S. Treasuries	167,321	38,083	35,524	87,051	6,663
U.S. Agencies:					
Federal Home Loan Mortgage Corporation	123,416		21,051		102,365
Federal National Mortgage Association	<u>385,295</u>			<u>39,293</u>	<u>346,002</u>
Total	<u>\$ 828,851</u>	<u>\$ 190,902</u>	<u>\$ 56,575</u>	<u>\$ 126,344</u>	<u>\$ 455,030</u>

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

**Credit Risk.** The Town has no investment policy that would further limit its investment choices. All of the Town's investments in U.S. Agencies in the preceding table were rated Aaa-mf by Moody's Investors Service and AAAm 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. More than 5 percent of the Town's investments are in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association, which represent 15% and 47%, respectively, of the Town's total investments.

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**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
Total capital assets, not being depreciated	<u>260,810</u>			<u>260,810</u>
Capital assets, being depreciated:				
Infrastructure	10,435,769			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	3,198,065	112,236		3,310,301
Total capital assets being depreciated	<u>18,861,308</u>	<u>112,236</u>		<u>18,973,544</u>
Less accumulated depreciation for:				
Infrastructure	(3,224,941)	(167,455)		(3,392,396)
Buildings and improvements	(1,372,048)	(83,783)		(1,455,831)
Improvements other than buildings	(196,675)	(2,131)		(198,806)
Vehicles, furniture and equipment	(2,287,072)	(221,709)		(2,508,781)
Total accumulated depreciation	<u>(7,080,736)</u>	<u>(475,078)</u>		<u>(7,555,814)</u>
Total capital assets, being depreciated, net	<u>11,780,572</u>	<u>(362,842)</u>		<u>11,417,730</u>
Governmental activities capital assets, net	<u>\$ 12,041,382</u>	<u>\$ (362,842)</u>	<u>\$</u>	<u>\$ 11,678,540</u>
<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 409,428	\$	\$	\$ 409,428
Construction in process	33,321			33,321
Total capital assets, not being depreciated	<u>442,749</u>			<u>442,749</u>
Capital assets, being depreciated:				
Infrastructure	17,437,634			17,437,634
Buildings and improvements	4,480,839	56,722		4,537,561
Vehicles, furniture and equipment	730,908	113		731,021
Total capital assets being depreciated	<u>22,649,381</u>	<u>56,835</u>		<u>22,706,216</u>
Less accumulated depreciation for:				
Infrastructure	(1,875,503)	(106,305)		(1,981,808)
Buildings and improvements	(2,726,021)	(60,190)		(2,786,211)
Vehicles, furniture and equipment	(480,379)	(54,949)		(535,328)
Total accumulated depreciation	<u>(5,081,903)</u>	<u>(221,444)</u>		<u>(5,303,347)</u>
Total capital assets, being depreciated, net	<u>17,567,478</u>	<u>(164,609)</u>		<u>17,402,869</u>
Governmental activities capital assets, net	<u>\$ 18,010,227</u>	<u>\$ (164,609)</u>	<u>\$</u>	<u>\$ 17,845,618</u>



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**NOTE 5 – CAPITAL ASSETS (Concl'd)**

Depreciation expense was charged to functions/programs as follows.

Governmental Activities:	
General government	\$ 261,959
Public safety	147,794
Culture and recreation	<u>65,325</u>
Total depreciation expense – governmental activities	<u>\$ 475,078</u>
Business-Type Activities:	
Water and sewer	\$ 156,080
Housing assistance	63,964
Campground	<u>1,400</u>
Total depreciation expense – business-type activities	<u>\$ 221,444</u>

**NOTE 6 – LOANS PAYABLE**

The Town has received loans for the purchase of fire trucks and to refinance a previous loan, for the design and construction of an arsenic removal system, and for the purchase of land. The fire trucks and refinancing loan will be repaid by the Fire Fund. The business-type loans will be repaid by the Water and Sewer Utility Fund. The loans payable at year-end are presented below.

<u>Purpose</u>	<u>Interest Rates (Including Fees)</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2012</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>				
Fire Trucks and Refinancing	2.23%	5/1/13-22	\$ 488,966	\$ 45,680
Total			<u>\$ 488,966</u>	<u>\$ 45,680</u>
<b>Business-type activities:</b>				
San Juan-Chama Project	3.05%	9/1/12-22	\$ 110,032	\$ 8,570
Arsonic Removal Loan	3.88%	6/1/13-27	2,873,418	145,650
Land Purchase Loan	3.88%	5/1/13-27	<u>307,455</u>	<u>15,585</u>
Total			<u>\$ 3,290,905</u>	<u>\$ 169,805</u>

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**NOTE 6 – LOANS PAYABLE (Concl'd)**

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

Year ending June 30:		Governmental Activities	
		Principal	Interest
	2013	\$ 45,680	\$ 8,124
	2014	46,114	8,786
	2015	46,635	8,230
	2016	47,255	7,574
	2017	48,002	6,928
	2018-22	255,280	20,586
Total		<u>\$ 488,966</u>	<u>\$ 60,228</u>

Year ending June 30:		Business-type Activities	
		Principal	Interest
	2013	\$ 169,805	\$ 126,278
	2014	175,981	120,115
	2015	182,434	113,676
	2016	189,176	106,952
	2017	196,239	99,905
	2018-22	1,098,725	382,282
	2023-27	1,278,545	155,333
Total		<u>\$ 3,290,905</u>	<u>\$ 1,104,541</u>

**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 Utility Fund.

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**NOTE 7 – BONDS PAYABLE (Cont'd)**

***Intra-entity Debt Holding.*** The Town has purchased and holds \$1,504,710 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.

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>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2012</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Revenue Bonds, 2008	\$ 8,125,000	4.00-4.95%	6/1/13-21	\$ 3,000,000	\$ 610,000
Total				<u>\$ 3,000,000</u>	<u>\$ 610,000</u>
<b>Business-type activities:</b>					
Refunding Revenue					
Bonds, 2005	\$ 2,938,111	4.07%	6/1/13-15	1,008,039	327,714
Revenue Bonds, 2006	8,775,000	3.05%	6/1/13-28	7,470,000	335,000
Total				<u>8,478,039</u>	<u>662,714</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>
2013	\$ 610,000	\$ 140,256
2014		
2015		
2016		
2017	350,000	97,074
2018-21	2,040,000	184,387
Total	<u>\$ 3,000,000</u>	<u>\$ 421,717</u>

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**NOTE 7 – BONDS PAYABLE (Concl'd)**

Year ending June 30:	Business-type Activities	
	Principal	Interest
2013	\$ 662,714	\$ 323,710
2014	690,212	306,295
2015	705,113	288,119
2016	380,000	269,308
2017	395,000	253,158
2018-22	2,255,000	998,250
2023-27	2,765,000	485,564
2028	625,000	26,250
Total	<u>\$ 8,478,039</u>	<u>\$ 2,950,654</u>

**Pledged revenues – governmental activities.** The Town has pledged future state-shared gross receipts tax revenues to repay outstanding revenue bonds of \$3.0 million as of June 30, 2012. 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 \$3.4 million. The current total gross receipts tax revenues were \$5.2 million and the total principal and interest paid on the bonds was \$748,656, or 14.3% 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
<b>Governmental Activities:</b>					
Loans payable	\$ 123,854	\$ 488,966	\$ 123,854	\$ 488,966	\$ 45,680
Revenue bonds payable	3,585,000		585,000	3,000,000	610,000
Compensated absences	182,513	48,848		231,361	127,249
Total	<u>\$ 3,891,367</u>	<u>\$ 537,814</u>	<u>\$ 708,854</u>	<u>\$ 3,720,327</u>	<u>\$ 782,929</u>
<b>Business-type Activities:</b>					
Loans payable	\$ 3,454,765		\$ 163,860	\$ 3,290,905	\$ 169,805
Revenue bonds payable	9,113,627		635,588	8,478,039	662,714
Compensated absences	42,930		1,455	41,475	19,452
Total	<u>\$ 12,611,322</u>		<u>\$ 800,903</u>	<u>\$ 11,810,419</u>	<u>\$ 851,971</u>

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**NOTE 9 – INTERFUND TRANSFERS**

At year end, interfund transfers were as follows.

	Transfers in			
	General Fund	2008 Revenue Bond Debt Service Fund	Capital Projects Fund	Total
<u>Transfers out</u>				
General Fund	\$	\$ 748,656	\$	\$ 748,656
2008 Revenue Bond Capital Projects Fund	95,297		204,458	299,755
Total	<u>\$ 95,297</u>	<u>\$ 748,656</u>	<u>\$ 204,458</u>	<u>\$ 1,048,411</u>

Transfers between funds were used 1) to move funds to the 2008 Revenue Bond Debt Service Fund for payment and 2) to move bond proceeds from the 2008 Revenue Bond Capital Projects fund to reimburse project expenditures incurred in other funds.

**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 Town expects such amounts, if any, to be immaterial.

**Lawsuits** – The Town is a defendant in a number of lawsuits as of June 30, 2012. It is the opinion of management and Town counsel that the amount of losses resulting from these litigations at June 30, 2012, would not be material and are covered by their risk pool and commercial insurances for risks of loss.

**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.

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**NOTE 11 – RISK MANAGEMENT (Concl'd)**

The Town also participates in the New Mexico Self-Insurers' Fund (the "Fund"), which services the City's worker's compensation claims. Through this arrangement, the Town retains risks associated with worker's compensation claims up to \$250,000 per accident.

The Town currently reports all of its risk management activities in its General Fund. The General Fund pays the worker's compensation claims and premiums, which are then reimbursed by the Town's other Funds.

The New Mexico Self-Insurers' Fund (Fund) charges a "premium" to the Town to cover expenses of the Fund (including, but not limited to, reinsurance expenses, claims adjusting, rating, underwriting, safety and loss control, reporting and administration). This "premium" is equal to 20% of the earned normal premium, which is based on a percentage of the Town's current payroll. Additionally, the "premium" charge includes a factor for recent actual claims experience.

**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](http://www.pera.state.nm.us).

*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 2012, 2011, and 2010, were \$593,617, \$733,170, and \$693,761, respectively, which were equal to the amount of the required contributions for each year.

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**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.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute 0.917% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
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, 2012, the statute required each participating employer to contribute 2.292% of each participating employee's annual salary, and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for both employees and employers will rise as follows:

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

Also, employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Town's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$55,850, \$75,080, and \$41,692, 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 was 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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures:</b>				
Debt service -				
Principal	\$ 660,000	\$ 585,000	\$ 585,000	\$
Interest and fees	165,000	152,480	163,656	(11,176)
<b>Total expenditures</b>	<u>825,000</u>	<u>737,480</u>	<u>748,656</u>	<u>(11,176)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(825,000)</u>	<u>(737,480)</u>	<u>(748,656)</u>	<u>(11,176)</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>825,000</u>	<u>737,480</u>	<u>748,656</u>	<u>11,176</u>
<b>Total other financing sources (uses):</b>	<u>825,000</u>	<u>737,480</u>	<u>748,656</u>	<u>11,176</u>
<b>Changes in fund balances</b>				
<b>Fund balances, beginning of year</b>				
<b>Fund balances, end of year</b>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Federal grants and aid	\$ 977,000	\$	\$	\$
State grants and aid	250,000	185,641	185,640	(1)
<b>Total revenues</b>	<u>1,227,000</u>	<u>185,641</u>	<u>185,640</u>	<u>(1)</u>
<b>Expenditures:</b>				
Capital outlay	1,856,000	477,518	459,421	18,097
<b>Total expenditures</b>	<u>1,856,000</u>	<u>477,518</u>	<u>459,421</u>	<u>18,097</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(629,000)</u>	<u>(291,877)</u>	<u>(273,781)</u>	<u>18,096</u>
<b>Other financing sources (uses):</b>				
Transfers in	970,000	204,458	204,458	
<b>Total other financing sources (uses):</b>	<u>970,000</u>	<u>204,458</u>	<u>204,458</u>	
<b>Changes in fund balances</b>	<u>341,000</u>	<u>(87,419)</u>	<u>(69,323)</u>	<u>18,096</u>
<b>Fund balances, beginning of year</b>	87,419	87,419	234,175	146,756
<b>Fund balances, end of year</b>	<u>\$ 428,419</u>	<u>\$</u>	<u>\$ 164,852</u>	<u>\$ 164,852</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, 2012**

	Budgeted Amounts <u>Original &amp; Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Investment income	\$	\$ 7,271	\$ 7,271
<b>Total revenues</b>	<u>7,271</u>	<u>7,271</u>	<u>7,271</u>
<b>Excess (deficiency) of revenues over expenditures</b>		<u>7,271</u>	<u>7,271</u>
<b>Other financing sources (uses):</b>			
Transfers out	(299,755)	(299,755)	
<b>Total other financing sources (uses):</b>	<u>(299,755)</u>	<u>(299,755)</u>	
<b>Changes in fund balances</b>	<u>(299,755)</u>	<u>(292,484)</u>	<u>7,271</u>
<b>Fund balances, beginning of year</b>	299,755	1,889,229	1,589,474
<b>Fund balances, end of year</b>	<u>\$</u>	<u>\$ 1,596,745</u>	<u>\$ 1,596,745</u>

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

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## **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. The fund does not meet the criteria for separate reporting and is therefore included in the GAAP-basis General Fund.

**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. The fund does not meet the criteria for separate reporting and is therefore included in the GAAP-basis General Fund.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2012**

	<u>Fire</u>	<u>Recreation</u>	<u>Corrections</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 51,533	\$ 138,504	\$ 189,936
Due from state government	400,000		
<b>Total assets</b>	<u>\$ 451,533</u>	<u>\$ 138,504</u>	<u>\$ 189,936</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Overdraft of cash on deposit	\$	\$	\$
Accounts payable			
<b>Total liabilities</b>	<u></u>	<u></u>	<u></u>
Fund balances (deficits):			
Restricted	451,533	138,504	189,936
Unassigned			
<b>Total fund balances</b>	<u>451,533</u>	<u>138,504</u>	<u>189,936</u>
 <b>Total liabilities and fund balances</b>	 <u>\$ 451,533</u>	 <u>\$ 138,504</u>	 <u>\$ 189,936</u>



<u>Law Enforcement</u>	<u>Lodgers' Tax</u>	<u>EMS Grant</u>	<u>Rescue</u>	<u>Totals</u>
\$	\$ 86,712	\$ 13,597	\$	\$ 480,282
				400,000
<u>\$</u>	<u>\$ 86,712</u>	<u>\$ 13,597</u>	<u>\$</u>	<u>\$ 880,282</u>
\$ 20,375	\$	\$	\$ 274,967	\$ 295,342
	1,886			1,886
<u>20,375</u>	<u>1,886</u>		<u>274,967</u>	<u>297,228</u>
	84,826	13,597		878,396
(20,375)			(274,967)	(295,342)
<u>(20,375)</u>	<u>84,826</u>	<u>13,597</u>	<u>(274,967)</u>	<u>583,054</u>
<u>\$</u>	<u>\$ 86,712</u>	<u>\$ 13,597</u>	<u>\$</u>	<u>\$ 880,282</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, 2012**

	<u>Fire</u>	<u>Recreation</u>	<u>Corrections</u>
<b>Revenues:</b>			
Municipal and state shared taxes	\$	\$	\$
Federal grants and aid			
State grants and aid	136,499		
Charges for services		1,488	
Fines and forfeits			32,888
<b>Total revenues</b>	<u>136,499</u>	<u>1,488</u>	<u>32,888</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety	7,928		18,961
Capital outlay	90,102		
Debt service -			
Principal	105,357		
Interest and fees	7,226		
<b>Total expenditures</b>	<u>210,613</u>	<u></u>	<u>18,961</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(74,114)</u>	<u>1,488</u>	<u>13,927</u>
<b>Other financing sources (uses):</b>			
Loan proceeds	488,966		
<b>Total other financing sources (uses):</b>	<u>488,966</u>	<u></u>	<u></u>
<b>Changes in fund balances</b>	<u>414,852</u>	<u>1,488</u>	<u>13,927</u>
<b>Fund balances (deficits), beginning of year</b>	36,681	137,016	176,009
<b>Fund balances (deficits), end of year</b>	<u>\$ 451,533</u>	<u>\$ 138,504</u>	<u>\$ 189,936</u>

<u>Law Enforcement</u>	<u>Lodgers' Tax</u>	<u>EMS Grant</u>	<u>Rescue</u>	<u>Totals</u>
\$ 31,400	\$ 98,344	\$	\$	\$ 98,344
			9,500	31,400
				145,999
				1,488
				32,888
<u>31,400</u>	<u>98,344</u>	<u></u>	<u>9,500</u>	<u>310,119</u>
	58,930			58,930
32,002	43,684		8,178	35,067
			5,567	171,355
				105,357
				7,226
<u>32,002</u>	<u>102,614</u>	<u></u>	<u>13,745</u>	<u>377,935</u>
<u>(602)</u>	<u>(4,270)</u>	<u></u>	<u>(4,245)</u>	<u>(67,816)</u>
				488,966
				488,966
<u>(602)</u>	<u>(4,270)</u>	<u></u>	<u>(4,245)</u>	<u>421,150</u>
(19,773)	89,096	13,597	(270,722)	161,904
<u>\$ (20,375)</u>	<u>\$ 84,826</u>	<u>\$ 13,597</u>	<u>\$ (274,967)</u>	<u>\$ 583,054</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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
State grants and aid	\$ 51,987	\$ 136,499	\$ 136,499	\$
<b>Total revenues</b>	<u>51,987</u>	<u>136,499</u>	<u>136,499</u>	<u></u>
<b>Expenditures:</b>				
Current -				
Public safety	37,000	30,009	7,928	22,081
Capital outlay	14,987	125,949	90,102	35,847
Debt service -				
Principal			105,357	(105,357)
Interest and fees			7,226	(7,226)
<b>Total expenditures</b>	<u>51,987</u>	<u>155,958</u>	<u>210,613</u>	<u>(54,655)</u>
<b>Excess (deficiency) of revenues over expenditures</b>		<u>(19,459)</u>	<u>(74,114)</u>	<u>(54,655)</u>
<b>Other financing sources (uses):</b>				
Loan proceeds			488,966	488,966
<b>Total other financing sources (uses):</b>			<u>488,966</u>	<u>488,966</u>
<b>Changes in fund balances</b>		<u>(19,459)</u>	<u>414,852</u>	<u>434,311</u>
<b>Fund balances, beginning of year</b>	19,459	19,459	36,681	17,222
<b>Fund balances, end of year</b>	<u>\$ 19,459</u>	<u>\$</u>	<u>\$ 451,533</u>	<u>\$ 451,533</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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$	1,488	\$ 1,488	\$
<b>Total revenues</b>		<u>1,488</u>	<u>1,488</u>	
<b>Changes in fund balances</b>		<u>1,488</u>	<u>1,488</u>	
<b>Fund balances, beginning of year</b>			137,016	137,016
<b>Fund balances, end of year</b>	<u>\$</u>	<u>1,488</u>	<u>\$ 138,504</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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and forfeits	\$	\$ 32,888	\$ 32,888	\$
<b>Total revenues</b>		<u>32,888</u>	<u>32,888</u>	
<b>Expenditures:</b>				
Current -				
Public safety			18,961	(18,961)
<b>Total expenditures</b>			<u>18,961</u>	<u>(18,961)</u>
<b>Changes in fund balances</b>		<u>32,888</u>	<u>13,927</u>	<u>(18,961)</u>
<b>Fund balances, beginning of year</b>			176,009	176,009
<b>Fund balances, end of year</b>	<u>\$</u>	<u>\$ 32,888</u>	<u>\$ 189,936</u>	<u>\$ 157,048</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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Federal grants and aid	\$ 32,000	\$ 31,400	\$ 31,400	\$
<b>Total revenues</b>	<u>32,000</u>	<u>31,400</u>	<u>31,400</u>	<u></u>
<b>Expenditures:</b>				
Current -				
Public safety		67		67
Capital outlay	32,000	31,936	32,002	(66)
<b>Total expenditures</b>	<u>32,000</u>	<u>32,003</u>	<u>32,002</u>	<u>1</u>
<b>Changes in fund balances</b>		(603)	(602)	1
<b>Fund balances (deficits), beginning of year</b>	603	603	(19,773)	(20,376)
<b>Fund balances (deficits), end of year</b>	<u>\$ 603</u>	<u>\$</u>	<u>\$ (20,375)</u>	<u>\$ (20,375)</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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal and state shared taxes	\$ 105,000	\$ 98,344	\$ 98,344	\$
<b>Total revenues</b>	<u>105,000</u>	<u>98,344</u>	<u>98,344</u>	<u></u>
<b>Expenditures:</b>				
Current -				
General government	80,300	65,834	58,930	6,904
Capital outlay	24,700	43,697	43,684	13
<b>Total expenditures</b>	<u>105,000</u>	<u>109,531</u>	<u>102,614</u>	<u>6,917</u>
<b>Changes in fund balances</b>		(11,187)	(4,270)	6,917
<b>Fund balances, beginning of year</b>	11,187	11,187	89,096	77,909
<b>Fund balances, end of year</b>	<u>\$ 11,187</u>	<u>\$</u>	<u>\$ 84,826</u>	<u>\$ 84,826</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, 2012**

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

**STATE OF NEW MEXICO - TOWN OF BERNALILLO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**EMS GRANT**  
**YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
	Original & Final		
<b>Changes in fund balances</b>			
<b>Fund balances, beginning of year</b>		13,597	13,597
<b>Fund balances, end of year</b>	\$	\$ 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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
State grants and aid	\$ 9,500	\$ 9,500	\$ 9,500	\$
<b>Total revenues</b>	<u>9,500</u>	<u>9,500</u>	<u>9,500</u>	
<b>Expenditures:</b>				
Current -				
Public safety	7,500	8,178	8,178	
Capital outlay	6,100	5,567	5,567	
<b>Total expenditures</b>	<u>13,600</u>	<u>13,745</u>	<u>13,745</u>	
<b>Changes in fund balances</b>	<u>(4,100)</u>	<u>(4,245)</u>	<u>(4,245)</u>	
<b>Fund balances (deficits), beginning of year</b>	4,245	4,245	(270,722)	(274,967)
<b>Fund balances (deficits), end of year</b>	<u>\$ 145</u>	<u>\$</u>	<u>\$ (274,967)</u>	<u>\$ (274,967)</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, 2012**

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
State grants and aid	\$ 300,000	\$ 291,017	\$ 378,198	\$ 87,181
Charges for services	297,300	356,800	246,327	(110,473)
Other revenues	2,000	2,244	2,243	(1)
<b>Total revenues</b>	<u>599,300</u>	<u>650,061</u>	<u>626,768</u>	<u>(23,293)</u>
<b>Expenditures:</b>				
Current -				
Culture and recreation	911,781	933,021	795,903	137,118
Capital outlay	500			
<b>Total expenditures</b>	<u>912,281</u>	<u>933,021</u>	<u>795,903</u>	<u>137,118</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(312,981)</u>	<u>(282,960)</u>	<u>(169,135)</u>	<u>113,825</u>
<b>Other financing sources (uses):</b>				
Transfers in	126,000			
<b>Total other financing sources (uses):</b>	<u>126,000</u>			
<b>Changes in fund balances</b>	<u>(186,981)</u>	<u>(282,960)</u>	<u>(169,135)</u>	<u>113,825</u>
<b>Fund balances (deficits), beginning of year</b>	282,960	282,960	(1,551,921)	(1,834,881)
<b>Fund balances (deficits), end of year</b>	<u>\$ 95,979</u>	<u>\$</u>	<u>\$ (1,721,056)</u>	<u>\$ (1,721,056)</u>

**PROPRIETARY FUNDS**

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
WATER AND SEWER UTILITY  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Operating revenues:</b>				
Charges for services	\$ 3,039,145	\$ 3,595,023	\$ 3,590,177	\$ (4,846)
<b>Total operating revenues</b>	<u>3,039,145</u>	<u>3,595,023</u>	<u>3,590,177</u>	<u>(4,846)</u>
<b>Operating expenses:</b>				
Salaries and benefits	845,041	675,276	689,187	(13,911)
Supplies and services	1,738,135	1,985,470	1,570,668	414,802
Housing assistance payments				
<b>Total operating expenses</b>	<u>2,583,176</u>	<u>2,660,746</u>	<u>2,259,855</u>	<u>400,891</u>
<b>Non-operating revenues (expenses):</b>				
Municipal and state shared taxes	120,900	120,541	119,587	954
Federal grants and aid				
Investment income		2,224	2,225	(1)
Other revenues		3,533	3,533	
Interest and fees	(532,828)	(532,828)	(532,828)	
<b>Total operating expenses</b>	<u>(411,928)</u>	<u>(406,530)</u>	<u>(407,483)</u>	<u>953</u>
<b>Changes in net assets</b>	<u>\$ 44,041</u>	<u>\$ 527,747</u>	922,839	<u>\$ (405,737)</u>
<b>Unbudgeted expenses and revenues:</b>				
Depreciation			(156,080)	
<b>Changes in Net Assets - GAAP basis</b>			<u>\$ 766,759</u>	

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
HOUSING ASSISTANCE  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Operating revenues:</b>				
Charges for services	\$ 155,000	\$ 152,471	\$ 172,214	\$ 19,743
<b>Total operating revenues</b>	<u>155,000</u>	<u>152,471</u>	<u>172,214</u>	<u>19,743</u>
<b>Operating expenses:</b>				
Salaries and benefits			156,828	(156,828)
Supplies and services			278,141	(278,141)
Housing assistance payments	490,642	413,429	655,600	(242,171)
<b>Total operating expenses</b>	<u>490,642</u>	<u>413,429</u>	<u>1,090,569</u>	<u>(677,140)</u>
<b>Non-operating revenues (expenses):</b>				
Municipal and state shared taxes				
Federal grants and aid	889,500	700,000	814,203	(114,203)
Investment income		4		4
Other revenues	90,000	80,000	246,678	(166,678)
Interest and fees				
<b>Total operating expenses</b>	<u>979,500</u>	<u>780,004</u>	<u>1,060,881</u>	<u>(280,877)</u>
<b>Changes in net assets</b>	<u>\$ 643,858</u>	<u>\$ 519,046</u>	142,526	<u>\$ 696,883</u>
<b>Unbudgeted expenses and revenues:</b>				
Depreciation			(63,964)	
<b>Changes in Net Assets - GAAP basis</b>			<u>\$ 78,562</u>	

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
CAMPGROUND  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Operating revenues:</b>				
Charges for services	\$ 140,000	\$ 130,800	\$ 130,800	\$
<b>Total operating revenues</b>	<u>140,000</u>	<u>130,800</u>	<u>130,800</u>	
<b>Operating expenses:</b>				
Salaries and benefits	81,615	69,957	69,614	343
Supplies and services	57,675	46,190	46,190	
Housing assistance payments				
<b>Total operating expenses</b>	<u>139,290</u>	<u>116,147</u>	<u>115,804</u>	<u>343</u>
<b>Non-operating revenues (expenses):</b>				
Municipal and state shared taxes				
Federal grants and aid				
Investment income				
Other revenues				
Interest and fees				
<b>Total operating expenses</b>				
<b>Changes in net assets</b>	<u>\$ 710</u>	<u>\$ 14,653</u>	14,996	<u>\$ (343)</u>
<b>Unbudgeted expenses and revenues:</b>				
Depreciation			(1,400)	
<b>Changes in Net Assets - GAAP basis</b>			<u>\$ 13,596</u>	



**OTHER SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**TOWN OF BERNALILLO**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND**  
**YEAR ENDED JUNE 30, 2012**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>MOTOR VEHICLE DIVISION</u></b>				
<u>Assets</u>				
Cash and cash equivalents	\$ <u>121,340</u>	\$ _____	\$ <u>81,180</u>	\$ <u>40,160</u>
Total assets	\$ <u><u>121,340</u></u>	\$ <u>_____</u>	\$ <u><u>81,180</u></u>	\$ <u><u>40,160</u></u>
<u>Liabilities</u>				
Deposits held for others	\$ <u>121,340</u>	\$ _____	\$ <u>81,180</u>	\$ <u>40,160</u>
Total liabilities	\$ <u><u>121,340</u></u>	\$ <u>_____</u>	\$ <u><u>81,180</u></u>	\$ <u><u>40,160</u></u>

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2012**

	US Bank
Bank Accounts:	
Checking/Demand Accounts	\$ 1,126,431
Savings/CD/Money Market Accounts	2,447,866
Total amount of deposits in bank	3,574,297
Less: FDIC and Dodd-Frank Deposit Insurance Provision coverage	1,377,426
Total uninsured public funds	2,196,871
Collateral requirements (Per 6-10-10 & 6-10-17, NMSA 1978)	
50% of uninsured time and demand accounts	1,098,436
Pledged collateral	
GNMA REMIC 2011-29 KD, matures Dec. 20, 2033, CUSIP 38377QPR2	3,586,522
Total collateral	3,586,522
Over / (under) secured	\$ 2,488,086
Custodial Credit Risk:	
Insured	\$ 1,377,426
Collateralized with securities held by pledging financial institutions trust department	2,196,871
Uninsured and uncollateralized	
Total deposits	\$ 3,574,297
Location of collateral:	
US Bank, Boston, Massachusetts	

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS  
JUNE 30, 2012**

<u>Account Name - Account Type</u>	<u>US Bank</u>	<u>LPL Financial</u>	<u>Total</u>
Wine Festival - non-interest bearing checking	\$ 1,994	\$	\$ 1,994
Court Cash Bonds - non-interest bearing checking	28,273		28,273
General - non-interest bearing checking	849,835		849,835
Prices Water Rights - savings	66,621		66,621
Permit Fees - savings	290,912		290,912
General - savings	374,474		374,474
Bond Account - savings	1,596,745		1,596,745
Utility - savings	54,736		54,736
General - savings	63,383		63,383
Housing - non-interest bearing checking	59,589		59,589
Security Deposit - non-interest bearing checking	14,188		14,188
Housing Section 8 - non-interest bearing checking	172,552		172,552
Housing Self Sufficiency - savings	995		995
Utility - investment		828,851	828,851
 Total on deposit	 3,574,297	 828,851	 4,403,148
 Reconciling items	 (1,031,669)		 (1,031,669)
 Reconciled balance, June 30, 2012	 2,542,628	 828,851	 3,371,479
 Total deposits and investments	 <u>\$ 2,542,628</u>	 <u>\$ 828,851</u>	 <u>\$ 3,371,479</u>

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF JOINT POWERS AGREEMENTS AND  
MEMORANDUMS OF UNDERSTANDING  
JUNE 30, 2012**

**JOINT POWERS AGREEMENTS:**

<b>Participants:</b>	Town of Bernalillo, Sandoval County, Village of Corrales, Pueblo of Santa Ana
<b>Responsible Party:</b>	City of Rio Rancho
<b>Description:</b>	Sandoval County Retional Emergency Communications Center (Dispatch Services)
<b>Date of Agreement:</b>	12/1/2007
<b>Total Amount/Town Share:</b>	8.0134% of SCRECC Annual Budget
<b>Fiscal Year 2012 Amount:</b>	\$213,241
<b>Audit Responsibility:</b>	City of Rio Rancho
<b>Participants:</b>	Town of Bernalillo and Sandoval County
<b>Responsible Party:</b>	Sandoval County
<b>Description:</b>	Provide ambulance transport services within the Town of Bernalillo
<b>Date of Agreement:</b>	9/1/2011
<b>Total Amount/Town Share:</b>	Four payments of \$100,000
<b>Fiscal Year 2012 Amount:</b>	\$100,000
<b>Audit Responsibility:</b>	Sandoval County
<b>Participants:</b>	Town of Bernalillo and City of Albuquerque
<b>Responsible Party:</b>	City of Albuquerque
<b>Description:</b>	Provide animal housing services for the Town of Bernalillo
<b>Date of Agreement:</b>	9/1/2011
<b>Total Amount/Town Share:</b>	Proportionate share based on intake of animals to be determined by the City's actual expense calculated quarterly.
<b>Fiscal Year 2012 Amount:</b>	\$6,928
<b>Audit Responsibility:</b>	City of Albuquerque

**MEMORANDUMS OF UNDERSTANDING**

<b>Participants:</b>	Town of Bernalillo and Santa Fe Civic Housing Authority
<b>Responsible Party:</b>	Santa Fe Civic
<b>Description:</b>	Temporary management of the Town of Bernalillo Housing Authority by Santa Fe Civic Housing Authority
<b>Date of Agreement:</b>	4/9/2012
<b>Total Amount/Town Share:</b>	none
<b>Fiscal Year 2012 Amount:</b>	none
<b>Audit Responsibility:</b>	Town of Bernalillo
<b>Participants:</b>	Town of Bernalillo and Eastern Sandoval County Arroyo Flood Control Authority
<b>Responsible Party:</b>	Eastern Sandoval County Arroyo Flood Control Authority
<b>Description:</b>	Eastern Sandoval County Arroyo Flood Control Authority to establish storm water facilities on Town owned Property and establish mutual obligations
<b>Date of Agreement:</b>	3/26/2012
<b>Total Amount/Town Share:</b>	none
<b>Fiscal Year 2012 Amount:</b>	none
<b>Audit Responsibility:</b>	Eastern Sandoval County Arroyo Flood Control Authority
<b>Participants:</b>	Town of Bernalillo and Sandoval County
<b>Responsible Party:</b>	Town of Bernalillo
<b>Description:</b>	Use Town of Bernalillo legislative appropriation to continue improvement of the Sandoval County Vietnam Veterans Memorial
<b>Date of Agreement:</b>	4/9/2012
<b>Total Amount/Town Share:</b>	\$14,884
<b>Fiscal Year 2012 Amount:</b>	none
<b>Audit Responsibility:</b>	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, 2012**

FDS Line #	Account Description	Low Rent Public Housing 14.850a	Housing Choice Vouchers 14.871	TOTAL
<b>ASSETS:</b>				
111	Cash - unrestricted	\$ 39,288	\$ 136,113	\$ 175,401
114	Cash - tenant security deposits	14,188		14,188
124	Accounts receivable- other government		77,881	77,881
126	Accounts receivable - tenants - dwelling rents	24,117		24,117
126.1	Allowance for doubtful accounts - dwelling rents	(2,000)		(2,000)
142	Prepaid expenses and other assets	2,458		2,458
143	Inventories	4,150		4,150
161	Land	32,000		32,000
162	Buildings	4,365,495		4,365,495
163	Furniture, equipment and machinery - dwellings	5,744		5,744
164	Furniture, equipment and machinery - administration	85,080		85,080
165	Leasehold improvements	84,324		84,324
166	Accumulated depreciation	(2,810,546)		(2,810,546)
167	Construction in progress	33,321		33,321
	<b>TOTAL ASSETS</b>	<b>\$ 1,877,619</b>	<b>\$ 213,994</b>	<b>\$ 2,091,613</b>
<b>LIABILITIES:</b>				
312	Accounts payable <90 days	\$ 8,356	\$ 5,831	\$ 14,187
321	Accrued wage/payroll taxes payable	4,869	4,181	9,050
322	Accrued compensated absences - current portion	637	678	1,315
333	Accounts payable - other governments	27,672	28,338	56,010
341	Tenant security deposits	6,675		6,675
347	Interprogram - due to	598		598
354	Accrued compensated absences - noncurrent	3,185	3,388	6,573
	<b>TOTAL LIABILITIES</b>	<b>51,992</b>	<b>42,416</b>	<b>94,408</b>
<b>NET ASSETS</b>				
508.1	Invested in capital assets, net of related debt	1,795,418		1,795,418
511.1	Restricted net assets			-
512.1	Unrestricted net assets	30,209	171,578	201,787
	<b>TOTAL NET ASSETS</b>	<b>1,825,627</b>	<b>171,578</b>	<b>1,997,205</b>
	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,877,619</b>	<b>\$ 213,994</b>	<b>\$ 2,091,613</b>

**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, 2012**

FDS Line #	Account Description	Low Rent Public Housing 14.850a	Housing Choice Vouchers 14.871	TOTAL
<b>REVENUE:</b>				
703	Net tenant rental income	\$ 172,214	\$	\$ 172,214
706	HUD PHA operating grants	124,150	677,423	801,573
706.1	Capital grants	12,630		12,630
715	Other Revenue	54,032	182,287	236,319
	<b>TOTAL REVENUE</b>	<b>363,026</b>	<b>859,710</b>	<b>1,222,736</b>
<b>EXPENSES:</b>				
911	Administrative salaries	51,662	48,291	99,953
913	Bookkeeping fee	8,667	8,594	17,261
915	Employee benefit contributions - administration	8,517	19,933	28,450
916	Office expenses	8,315		8,315
917	Legal expense	402		402
918	Travel	437	447	884
919	Other	37,364	25,155	62,519
922	Relocation costs	3,029		3,029
931	Water	40,943		40,943
932	Electricity	3,996		3,996
933	Gas	24,578		24,578
938	Other utilities expense	34,494		34,494
941	Ordinary maintenance and operations - labor	28,950		28,950
942	Ordinary maintenance and operations - materials and other	30,873		30,873
943	Ordinary maintenance and operations - contracts	16,181		16,181
945	Employee benefit contributions - ordinary maintenance	4,210		4,210
961	Insurance premiums	21,642		21,642
961.3	Workmen's compensation	3,500		3,500
962	Other general expenses	9,524		9,524
	<b>TOTAL OPERATING EXPENSES</b>	<b>337,284</b>	<b>102,420</b>	<b>439,704</b>
973	Housing assistance payments		655,600	655,600
974	Depreciation expense	63,964		63,964
	<b>TOTAL EXPENSES</b>	<b>401,248</b>	<b>758,020</b>	<b>1,159,268</b>
	<b>CHANGE IN NET ASSETS</b>	<b>(38,222)</b>	<b>101,690</b>	<b>63,468</b>
	<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,863,849</b>	<b>69,888</b>	<b>1,933,737</b>
	<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,825,627</b>	<b>\$ 171,578</b>	<b>\$ 1,997,205</b>
<b>MEMO account information</b>				
1103	Beginning equity	1,863,849	69,888	1,933,737
1117	Administrative Fee Equity		108,627	
1118	Housing Assistance Payments Equity		62,951	
1119	Unit months available		2,340	

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**SINGLE AUDIT SECTION**

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

Mr. Hector H. Balderas  
New Mexico State Auditor

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

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and budgetary comparisons of the general fund and major special revenue fund of the Town of Bernalillo, New Mexico (Town), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 28, 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, 2012, 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 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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 2006-08, 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 2007-01, FS 2007-04, FS 2008-03, FS 2008-05, and FS 2008-06 to be significant deficiencies.

#### Compliance and Other Matters

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

The Town'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's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, 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.  
CPAs and Business Consultants

November 28, 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'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's major federal programs for the year ended June 30, 2012. Town'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's management. Our responsibility is to express an opinion on Town'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'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's compliance with those requirements.

As described in item FA 2006-01 in the accompanying schedule of findings and questioned costs, Town 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 did not comply with requirements regarding eligibility and special tests and provisions that are applicable to its Section 8 Housing Choice Vouchers programs. Compliance with such requirements is necessary, in our opinion, for Town of Bernalillo, New Mexico 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 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, 2012.

### Internal Control Over Compliance

Management of Town 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'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'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, and another deficiency that we consider to be a significant deficiency.

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.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FA 2009-01 to be a significant deficiency.

Town'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's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, 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.  
CPAs and Business Consultants

November 28, 2012

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>Federal Grantor / Pass-Through Grantor / Program Title</b>	<b>CFDA Number</b>	<b>Grantor's Number</b>	<b>Total Expenditures</b>
<u>U.S. Department of Housing and Urban Development</u>			
Direct programs:			
Public and Indian Housing	14.850	NM035AF0057	\$ 136,780
Section 8 Housing Choice Vouchers	14.871	NM035	<u>677,423</u>
Total U.S. Department of Housing and Urban Development			814,203
<u>U.S. Department of Transportation</u>			
Passed through New Mexico Department of Transportation:			
Highway Planning and Construction, Recovery Act	20.205	ESL3311	973,509
Highway Planning and Construction	20.205	CN3450	<u>67,190</u>
Total U.S. Department of Transportation			1,040,699
<u>U.S. Department of Justice</u>			
Direct program:			
Bulletproof Vest Partnership Program	16.607	BA-2000S-HP01	3,200
Passed through the City of Rio Rancho:			
Edward Byrne Memorial Justice Assistance Grant Program, Recovery Act	16.804	2011-DJ-BX-2314	<u>10,802</u>
Total U.S. Department of Justice			14,002
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,868,904</u></u>

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

**NOTE 1 - BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Town 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 2012 *Catalog of Federal Domestic Assistance*.



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Disclaimer

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?   yes  X  no

**Federal Awards**

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: 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, 2012**

**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:	
Gas Tax	\$229,771
2008 Revenue Bond Debt Service	11,176
Non-Major Governmental Funds:	
Fire	54,655
Corrections	18,961
Proprietary Funds:	
Housing Assistance	677,140

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 (NMDFA) – 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.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

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

**Reference Number:** FS 2006-01

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. All over budget expenditures must be accompanied by an over budget transfer request before the purchase is authorized.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**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 2011-12 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 2011-12 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

Town management recognizes the need to correct receivable balances. After the 2012 audit report is completed and approved by the New Mexico Office of the State Auditor (NMOSA), the Town will work to accurately adjust customer balances to reflect correct receivable balances on both the general ledger and the subsidiary customer ledger. The Town will then comply with NMDFA and receive proper approval to adjust receivable amounts on all customer accounts.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**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, 2012 that could not be substantiated. Additionally, the Town does not maintain documentation to demonstrate that accounts were 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. The Town is at risk of undetected misstatements not only in cash and investment related accounts, but potentially in other accounts as well. Fraud risk is also 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 and documentation of all bank accounts required.

AGENCY RESPONSE

Management agrees with the recommendation that the Town should develop a formal policy for bank reconciliations. As soon as the policy is adopted, the Town will comply fully with the policy. Currently, the Town's Finance department has started and will continue to prepare timely monthly manual bank reconciliations on all bank accounts not currently associated with the general ledger.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**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

Management agrees with the recommendation to develop comprehensive financial policies and procedures. The Town is committed to develop and adopt policies within fiscal year 2013.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**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 internal control policies and procedures. The Town will strive to improve the financial statement process.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**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

Management agrees with the recommendation to properly record year end accruals. The Town is currently using the financial system to track prior year expenditures and will work with our financial software vendor to ensure the system accurately records the year end accruals. Once this is accomplished, the Town will implement a procedure to track and record all year end accruals.



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**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 written or verbal quotes were obtained for eight of ten 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

Management agrees with the recommendation to review the purchasing policy. The Town will work to include updated comprehensive purchasing policies to its procurement process. The policies will include a detailed procurement process and maintain strong accountability for all Town staff.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**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 ten of ten credit card transactions reviewed, the employee making the purchase was not documented or easily identifiable. Additionally, the Town did not maintain documentation to demonstrate that pre-approval was obtained in three of three transactions reviewed requiring such approval.

CRITERIA

Management is responsible for developing an effective system of internal control over financial reporting, which includes controls over credit card transactions. In addition, Town policy and NMSA require pre-approvals and 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

The Town has adopted a new credit card policy and as of 11/21/12 implemented new internal controls. The new internal controls include the use of a sign out log that will show where the card will be used, the purchase order number, the justification of credit card use per the policy, and the individual using the card. These internal controls will increase accountability and ensure the new policy is being followed properly.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**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 an accurate or complete listing of fiscal year 2011-12 capital asset additions by asset category, as well as an accurate and complete listing of cumulative capital assets by asset category. The Town also 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

Management agrees with the recommendation to implement effective internal control procedures. The Town is committed to develop and adopt capital asset policies and procedures to ensure accuracy in its reporting.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**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 two of 13 disbursements reviewed, the purchase order was issued after goods or services were received.
- For two of 13 disbursements reviewed, the receiving report was dated after the date of payment.

CRITERIA

The Town's policy requires purchase requisitions and purchase orders to be obtained and approved before procurement of goods and services. Additionally, payments should not occur until goods or services are received.

EFFECT

The Town's internal controls over purchasing authorizations and payments 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, purchase authorization, and payment practices were not adequately enforced.

RECOMMENDATION

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

AGENCY RESPONSE

Management agrees with the recommendation to review the purchasing policy. The Town will work to develop comprehensive disbursement policies to include in its financial process. The policies will include a detailed disbursement process to ensure proper authorizations and accurate documentation retention.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**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	\$ 11,363
Gas Tax	3,116,479
Law Enforcement	20,375
Rescue	274,967

We noted the Gas Tax Fund had a current year loss of \$(1,338,546), indicating there may be some operational and/or accounting errors in this fund to be addressed by the Town.

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

Town management recognizes the need to correct fund balances. After the 2012 audit report is completed and approved by the NMOSA, the Town will work to accurately adjust balances to reflect correct fund balances on all funds within the general ledger. The Town will then comply with NMDFA and receive proper approval to adjust fund balances across all funds.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

**Reference Number:** FA 2006-01

<b>Programs:</b>	<b>CFDA Numbers:</b>	<b>Grantor Numbers:</b>
Section 8 Housing Choice Vouchers	14.871	NM035
Highway Planning and Construction, Recovery Act	20.205	ESL3311, CN3450

**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 in Internal Control, Noncompliance

**Questioned Costs:** None noted

**Compliance Requirement:** Other

CONDITION

The Town's fiscal year 2010-11 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 fiscal year 2010-11 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, 2012**

**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**

Effective July 1, 2012, the Town of Bernalillo Public Housing Authority was transferred from the Town of Bernalillo to Santa Fe Civic Housing Authority.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

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

**Reference Number:** FA 2009-01

<b>Program</b>	<b>CFDA Number</b>	<b>Grantor Number</b>	<b>Questioned Costs</b>
Public and Indian Housing	14.850	NM035AF0057	N/A

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

**Pass-Through Agency:** N/A

**Applicable ARRA Programs:** N/A

**Type of Finding:** Significant Deficiency in Internal Control

**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 audit had not yet been implemented during fiscal year 2012 related to Public and Indian Housing program.

**CRITERIA**

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

**EFFECT**

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

**CAUSE**

Significant turnover in key management and financial positions.

**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.

**AGENCY RESPONSE**

Effective July 1, 2012, the Town of Bernalillo Public Housing Authority was transferred from the Town of Bernalillo to Santa Fe Civic Housing Authority.



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

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

**Reference Number:** FA 2009-02

<b>Program</b>	<b>CFDA Number</b>	<b>Grantor Number</b>	<b>Questioned Costs</b>
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

**Type of Finding:** Material Weakness in Internal Control, Noncompliance

**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, 2010, and 2011 audits had not yet been implemented during fiscal year 2012 related to Section 8 Housing Choice Vouchers. In addition, tests of compliance with eligibility for Section 8 Housing Choice Vouchers identified that for one 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.

**AGENCY RESPONSE**

Effective July 1, 2012, the Town of Bernalillo Public Housing Authority was transferred from the Town of Bernalillo to Santa Fe Civic Housing Authority.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

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

**Reference Number:** FA 2010-01

<b>Program</b>	<b>CFDA Number</b>	<b>Grantor Number</b>	<b>Questioned Costs</b>
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

**Type of Finding:** Material Weakness in Internal Control, Noncompliance

**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 two of 40 tenant files reviewed, the Town did not perform HQS inspections on an annual basis.
- For 14 of 40 tenant files reviewed, there was no evidence or insufficient evidence of a determination of the reasonableness of rent.
- 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.
- 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, 2012**

**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**

Effective July 1, 2012, the Town of Bernalillo Public Housing Authority was transferred from the Town of Bernalillo to Santa Fe Civic Housing Authority.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2012**

**Status of Prior Year Findings**

Financial Statement Findings:

<u>Finding Reference</u>	<u>Status</u>
FS 2006-01 Exceeded Budget Authority	Modified and Repeated.
FS 2006-03 Accounts Receivables Records and Procedures	Modified and Repeated.
FS 2006-04 Late Audit Report	Resolved.
FS 2006-07 Approval of Adjusting Journal Entries	Resolved.
FS 2006-08 Reconciliation and Recording of Bank Accounts	Modified and Repeated.
FS 2007-01 Comprehensive Set of Policies	Modified and Repeated.
FS 2007-02 Internal Control over Financial Reporting	Modified and Repeated.
FS 2007-03 Year-end Cutoff	Modified and Repeated.
FS 2007-04 Violation of Town's Procurement Policies	Modified and Repeated.
FS 2008-03 Credit Card Purchases	Modified and Repeated.
FS 2008-04 Insufficient Capital Asset Support	Modified and Repeated.
FS 2008-05 Insufficient Controls over Disbursements	Modified and Repeated.
FS 2008-06 Deficits in Budgeted and/or Actual Fund Balances/Net Assets	Modified and Repeated.

Federal Findings:

<u>Finding Reference</u>	<u>Status</u>
FA 2006-01	Modified and Repeated.
FA 2009-01	Modified and Repeated.
FA 2009-02	Modified and Repeated.
FA 2010-01	Modified and Repeated.

FINANCIAL STATEMENT PREPARATION

Heinfeld, Meech & Co. assisted in the preparation of the financial statements presented in this report. The Town's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
EXIT CONFERENCE  
YEAR ENDED JUNE 30, 2012**

An exit conference was held on November 28, 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  
Ida Fierro, Clerk Administrator  
Marian A. Jaramillo, City Councilor

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

Audrey Jaramillo, Partner  
Sara Specht, Senior Associate

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