

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

**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, 2014**

Town Council

Jack Torres
Mayor

Marian A. Jaramillo
Town Councilor

Tina Dominguez
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
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, 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, nonmajor enterprise fund, and the budgetary comparisons for the major debt service fund, capital project funds, enterprise funds and all nonmajor funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying Combining and Individual Fund Financial Statements and Schedules as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Because of the matters described in the Basis for Disclaimer of Opinions paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions.

Basis for Disclaimer of Opinions

The Town of Bernalillo, New Mexico did not maintain sufficient internal controls and/or adequate records of its cash and investments, capital assets, revenues/receivables, 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.

Disclaimer of Opinions

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 accordance 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, 2014, 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 and nonmajor enterprise fund of the Town of Bernalillo, New Mexico, as of June 30, 2014, 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.

Change in Accounting Principle

As described in Note 1, the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014, which represents a change in accounting principle.

Other Matters

Required Supplementary Information

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.

Other 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, and budgetary comparison information presented as supplementary information in the accompanying Combining and Individual Fund Financial Statements and Schedules. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014, on our consideration of 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* in considering Town of Bernalillo, New Mexico's internal control over financial reporting and compliance.



HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

November 21, 2014

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 POSITION
JUNE 30, 2014**

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| <u>ASSETS</u> | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 3,129,185 | \$ 74,390 | \$ 3,203,575 |
| Investments | | 1,094,039 | 1,094,039 |
| Property taxes receivable | 68,701 | | 68,701 |
| Accounts receivable | 10,991 | | 10,991 |
| Due from state government | 1,050,572 | 21,309 | 1,071,881 |
| Total current assets | <u>4,259,449</u> | <u>1,189,738</u> | <u>5,449,187</u> |
| Noncurrent assets: | | | |
| Land | 260,810 | 377,428 | 638,238 |
| Infrastructure | 10,435,769 | 17,437,634 | 27,873,403 |
| Buildings and improvements | 4,189,196 | 87,742 | 4,276,938 |
| Improvements other than buildings | 1,038,278 | | 1,038,278 |
| Vehicles, furniture and equipment | 3,457,571 | 640,197 | 4,097,768 |
| Accumulated depreciation | (8,473,670) | (2,793,153) | (11,266,823) |
| Total noncurrent assets | <u>10,907,954</u> | <u>15,749,848</u> | <u>26,657,802</u> |
| Total assets | <u>15,167,403</u> | <u>16,939,586</u> | <u>32,106,989</u> |
| <u>LIABILITIES</u> | | | |
| Current liabilities: | | | |
| Overdraft of cash on deposit | 2,469,613 | 3,201,265 | 5,670,878 |
| Accounts payable | 181,582 | 149,995 | 331,577 |
| Accrued payroll | 144,684 | 29,402 | 174,086 |
| Accrued interest payable | 9,655 | 36,907 | 46,562 |
| Compensated absences payable | 159,671 | 34,754 | 194,425 |
| Loans payable | 50,915 | 182,434 | 233,349 |
| Bonds payable | | 707,014 | 707,014 |
| Total current liabilities | <u>3,016,120</u> | <u>4,341,771</u> | <u>7,357,891</u> |
| Noncurrent liabilities: | | | |
| Non-current portion of long-term obligations | 2,754,496 | 9,183,212 | 11,937,708 |
| Total noncurrent liabilities | <u>2,754,496</u> | <u>9,183,212</u> | <u>11,937,708</u> |
| Total liabilities | <u>5,770,616</u> | <u>13,524,983</u> | <u>19,295,599</u> |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets | 8,130,164 | 5,680,966 | 13,811,130 |
| Restricted for: | | | |
| Capital projects | 734,104 | | 734,104 |
| Public safety | 272,560 | | 272,560 |
| Tourism | 163,785 | | 163,785 |
| Recreation | 138,504 | | 138,504 |
| Unrestricted | (42,330) | (2,266,363) | (2,308,693) |
| Total net position | <u>\$ 9,396,787</u> | <u>\$ 3,414,603</u> | <u>\$ 12,811,390</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, 2014**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---------------------------------|----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Primary Government | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 2,406,795 | \$ 132,452 | \$ 9,684 | \$ | \$ (2,264,659) |
| Public safety | 3,409,927 | 346,553 | 9,700 | 173,115 | (2,880,559) |
| Public works | 481,384 | | | 276,140 | (205,244) |
| Culture and recreation | 1,452,317 | 265,933 | 132,650 | | (1,053,734) |
| Interest on long-term debt | 121,576 | | | | (121,576) |
| Total governmental activities | <u>7,871,999</u> | <u>744,938</u> | <u>152,034</u> | <u>449,255</u> | <u>(6,525,772)</u> |
| Business-type activities: | | | | | |
| Water and sewer | 2,922,978 | 3,434,706 | | | |
| Campground | 110,121 | 119,830 | | | |
| Total business-type activities | <u>3,033,099</u> | <u>3,554,536</u> | | | |
| Total primary government | <u>\$ 10,905,098</u> | <u>\$ 4,299,474</u> | <u>\$ 152,034</u> | <u>\$ 449,255</u> | <u>(6,525,772)</u> |

General revenues:

Taxes:

| | |
|--|-----------|
| Property taxes, levied for general purposes | 734,474 |
| Gross receipts taxes | 5,733,358 |
| Franchise taxes | 243,113 |
| Unrestricted grants, aid and state shared revenues | 805,710 |
| Investment income | 916 |

Transfers

| | |
|---|------------------|
| | <u>138,234</u> |
| Total general revenues and transfers | <u>7,655,805</u> |

Changes in net position

| | |
|---|---------------------|
| | 1,130,033 |
| Net position, beginning of year | 8,353,438 |
| Net position, restatement | <u>(86,684)</u> |
| Net position, beginning of year, as restated | 8,266,754 |
| Net position, end of year | <u>\$ 9,396,787</u> |

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

Net (Expense) Revenue and Changes
in Net Position

| Business-type Activities | Totals |
|-----------------------------|----------------------|
| \$ | \$ (2,264,659) |
| | (2,880,559) |
| | (205,244) |
| | (1,053,734) |
| | (121,576) |
| | <u>(6,525,772)</u> |
| 511,728 | 511,728 |
| 9,709 | 9,709 |
| <u>521,437</u> | <u>521,437</u> |
| <u>521,437</u> | <u>(6,004,335)</u> |
| 128,753 | 734,474 |
| | 5,862,111 |
| | 243,113 |
| | 805,710 |
| | 916 |
| <u>(138,234)</u> | |
| <u>(9,481)</u> | <u>7,646,324</u> |
| 511,956 | 1,641,989 |
| 5,070,604 | 13,424,042 |
| <u>(2,167,957)</u> | <u>(2,254,641)</u> |
| 2,902,647 | 11,169,401 |
| <u>\$ 3,414,603</u> | <u>\$ 12,811,390</u> |

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FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

| | General | Gas Tax | Capital Projects |
|--|-------------------------|-----------------------|-----------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 1,829,394 | \$ | \$ 122,726 |
| Property taxes receivable | 68,701 | | |
| Accounts receivable | | | |
| Due from state government | 949,541 | 101,031 | |
| Total assets | \$ 2,847,636 | \$ 101,031 | \$ 122,726 |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Overdraft of cash on deposit | \$ | \$ 2,183,901 | \$ |
| Accounts payable | 141,407 | 31,194 | |
| Accrued payroll | 144,684 | | |
| Total liabilities | 286,091 | 2,215,095 | |
| Deferred inflows of resources: | | | |
| Unavailable revenues - property taxes | 48,014 | | |
| Fund balances (deficits): | | | |
| Restricted | | | 122,726 |
| Unassigned | 2,513,531 | (2,114,064) | |
| Total fund balances | 2,513,531 | (2,114,064) | 122,726 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 2,847,636 | \$ 101,031 | \$ 122,726 |

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

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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

| | | |
|---|--------------------|-----------------------------------|
| Total governmental fund balances | | \$ 1,415,556 |
| <p>Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:</p> | | |
| Governmental capital assets | \$ 19,381,624 | |
| Less accumulated depreciation | <u>(8,473,670)</u> | 10,907,954 |
| <p>Property tax receivables will not be available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.</p> | | |
| | | 48,014 |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:</p> | | |
| Accrued interest payable | (9,655) | |
| Loans payable | (387,790) | |
| Revenue bonds payable | (2,390,000) | |
| Compensated absences payable | <u>(187,292)</u> | <u>(2,974,737)</u> |
| Net position of governmental activities | | <u><u>\$ 9,396,787</u></u> |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

| | General | Gas Tax | 2008 Revenue Bond Debt Service |
|--|--------------|----------------|-----------------------------------|
| Revenues: | | | |
| Property taxes | \$ 736,150 | \$ | \$ |
| Municipal and state shared taxes | 5,765,291 | 270,524 | |
| Federal grants and aid | 13,075 | | |
| State grants and aid | 515,271 | 276,140 | |
| Charges for services | 417,691 | | |
| Licenses and permits | 94,010 | | |
| Fines and forfeits | 80,398 | | |
| Franchise fees | 243,113 | | |
| Investment income | | | |
| Other revenues | 134,749 | | |
| Total revenues | 7,999,748 | 546,664 | |
| Expenditures: | | | |
| Current - | | | |
| General government | 1,828,622 | | |
| Public safety | 2,764,521 | | |
| Public works | 175,098 | 239,883 | |
| Culture and recreation | 1,199,776 | | |
| Capital outlay | 411,578 | 510,105 | |
| Debt service - | | | |
| Principal | | | |
| Interest and fees | | | 115,856 |
| Total expenditures | 6,379,595 | 749,988 | 115,856 |
| Excess (deficiency) of revenues over expenditures | 1,620,153 | (203,324) | (115,856) |
| Other financing sources (uses): | | | |
| Transfers in | 229,681 | | 115,856 |
| Transfers out | (207,303) | | |
| Total other financing sources (uses): | 22,378 | | 115,856 |
| Changes in fund balances | 1,642,531 | (203,324) | |
| Fund balances (deficits), beginning of year | 871,000 | (1,910,740) | |
| Fund balances (deficits), end of year | \$ 2,513,531 | \$ (2,114,064) | \$ |

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> |
|-------------------------|---|---|---|
| \$ | \$ | \$ | \$ |
| | | 117,241 | 736,150 |
| | | | 6,153,056 |
| | | 182,815 | 13,075 |
| | | | 974,226 |
| | | | 417,691 |
| | | 18,090 | 94,010 |
| | | | 98,488 |
| | | | 243,113 |
| | 916 | | 916 |
| | | | 134,749 |
| | <u>916</u> | <u>318,146</u> | <u>8,865,474</u> |
| | | | |
| | | 49,761 | 1,878,383 |
| | | 53,862 | 2,818,383 |
| | | | 414,981 |
| | | | 1,199,776 |
| | | 89,911 | 1,011,594 |
| | | | |
| | | 50,717 | 50,717 |
| | | 5,720 | 121,576 |
| | | <u>249,971</u> | <u>7,495,410</u> |
| | | | |
| | <u>916</u> | <u>68,175</u> | <u>1,370,064</u> |
| | | | |
| | | | 345,537 |
| | | | (207,303) |
| | | | <u>138,234</u> |
| | | | |
| | <u>916</u> | <u>68,175</u> | <u>1,508,298</u> |
| | | | |
| 122,726 | 610,462 | 213,810 | (92,742) |
| <u>\$ 122,726</u> | <u>\$ 611,378</u> | <u>\$ 281,985</u> | <u>\$ 1,415,556</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, 2014**

Net changes in fund balances - total governmental funds **\$ 1,508,298**

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 | \$ 29,840 | |
| Less current year depreciation | <u>(451,585)</u> | (421,745) |

| | | |
|--|--|--------|
| Loan principal retirements are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | 50,717 |
|--|--|--------|

| | | |
|---|--|---------|
| Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | (1,676) |
|---|--|---------|

| | | |
|--|--|----------------|
| Accrued leave 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. | | <u>(5,561)</u> |
|--|--|----------------|

Change in net position in governmental activities **\$ 1,130,033**

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2014**

| | <u>Budgeted Amounts</u> | | <u>Non-GAAP Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|---------------------|----------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Property taxes | \$ 722,194 | \$ 733,383 | \$ 736,150 | \$ 2,767 |
| Municipal and state shared taxes | 5,138,846 | 5,722,578 | 5,765,291 | 42,713 |
| Federal grants and aid | | 13,075 | 13,075 | |
| State grants and aid | 403,234 | 405,176 | 405,176 | |
| Charges for services | 196,447 | 187,507 | 196,523 | 9,016 |
| Licenses and permits | 189,292 | 125,942 | 94,010 | (31,932) |
| Fines and forfeits | 115,895 | 77,771 | 80,398 | 2,627 |
| Franchise fees | 207,000 | 243,113 | 243,113 | |
| Investment income | 151,375 | | | |
| Other revenues | 137,805 | 142,545 | 130,908 | (11,637) |
| Total revenues | <u>7,262,088</u> | <u>7,651,090</u> | <u>7,664,644</u> | <u>13,554</u> |
| Expenditures: | | | | |
| Current - | | | | |
| General government | 2,582,660 | 1,896,637 | 1,742,650 | 153,987 |
| Public safety | 2,827,398 | 2,751,398 | 2,764,521 | (13,123) |
| Public works | 179,254 | 172,388 | 175,098 | (2,710) |
| Culture and recreation | 874,128 | 635,450 | 622,262 | 13,188 |
| Capital outlay | 351,875 | 410,391 | 411,266 | (875) |
| Total expenditures | <u>6,815,315</u> | <u>5,866,264</u> | <u>5,715,797</u> | <u>150,467</u> |
| Excess (deficiency) of revenues over expenditures | <u>446,773</u> | <u>1,784,826</u> | <u>1,948,847</u> | <u>164,021</u> |
| Other financing sources (uses): | | | | |
| Transfers in | | 229,681 | 229,681 | |
| Transfers out | | | (207,303) | (207,303) |
| Total other financing sources (uses): | | <u>229,681</u> | <u>22,378</u> | <u>(207,303)</u> |
| Changes in fund balances - budgetary basis | <u>446,773</u> | <u>2,014,507</u> | <u>1,971,225</u> | <u>(43,282)</u> |
| Fund balances, beginning of year | <u>2,380,877</u> | <u>2,248,681</u> | | |
| Fund balances, end of year | <u>\$ 2,827,650</u> | <u>\$ 4,263,188</u> | | |
| Reconciliation to change in fund balance - GAAP-basis: | | | | |
| Funds budgeted separately from the General Fund | | | <u>(328,694)</u> | |
| Change in fund balance - GAAP-basis | | | <u>\$ 1,642,531</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, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|-----------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Municipal and state shared taxes | \$ 297,606 | \$ 297,606 | \$ 270,524 | \$ (27,082) |
| State grants and aid | 4,245,755 | 4,245,755 | 276,140 | (3,969,615) |
| Total revenues | <u>4,543,361</u> | <u>4,543,361</u> | <u>546,664</u> | <u>(3,996,697)</u> |
| Expenditures: | | | | |
| Current - | | | | |
| Public works | 290,000 | 322,319 | 239,883 | 82,436 |
| Capital outlay | 4,435,377 | 4,435,377 | 510,105 | 3,925,272 |
| Total expenditures | <u>4,725,377</u> | <u>4,757,696</u> | <u>749,988</u> | <u>4,007,708</u> |
| Changes in fund balances | <u>(182,016)</u> | <u>(214,335)</u> | <u>(203,324)</u> | <u>11,011</u> |
| Fund balances (deficits), beginning of year | | | (1,910,740) | (1,910,740) |
| Fund balances (deficits), end of year | <u>\$ (182,016)</u> | <u>\$ (214,335)</u> | <u>\$ (2,114,064)</u> | <u>\$ (1,899,729)</u> |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

| | Enterprise Funds | | |
|--|----------------------------|-------------------------------|---------------------|
| | Water and Sewer Utility | Non-Major Enterprise Funds | Totals |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ | \$ 74,390 | \$ 74,390 |
| Investments | 1,094,039 | | 1,094,039 |
| Due from state government | 21,309 | | 21,309 |
| Total current assets | <u>1,115,348</u> | <u>74,390</u> | <u>1,189,738</u> |
| Noncurrent assets: | | | |
| Land | 377,428 | | 377,428 |
| Infrastructure | 17,437,634 | | 17,437,634 |
| Buildings and improvements | 87,742 | | 87,742 |
| Vehicles, furniture and equipment | 628,993 | 11,204 | 640,197 |
| Accumulated depreciation | (2,781,949) | (11,204) | (2,793,153) |
| Total noncurrent assets | <u>15,749,848</u> | <u>(11,204)</u> | <u>15,749,848</u> |
| Total assets | <u>16,865,196</u> | <u>74,390</u> | <u>16,939,586</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Overdraft of cash on deposit | 3,201,265 | | 3,201,265 |
| Accounts payable | 149,296 | 699 | 149,995 |
| Accrued payroll | 27,553 | 1,849 | 29,402 |
| Accrued interest payable | 36,907 | | 36,907 |
| Compensated absences payable | 34,172 | 582 | 34,754 |
| Loans payable | 182,434 | | 182,434 |
| Bonds payable | 707,014 | | 707,014 |
| Total current liabilities | <u>4,338,641</u> | <u>3,130</u> | <u>4,341,771</u> |
| Noncurrent liabilities: | | | |
| Non-current portion of long-term obligations | 9,182,685 | 527 | 9,183,212 |
| Total noncurrent liabilities | <u>9,182,685</u> | <u>527</u> | <u>9,183,212</u> |
| Total liabilities | <u>13,521,326</u> | <u>3,657</u> | <u>13,524,983</u> |
| NET POSITION | | | |
| Net investment in capital assets | 5,680,966 | | 5,680,966 |
| Unrestricted | (2,337,096) | 70,733 | (2,266,363) |
| Total net position | <u>\$ 3,343,870</u> | <u>\$ 70,733</u> | <u>\$ 3,414,603</u> |

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

| | Enterprise Funds | | | Totals |
|---|----------------------------|-----------------------|-------------------------------|---------------------|
| | Water and Sewer Utility | Housing Assistance | Non-Major Enterprise Funds | |
| Operating revenues: | | | | |
| Charges for services | \$ 3,417,759 | \$ | \$ 119,830 | \$ 3,537,589 |
| Total operating revenues | <u>3,417,759</u> | <u></u> | <u>119,830</u> | <u>3,537,589</u> |
| Operating expenses: | | | | |
| Salaries and benefits | 740,848 | | 55,607 | 796,455 |
| Supplies and services | 1,559,502 | | 54,046 | 1,613,548 |
| Depreciation | 146,574 | | 468 | 147,042 |
| Total operating expenses | <u>2,446,924</u> | <u></u> | <u>110,121</u> | <u>2,557,045</u> |
| Operating income (loss) | <u>970,835</u> | <u></u> | <u>9,709</u> | <u>980,544</u> |
| Nonoperating revenues (expenses): | | | | |
| Municipal and state shared taxes | 128,753 | | | 128,753 |
| Other revenues | 16,947 | | | 16,947 |
| Interest and fees | (476,054) | | | (476,054) |
| Total nonoperating revenues (expenses) | <u>(330,354)</u> | <u></u> | <u></u> | <u>(330,354)</u> |
| Income (loss) before transfers | <u>640,481</u> | <u></u> | <u>9,709</u> | <u>650,190</u> |
| Transfers in | 91,447 | | | 91,447 |
| Transfers out | <u>(229,681)</u> | <u></u> | <u></u> | <u>(229,681)</u> |
| Changes in net position | <u>502,247</u> | <u></u> | <u>9,709</u> | <u>511,956</u> |
| Total net position, beginning of year | 3,073,953 | 1,935,627 | 61,024 | 5,070,604 |
| Total net position, restatement | <u>(232,330)</u> | <u>(1,935,627)</u> | <u></u> | <u>(2,167,957)</u> |
| Total net position, beginning of year, as restated | 2,841,623 | | 61,024 | 2,902,647 |
| Total net position, end of year | <u>\$ 3,343,870</u> | <u>\$</u> | <u>\$ 70,733</u> | <u>\$ 3,414,603</u> |

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

| | Enterprise Funds | | |
|---|------------------------------------|---------------------------------------|---------------------|
| | Water and Sewer Utility | Non-Major Enterprise Funds | Totals |
| <u>Increase (Decrease) In Cash and Cash Equivalents</u> | | | |
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 3,402,882 | \$ 119,830 | \$ 3,522,712 |
| Cash payments to suppliers for goods and services | (1,464,235) | (53,347) | (1,517,582) |
| Cash payments to employees for services | (728,053) | (53,791) | (781,844) |
| Net cash provided by operating activities | 1,210,594 | 12,692 | 1,223,286 |
| Cash flows from noncapital and related financing activities: | | | |
| Intergovernmental revenues | 129,968 | | 129,968 |
| Miscellaneous revenues | 16,947 | | 16,947 |
| Overdrafts of cash deposits | 741 | | 741 |
| Interfund transfers | (138,234) | | (138,234) |
| Net cash provided by noncapital financing activities | 9,422 | | 9,422 |
| Cash flows from capital and related financing activities: | | | |
| Principal paid on bonds and loans | (1,690,885) | | (1,690,885) |
| Interest paid on bonds and loans | (484,937) | | (484,937) |
| Net cash used for capital and related financing activities | (2,175,822) | | (2,175,822) |
| Net increase (decrease) in cash and cash equivalents | (955,806) | 12,692 | (943,114) |
| Cash and cash equivalents, beginning of year | 2,049,845 | 61,698 | 2,111,543 |
| Cash and cash equivalents, end of year | \$ 1,094,039 | \$ 74,390 | \$ 1,168,429 |
| <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u> | | | |
| Operating income | \$ 970,835 | \$ 9,709 | \$ 980,544 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 146,574 | 468 | 147,042 |
| Changes in assets and liabilities: | | | |
| Increase (decrease) in accounts payable | 95,267 | 699 | 95,966 |
| Increase (decrease) in accrued payroll and employee benefits | 11,566 | 707 | 12,273 |
| Increase (decrease) in compensated absences payable | 1,229 | 1,109 | 2,338 |
| Increase (decrease) in deposits | (14,877) | | (14,877) |
| Total adjustments | 239,759 | 2,983 | 242,742 |
| Net cash provided by operating activities | \$ 1,210,594 | \$ 12,692 | \$ 1,223,286 |

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, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

During the year ended June 30, 2014, the Town implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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 two enterprise funds, which include a Water and Sewer Utility 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 position 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, 2014**

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 and proprietary funds. 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, 2014**

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. Unearned revenues 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 and other receivables that will not be collected within the available period have been reported as unavailable revenues 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, Community Development, and Motor Vehicle Division 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, 2014**

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

The Town reports the following major proprietary fund.

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

The Town also reports one non-major proprietary fund, the Campground Fund. 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.

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

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 revenues 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.” Interfund balances between governmental funds are eliminated on the Statement of Net Position. All trade receivables are shown net of allowance for uncollectibles.

G. Prepaid Items

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

H. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, vehicles, furniture, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of \$5,000 or more (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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Certain capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|-----------------------------------|-------|
| Infrastructure | 25 |
| Buildings and improvements | 40 |
| Improvements other than buildings | 40 |
| Vehicles, furniture and equipment | 3-10 |

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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, 2014**

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

K. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as 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.

N. Net Position Flow Assumption

In the government-wide and proprietary fund financial statements the Town applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

O. 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 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.

P. 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, 2014**

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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> |
|---------------------|-------------------------|-------------------------|--------------------------------------|--|---|---------------------|
| Fund Balances: | | | | | | |
| Restricted: | | | | | | |
| Capital projects | \$ | \$ | \$ 122,726 | \$ 611,378 | \$ | \$ 734,104 |
| Public safety | | | | | 272,560 | 272,560 |
| Tourism | | | | | 163,785 | 163,785 |
| Recreation | | | | | 138,504 | 138,504 |
| Unassigned | 2,513,531 | (2,114,064) | | | (292,864) | 106,603 |
| Total fund balances | <u>\$ 2,513,531</u> | <u>\$(2,114,064)</u> | <u>\$ 122,726</u> | <u>\$ 611,378</u> | <u>\$ 281,985</u> | <u>\$ 1,415,556</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: | |
| Gas Tax | \$ 2,114,064 |
| Non-Major Governmental Funds: | |
| Law Enforcement | 20,375 |
| Rescue | 272,489 |

The deficits arose because of operations during the year and prior years. The deficits are expected to be eliminated in fiscal year 2015 when the Town investigates and corrects the accumulation of prior year errors in the general ledger.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 – CASH AND INVESTMENTS

At year end, the carrying amount of the Town’s deposits was \$3,203,575 and the bank balance was \$6,531,904. 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, \$500,000 of the Town’s deposits were covered by Federal depository insurance and \$6,031,904 of the Town’s bank balance was exposed to custodial credit risk as uninsured and collateralized with a letter of credit issued by a federal home loan bank.

The collateral at year end consists of the following.

| | |
|---|----------------------------|
| Deposits | \$ 6,531,904 |
| Less FDIC | <u>(500,000)</u> |
| Total unsecured public funds | 6,031,904 |
| 50% collateral requirement | 3,015,952 |
| Letter of credit issued by a federal home loan bank | <u>6,500,000</u> |
| Collateral in excess of requirement | <u><u>\$ 3,484,048</u></u> |

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

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|--|---------------------|----------------------------------|------------------|-------------------|-------------------|
| | | Less than 1 | 1-5 | 6-10 | 10+ |
| Money market – U.S. Treasuries | \$ 171,544 | \$ 171,544 | \$ | \$ | \$ |
| NMFA pooled debt service accounts | 286,102 | 286,102 | | | |
| U.S. Treasuries | 255,521 | 113,211 | 28,114 | 114,196 | |
| U.S. Agencies: | | | | | |
| Federal Home Loan Mortgage Corporation | 78,410 | | | | 78,410 |
| Federal National Mortgage Association | 302,462 | | 49,192 | 8,558 | 244,712 |
| Total | <u>\$ 1,094,039</u> | <u>\$ 570,857</u> | <u>\$ 77,306</u> | <u>\$ 122,754</u> | <u>\$ 323,122</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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 – CASH AND INVESTMENTS (Concl'd)

Credit Risk. The Town has no investment policy that would further limit its investment choices. All of the Town's investments in U.S. Agencies in the preceding table were rated AAA by Moody's Investors Service and AA+ by Standard & Poor's. The U.S. Treasuries were rated AAA by Moody's Investors Service.

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 National Mortgage Association and Federal Home Loan Mortgage Corporation, which represents 28% and 7% of the Town's total investments, respectively.

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 | 3,427,731 | 29,840 | | 3,457,571 |
| Total capital assets being depreciated | <u>19,090,974</u> | <u>29,840</u> | | <u>19,120,814</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (3,541,089) | (148,694) | | (3,689,783) |
| Buildings and improvements | (1,539,614) | (83,783) | | (1,623,397) |
| Improvements other than buildings | (219,699) | (20,893) | | (240,592) |
| Vehicles, furniture and equipment | (2,721,683) | (198,215) | | (2,919,898) |
| Total accumulated depreciation | <u>(8,022,085)</u> | <u>(451,585)</u> | | <u>(8,473,670)</u> |
| Total capital assets, being depreciated, net | <u>11,068,889</u> | <u>(421,745)</u> | | <u>10,647,144</u> |
| Governmental activities capital assets, net | <u>\$ 11,329,699</u> | <u>\$ (421,745)</u> | \$ | <u>\$ 10,907,954</u> |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 – CAPITAL ASSETS (Concl'd)

Depreciation expense was charged to functions/programs as follows.

| | | |
|--|----|----------------|
| Governmental Activities: | | |
| General government | \$ | 233,784 |
| Public safety | | 154,869 |
| Culture and recreation | | <u>62,932</u> |
| Total depreciation expense – governmental activities | \$ | <u>451,585</u> |

| | Beginning Balance (as restated) | Increase | Decrease | Ending Balance |
|--|---------------------------------------|---------------------|-----------|----------------------|
| Business-type Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 377,428 | \$ | \$ | \$ 377,428 |
| Total capital assets, not being depreciated | <u>377,428</u> | | | <u>377,428</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 17,437,634 | | | 17,437,634 |
| Buildings and improvements | 87,742 | | | 87,742 |
| Vehicles, furniture and equipment | <u>640,197</u> | | | <u>640,197</u> |
| Total capital assets being depreciated | <u>18,165,573</u> | | | <u>18,165,573</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (2,088,113) | (106,303) | | (2,194,416) |
| Buildings and improvements | (35,537) | (1,755) | | (37,292) |
| Vehicles, furniture and equipment | <u>(522,461)</u> | <u>(38,984)</u> | | <u>(561,445)</u> |
| Total accumulated depreciation | <u>(2,646,111)</u> | <u>(147,042)</u> | | <u>(2,793,153)</u> |
| Total capital assets, being depreciated, net | <u>15,519,462</u> | <u>(147,042)</u> | | <u>15,372,420</u> |
| Governmental activities capital assets, net | <u>\$ 15,896,890</u> | <u>\$ (147,042)</u> | <u>\$</u> | <u>\$ 15,749,848</u> |

Depreciation expense was charged to functions/programs as follows.

| | | |
|---|----|----------------|
| Business-Type Activities: | | |
| Water and sewer utility | \$ | 146,574 |
| Campground | | 468 |
| Total depreciation expense – business-type activities | \$ | <u>147,042</u> |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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 various purchases 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, 2014</u> | <u>Due Within One Year</u> |
|----------------------------------|--|-----------------------------|--|--------------------------------|
| Governmental activities: | | | | |
| Fire Trucks and Refinancing | 2.23% | 5/1/15-22 | \$ 387,790 | \$ 50,915 |
| Total | | | <u>\$ 387,790</u> | <u>\$ 50,915</u> |
| Business-type activities: | | | | |
| San Juan-Chama Project | 3.05% | 9/1/14-22 | \$ 92,631 | \$ 9,100 |
| Arsenic Removal Loan | 3.88% | 6/1/15-27 | 2,576,774 | 156,580 |
| Land Purchase Loan | 3.88% | 5/1/15-27 | 275,714 | 16,754 |
| Total | | | <u>\$ 2,945,119</u> | <u>\$ 182,434</u> |

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

| Year ending June 30: | <u>Governmental Activities</u> | |
|----------------------|--------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2015 | \$ 50,915 | \$ 5,494 |
| 2016 | 51,162 | 5,166 |
| 2017 | 51,488 | 4,846 |
| 2018 | 52,045 | 4,302 |
| 2019 | 44,395 | 3,600 |
| 2020-22 | 137,785 | 6,054 |
| Total | <u>\$ 387,790</u> | <u>\$ 29,462</u> |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 – LOANS PAYABLE (Concl'd)

| Year ending June 30: | <u>Business-type Activities</u> | |
|----------------------|---------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2015 | \$ 182,434 | \$ 113,676 |
| 2016 | 189,176 | 106,952 |
| 2017 | 196,239 | 99,905 |
| 2018 | 203,622 | 92,540 |
| 2019 | 211,342 | 84,839 |
| 2020-24 | 1,172,836 | 296,462 |
| 2025-28 | 789,470 | 63,774 |
| Total | <u>\$ 2,945,119</u> | <u>\$ 858,148</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.

Intra-entity Debt Holding. The Town has purchased and holds \$1,503,345 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 – BONDS PAYABLE (Cont'd)

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, 2014</u> | <u>Due Within One Year</u> |
|----------------------------------|-----------------------------------|---------------------------|---------------------------------|--|--------------------------------|
| Governmental activities: | | | | | |
| Revenue Bonds, 2008 | \$ 8,125,000 | 4.25-4.95% | 6/1/18-21 | \$ 2,390,000 | \$ |
| Total | | | | <u>\$ 2,390,000</u> | <u>\$</u> |
| Business-type activities: | | | | | |
| Refunding Revenue | | | | | |
| Bonds, 2005 | \$ 2,938,111 | 4.07% | 6/1/15-15 | \$ 342,014 | \$ 342,014 |
| Revenue Bonds, 2006 | 8,775,000 | 4.00-4.25% | 6/1/15-28 | 6,785,000 | 365,000 |
| Total | | | | <u>\$ 7,127,014</u> | <u>\$ 707,014</u> |

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

| | | <u>Governmental Activities</u> | |
|----------------------|---------|---------------------------------|---------------------|
| Year ending June 30: | | <u>Principal</u> | <u>Interest</u> |
| | 2015 | \$ | \$ 115,856 |
| | 2016 | | 115,856 |
| | 2017 | | 115,856 |
| | 2018 | 350,000 | 115,856 |
| | 2019 | | 100,980 |
| | 2020-21 | 2,040,000 | 201,960 |
| Total | | <u>\$ 2,390,000</u> | <u>\$ 766,364</u> |
| | | <u>Business-type Activities</u> | |
| Year ending June 30: | | <u>Principal</u> | <u>Interest</u> |
| | 2015 | \$ 707,014 | \$ 298,740 |
| | 2016 | 380,000 | 269,308 |
| | 2017 | 395,000 | 253,158 |
| | 2018 | 415,000 | 236,370 |
| | 2019 | 430,000 | 218,732 |
| | 2020-24 | 2,450,000 | 803,812 |
| | 2025-28 | 2,350,000 | 251,150 |
| Total | | <u>\$ 7,127,014</u> | <u>\$ 2,331,270</u> |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 – BONDS PAYABLE (Concl'd)

Pledged revenues – governmental activities. The Town has pledged future state-shared gross receipts tax revenues to repay outstanding revenue bonds of \$2.4 million as of June 30, 2014. 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 \$3.2 million. The current total gross receipts tax revenues were \$5.7 million and the total principal and interest paid on the bonds was \$115,856, or 2% of gross revenues.

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

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

| | Beginning Balance (as restated) | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------|---------------------------------------|------------------|---------------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| Loans payable | \$ 438,507 | \$ | \$ 50,717 | \$ 387,790 | \$ 50,915 |
| Revenue bonds payable | 2,390,000 | | | 2,390,000 | |
| Compensated absences | 181,731 | 12,578 | 7,017 | 187,292 | 159,671 |
| Total | <u>\$ 3,010,238</u> | <u>\$ 12,578</u> | <u>\$ 57,734</u> | <u>\$ 2,965,082</u> | <u>\$ 210,586</u> |
| Business-type Activities: | | | | | |
| Loans payable | \$ 3,947,693 | \$ | \$ 1,002,574 | \$ 2,945,119 | \$ 182,434 |
| Revenue bonds payable | 7,815,325 | | 688,311 | 7,127,014 | 707,014 |
| Compensated absences | 32,943 | 2,338 | | 35,281 | 34,754 |
| Total | <u>\$ 11,795,961</u> | <u>\$ 2,338</u> | <u>\$ 1,690,885</u> | <u>\$ 10,107,414</u> | <u>\$ 924,202</u> |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 – INTERFUND TRANSFERS

At year end, interfund transfers were as follows.

| | Transfers in | | | | |
|---------------------------------|-----------------|--|--|--|------------|
| | General Fund | 2008 Revenue Bond Debt Service Fund | Water and Sewer Utility Fund | | Total |
| Transfers out | | | | | |
| General Fund | \$ | \$ 115,856 | \$ 91,447 | | \$ 207,303 |
| Water and Sewer Utility Fund | 229,681 | | | | 229,681 |
| Total | \$ 229,681 | \$ 115,856 | \$ 91,447 | | \$ 436,984 |

Transfers between funds were used 1) to move funds to the 2008 Revenue Bond Debt Service Fund and the Water and Sewer Utility Fund for debt payments and 2) to move expired debt reserves in the Water & Sewer Utility Fund to the General Fund.

NOTE 10 – PRIOR PERIOD ADJUSTMENT AND OTHER RESTATEMENT

The implementation of GASB Statement 65 is a change in accounting principle which requires an adjustment to the prior period net position to remove unamortized bond issuance costs. Under previous accounting principles, bond issuance costs were expensed in the governmental fund financial statements, and deferred and amortized over the life of the bonds in the government-wide and proprietary fund statements. GASB Statement 65 requires that bond issuance costs also be expensed on the government-wide and proprietary fund statements.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 – PRIOR PERIOD ADJUSTMENT AND OTHER RESTATEMENT (Concl'd)

Additionally, the July 1, 2013, government-wide net position for business-type activities and the net position for the Housing Assistance Fund do not agree to the prior year financial statements due the transfer of the Public Housing Program (CFDA #14.850 and #14.872). This program was effectively transferred to the Santa Fe Civic Housing Authority on July 1, 2013, and is no longer included in the Town's financial statements.

| | <u>Proprietary Funds</u> | | | |
|--|------------------------------------|--|---|--|
| | <u>Governmental Activities</u> | <u>Business- type Activities</u> | <u>Water and Sewer Utility Fund</u> | <u>Housing Assistance Fund</u> |
| Net position, June 30, 2013, as previously reported | \$ 8,353,438 | \$ 5,070,604 | \$3,073,953 | \$ 1,935,627 |
| Change in accounting principle | (86,684) | (232,330) | (232,330) | |
| Transfer of housing program | | <u>(1,935,627)</u> | | <u>(1,935,627)</u> |
| Net position, July 1, 2013, as restated | <u>\$ 8,266,754</u> | <u>\$ 2,902,647</u> | <u>\$2,841,623</u> | <u>\$</u> |

NOTE 11 – 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, 2014. It is the opinion of management and Town counsel that the amount of losses resulting from these litigations at June 30, 2014, would not be material and are covered by their risk pool and commercial insurances for risks of loss.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 12 – 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.

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 \$500,000 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 13 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Substantially all of the full-time employees of the Town participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE 13 –PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(Concl'd)**

Funding Policy. Plan members are required to contribute 13.85% to 17.15% of their gross salary (depending upon the plan), although for fiscal year 2013-14, the Town agreed to pay up to 60% of the employee's contribution on behalf of the employee. The Town is required to contribute 11.65% to 21.25% of the gross salary (depending upon the plan). The contribution requirements of 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 2014, 2013, and 2012, were \$608,450, \$569,940 and \$593,617, respectively, which were equal to the amount of the required contributions for each year.

NOTE 14 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN

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

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

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE 14 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN
(Concl'd)**

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Town's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$62,204, \$57,252, and \$55,850, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 15 – NEW ACCOUNTING PRONOUNCEMENT

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* will be effective for the Town's June 30, 2015 fiscal year end. This Statement replaces the requirements of prior GASB standards for pensions accounting and reporting. This Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. Each employer participating in a multiple-employer defined benefit pension plan will be required to record a liability representing their "proportionate share" of the plan's total net pension liability. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information.

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

**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, 2014**

| | Budgeted Amounts <u>Original & Final</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|--|------------------|---|
| Expenditures: | | | |
| Debt service - | | | |
| Interest and fees | \$ 115,856 | \$ 115,856 | \$ |
| Total expenditures | <u>115,856</u> | <u>115,856</u> | |
| Excess (deficiency) of revenues over expenditures | <u>(115,856)</u> | <u>(115,856)</u> | |
| Other financing sources (uses): | | | |
| Transfers in | <u>115,856</u> | <u>115,856</u> | |
| Total other financing sources (uses) | <u>115,856</u> | <u>115,856</u> | |
| Changes in fund balances | | | |
| Fund balances, beginning of year | | | |
| Fund balances, end of year | <u>\$</u> | <u>\$</u> | <u>\$</u> |

STATE OF NEW MEXICO - TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|-----------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Federal grants and aid | \$ 500,000 | \$ | \$ | \$ |
| State grants and aid | 100,000 | | | |
| Total revenues | <u>600,000</u> | | | |
| Expenditures: | | | | |
| Capital outlay | 600,000 | | | |
| Total expenditures | <u>600,000</u> | | | |
| Changes in fund balances | | | | |
| Fund balances, beginning of year | | | 122,726 | 122,726 |
| Fund balances, end of year | <u>\$</u> | <u>\$</u> | <u>\$ 122,726</u> | <u>\$ 122,726</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, 2014

| | Budgeted Amounts <u>Original & Final</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|--|-------------------|---|
| Revenues: | | | |
| Investment income | \$ | \$ 916 | \$ 916 |
| Total revenues | <u> </u> | <u>916</u> | <u>916</u> |
| Changes in fund balances | <u> </u> | <u>916</u> | <u>916</u> |
| Fund balances, beginning of year | | 610,462 | 610,462 |
| Fund balances, end of year | <u>\$</u> | <u>\$ 611,378</u> | <u>\$ 611,378</u> |

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.

Motor Vehicle Division – to account for the Town’s operations and related costs of the motor vehicle office maintained at Town Hall. 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, 2014

| | <u>Fire</u> | <u>Recreation</u> | <u>Corrections</u> |
|---|----------------------|-----------------------|-----------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 51,712 | \$ 138,504 | \$ 209,080 |
| Accounts receivable | | | |
| Total assets | <u>\$ 51,712</u> | <u>\$ 138,504</u> | <u>\$ 209,080</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Overdraft of cash on deposit | \$ | \$ | \$ |
| Accounts payable | <u>1,829</u> | | |
| Total liabilities | <u>1,829</u> | | |
| Fund balances (deficits): | | | |
| Restricted | 49,883 | 138,504 | 209,080 |
| Unassigned | | | |
| Total fund balances | <u>49,883</u> | <u>138,504</u> | <u>209,080</u> |
| Total liabilities and fund balances | <u>\$ 51,712</u> | <u>\$ 138,504</u> | <u>\$ 209,080</u> |

| <u>Law Enforcement</u> | <u>Lodgers' Tax</u> | <u>EMS Grant</u> | <u>Rescue</u> | <u>Totals</u> |
|------------------------|---------------------|------------------|------------------|-------------------|
| \$ | \$ 152,794 | \$ 13,597 | \$ | \$ 565,687 |
| | 10,991 | | | 10,991 |
| <u>\$</u> | <u>\$ 163,785</u> | <u>\$ 13,597</u> | <u>\$</u> | <u>\$ 576,678</u> |
| | | | | |
| \$ 17,391 | \$ | \$ | \$ 268,321 | \$ 285,712 |
| 2,984 | | | 4,168 | 8,981 |
| <u>20,375</u> | | | <u>272,489</u> | <u>294,693</u> |
| | | | | |
| | 163,785 | 13,597 | | 574,849 |
| <u>(20,375)</u> | | | <u>(272,489)</u> | <u>(292,864)</u> |
| <u>(20,375)</u> | <u>163,785</u> | <u>13,597</u> | <u>(272,489)</u> | <u>281,985</u> |
| | | | | |
| <u>\$</u> | <u>\$ 163,785</u> | <u>\$ 13,597</u> | <u>\$</u> | <u>\$ 576,678</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, 2014

| | Fire | Recreation | Corrections |
|--|-----------|------------|-------------|
| Revenues: | | | |
| Municipal and state shared taxes | \$ | \$ | \$ |
| State grants and aid | 141,715 | | |
| Fines and forfeits | | | 18,090 |
| Total revenues | 141,715 | | 18,090 |
| Expenditures: | | | |
| Current - | | | |
| General government | | | |
| Public safety | 46,640 | | |
| Capital outlay | 34,301 | | 15,410 |
| Debt service - | | | |
| Principal | 50,717 | | |
| Interest and fees | 5,720 | | |
| Total expenditures | 137,378 | | 15,410 |
| Changes in fund balances | 4,337 | | 2,680 |
| Fund balances (deficits), beginning of year | 45,546 | 138,504 | 206,400 |
| Fund balances (deficits), end of year | \$ 49,883 | \$ 138,504 | \$ 209,080 |

| <u>Law Enforcement</u> | <u>Lodgers' Tax</u> | <u>EMS Grant</u> | <u>Rescue</u> | <u>Totals</u> |
|------------------------|---------------------|------------------|---------------------|-------------------|
| \$ 31,400 | \$ 117,241 | \$ | \$ 9,700 | \$ 117,241 |
| <u>31,400</u> | <u>117,241</u> | | <u>9,700</u> | <u>18,090</u> |
| | | | | <u>318,146</u> |
| | 49,761 | | | 49,761 |
| | | | 7,222 | 53,862 |
| 31,400 | 8,800 | | | 89,911 |
| | | | | 50,717 |
| | | | | 5,720 |
| <u>31,400</u> | <u>58,561</u> | | <u>7,222</u> | <u>249,971</u> |
| | 58,680 | | 2,478 | 68,175 |
| (20,375) | 105,105 | 13,597 | (274,967) | 213,810 |
| <u>\$ (20,375)</u> | <u>\$ 163,785</u> | <u>\$ 13,597</u> | <u>\$ (272,489)</u> | <u>\$ 281,985</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, 2014

| | Budgeted Amounts | | Non-GAAP Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|---------------|--------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| State grants and aid | \$ 89,491 | \$ 85,278 | \$ 85,278 | \$ |
| Total revenues | <u>89,491</u> | <u>85,278</u> | <u>85,278</u> | |
| Expenditures: | | | | |
| Current - | | | | |
| Public safety | 68,000 | 49,880 | 46,640 | 3,240 |
| Capital outlay | 21,491 | 35,398 | 34,301 | 1,097 |
| Total expenditures | <u>89,491</u> | <u>85,278</u> | <u>80,941</u> | <u>4,337</u> |
| Changes in fund balances - budgetary basis | | | <u>4,337</u> | |
| Fund balances, beginning of year | | | | |
| Fund balances, end of year | <u>\$</u> | | | |
| Reconciliation to change in fund balance - GAAP-basis: | | | | |
| Unbudgeted revenues | | | 56,437 | |
| Unbudgeted expenditures | | | <u>(56,437)</u> | |
| Change in fund balance - GAAP-basis | | | <u>\$ 4,337</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, 2014

| | Budgeted Amounts | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|-------------------|---|
| | Original & Final | | |
| Changes in fund balances | | | |
| Fund balances, beginning of year | 68,292 | 138,504 | 70,212 |
| Fund balances, end of year | <u>\$ 68,292</u> | <u>\$ 138,504</u> | <u>\$ 70,212</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, 2014

| | Budgeted Amounts | | Variance with Final Budget Positive (Negative) |
|---|---------------------|-------------------|---|
| | Original & Final | Actual | |
| Revenues: | | | |
| Fines and forfeits | \$ 30,000 | \$ 18,090 | \$ (11,910) |
| Total revenues | <u>30,000</u> | <u>18,090</u> | <u>(11,910)</u> |
| Expenditures: | | | |
| Capital outlay | 30,000 | 15,410 | 14,590 |
| Total expenditures | <u>30,000</u> | <u>15,410</u> | <u>14,590</u> |
| Changes in fund balances | | <u>2,680</u> | <u>2,680</u> |
| Fund balances, beginning of year | | 206,400 | 206,400 |
| Fund balances, end of year | <u>\$</u> | <u>\$ 209,080</u> | <u>\$ 209,080</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, 2014

| | Budgeted Amounts | | Variance with Final Budget Positive (Negative) |
|--|---------------------|--------------------|---|
| | Original & Final | Actual | |
| Revenues: | | | |
| State grants and aid | \$ 31,400 | \$ 31,400 | \$ |
| Total revenues | <u>31,400</u> | <u>31,400</u> | |
| Expenditures: | | | |
| Capital outlay | 31,400 | 31,400 | |
| Total expenditures | <u>31,400</u> | <u>31,400</u> | |
| Changes in fund balances | | | |
| Fund balances (deficits), beginning of year | | (20,375) | (20,375) |
| Fund balances (deficits), end of year | <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, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Municipal and state shared taxes | \$ 95,000 | \$ 106,250 | \$ 117,241 | \$ 10,991 |
| Total revenues | <u>95,000</u> | <u>106,250</u> | <u>117,241</u> | <u>10,991</u> |
| Expenditures: | | | | |
| Current - | | | | |
| General government | 75,300 | 75,300 | 49,761 | 25,539 |
| Capital outlay | 19,700 | 19,700 | 8,800 | 10,900 |
| Total expenditures | <u>95,000</u> | <u>95,000</u> | <u>58,561</u> | <u>36,439</u> |
| Changes in fund balances | | <u>11,250</u> | <u>58,680</u> | <u>47,430</u> |
| Fund balances, beginning of year | | | 105,105 | 105,105 |
| Fund balances, end of year | <u>\$</u> | <u>\$ 11,250</u> | <u>\$ 163,785</u> | <u>\$ 152,535</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, 2014

| | Budgeted Amounts <u>Original & Final</u> | Non-GAAP Actual | Variance with Final Budget Positive (Negative) |
|---|--|--------------------|---|
| Changes in fund balances | | | |
| Fund balances, beginning of year | | 2,184 | 2,184 |
| Fund balances, end of year | <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, 2014**

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

STATE OF NEW MEXICO - TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
RESCUE
YEAR ENDED JUNE 30, 2014

| | Budgeted Amounts | | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---|
| | Original & Final | Actual | |
| Revenues: | | | |
| State grants and aid | \$ 9,500 | \$ 9,700 | \$ 200 |
| Total revenues | <u>9,500</u> | <u>9,700</u> | <u>200</u> |
| Expenditures: | | | |
| Current - | | | |
| Public safety | 7,500 | 7,222 | 278 |
| Total expenditures | <u>7,500</u> | <u>7,222</u> | <u>278</u> |
| Changes in fund balances | <u>2,000</u> | <u>2,478</u> | <u>478</u> |
| Fund balances (deficits), beginning of year | | (274,967) | (274,967) |
| Fund balances (deficits), end of year | <u>\$ 2,000</u> | <u>\$ (272,489)</u> | <u>\$ (274,489)</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, 2014

| | Budgeted Amounts | | Non-GAAP Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|--------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| State grants and aid | \$ 300,000 | \$ 300,000 | \$ 110,095 | \$ (189,905) |
| Charges for services | 283,800 | 212,496 | 221,168 | 8,672 |
| Other revenues | 32,494 | 34,666 | 3,841 | (30,825) |
| Total revenues | <u>616,294</u> | <u>547,162</u> | <u>335,104</u> | <u>(212,058)</u> |
| Expenditures: | | | | |
| Current - | | | | |
| Culture and recreation | 911,446 | 904,736 | 577,514 | 327,222 |
| Capital outlay | 500 | 312 | 312 | |
| Total expenditures | <u>911,946</u> | <u>905,048</u> | <u>577,826</u> | <u>327,222</u> |
| Changes in fund balances - budgetary basis | <u>(295,652)</u> | <u>(357,886)</u> | <u>(242,722)</u> | |
| Fund balances, beginning of year | <u>295,652</u> | <u>357,886</u> | | |
| Fund balances, end of year | <u>\$</u> | <u>\$</u> | | |
| Reconciliation to change in fund balance - GAAP-basis: | | | | |
| Fund balance reported in the General Fund | | | <u>242,722</u> | |
| Change in fund balance - GAAP-basis | | | <u>\$</u> | |

STATE OF NEW MEXICO - TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MOTOR VEHICLE DIVISION
YEAR ENDED JUNE 30, 2014

| | Budgeted Amounts | Non-GAAP | Variance with Final Budget |
|---|---------------------|--------------|-------------------------------|
| | Original & Final | Actual | Positive (Negative) |
| Expenditures: | | | |
| Current - | | | |
| General government | \$ 102,999 | \$ 85,972 | \$ 17,027 |
| Total expenditures | 102,999 | 85,972 | 17,027 |
| Changes in fund balances - budgetary basis | (102,999) | (85,972) | |
| Fund balances, beginning of year | 102,999 | | |
| Fund balances, end of year | \$ | | |
| Reconciliation to change in fund balance - GAAP-basis: | | | |
| Fund balance reported in the General Fund | | 85,972 | |
| Change in fund balance - GAAP-basis | | \$ | |

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PROPRIETARY FUNDS

STATE OF NEW MEXICO - TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
WATER AND SEWER UTILITY
YEAR ENDED JUNE 30, 2014

| | Budgeted Amounts | | Non-GAAP Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Operating revenues: | | | | |
| Charges for services | \$ 3,350,352 | \$ 3,417,759 | \$ 3,417,759 | \$ |
| Total operating revenues | <u>3,350,352</u> | <u>3,417,759</u> | <u>3,417,759</u> | |
| Operating expenses: | | | | |
| Salaries and benefits | 775,407 | 729,195 | 740,848 | (11,653) |
| Supplies and services | 1,664,880 | 1,659,462 | 1,559,502 | 99,960 |
| Total operating expenses | <u>2,440,287</u> | <u>2,388,657</u> | <u>2,300,350</u> | <u>88,307</u> |
| Operating income (loss) | <u>910,065</u> | <u>1,029,102</u> | <u>1,117,409</u> | <u>88,307</u> |
| Non-operating revenues (expenses): | | | | |
| Municipal and state shared taxes | 119,667 | 129,968 | 128,753 | (1,215) |
| Other revenues | 6,000 | 16,947 | 16,947 | |
| Interest and fees | (1,276,294) | (1,275,534) | (476,054) | 799,480 |
| Total non-operating revenues (expenses) | <u>(1,150,627)</u> | <u>(1,128,619)</u> | <u>(330,354)</u> | <u>798,265</u> |
| Income (loss) before transfers | <u>(240,562)</u> | <u>(99,517)</u> | <u>787,055</u> | <u>886,572</u> |
| Transfers in | | | 91,447 | 91,447 |
| Transfers out | | | (229,681) | (229,681) |
| Changes in net position | <u>(240,562)</u> | <u>(99,517)</u> | <u>648,821</u> | |
| Total net position, beginning of year | <u>594,864</u> | <u>594,864</u> | | |
| Total net position, end of year | <u>\$ 354,302</u> | <u>\$ 495,347</u> | | |
| Reconciliation to change in net position - GAAP basis: | | | | |
| Depreciation | | | (146,574) | |
| Change in net position - GAAP basis | | | <u>\$ 502,247</u> | |

STATE OF NEW MEXICO - TOWN OF BERNALILLO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
CAMPGROUND
YEAR ENDED JUNE 30, 2014

| | Budgeted Amounts | | Non-GAAP | Variance with |
|---|------------------|------------|------------|---------------|
| | Original | Final | Actual | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Operating revenues: | | | | |
| Charges for services | \$ 115,000 | \$ 119,830 | \$ 119,830 | \$ |
| Total operating revenues | 115,000 | 119,830 | 119,830 | |
| Operating expenses: | | | | |
| Salaries and benefits | 66,458 | 53,790 | 53,790 | |
| Supplies and services | 61,375 | 54,046 | 54,046 | |
| Total operating expenses | 127,833 | 107,836 | 107,836 | |
| Operating income (loss) | (12,833) | 11,994 | 11,994 | |
| Changes in net position | (12,833) | 11,994 | 11,994 | |
| Total net position, beginning of year | 45,425 | 45,425 | | |
| Total net position, end of year | \$ 32,592 | \$ 57,419 | | |
| Reconciliation to change in net position - GAAP basis: | | | | |
| Accrued payroll and leave | | | (1,817) | |
| Depreciation | | | (468) | |
| Changes in net position - GAAP basis | | | \$ 9,709 | |

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OTHER SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2014**

| | US Bank |
|---|--------------|
| Bank Accounts: | |
| Checking/Demand Accounts | \$ 4,741,787 |
| Savings/CD/Money Market Accounts | 1,790,117 |
| Total amount of deposits in bank | 6,531,904 |
| Less: FDIC coverage | 500,000 |
| Total uninsured public funds | 6,031,904 |
| Collateral requirements (Per 6-10-10 & 6-10-17, NMSA 1978) | |
| 50% of uninsured time and demand accounts | 3,015,952 |
| Pledged collateral | |
| Federal Home Loan Bank of Cincinnati, Letter of Credit | 6,500,000 |
| Total collateral | 6,500,000 |
| Over / (under) secured | \$ 3,484,048 |
| Custodial Credit Risk: | |
| Insured | \$ 500,000 |
| Collateralized with a letter of credit issued by a federal home loan bank | 6,031,904 |
| Uninsured and uncollateralized | |
| Total deposits | \$ 6,531,904 |
| Location of collateral: | |
| Federal Home Loan Bank of Cincinnati, Cincinnati, Ohio | |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2014**

| <u>Account Name - Account Type</u> | <u>US Bank</u> | <u>LPL Financial</u> | <u>Bank of Albuquerque</u> | <u>Total</u> |
|--|---------------------|----------------------|--------------------------------|---------------------|
| Wine Festival - non-interest bearing checking | \$ 7,384 | \$ | \$ | \$ 7,384 |
| Court Cash Bonds - non-interest bearing checking | 28,216 | | | 28,216 |
| General - non-interest bearing checking | 4,706,187 | | | 4,706,187 |
| Prices Water Rights - savings | 7,797 | | | 7,797 |
| Permit Fees - savings | 263,785 | | | 263,785 |
| General - savings | 605,336 | | | 605,336 |
| Bond Account - savings | 611,378 | | | 611,378 |
| Utility - savings | 1,341 | | | 1,341 |
| General - savings | 300,480 | | | 300,480 |
| Utility Water Assistance - investment | | 133,176 | | 133,176 |
| Utility 2006 Revenue Bond - investment | | 674,761 | | 674,761 |
| NMFA pooled debt service - investment | | | 286,102 | 286,102 |
| | | | | |
| Total on deposit | 6,531,904 | 807,937 | 286,102 | 7,625,943 |
| | | | | |
| Reconciling items | (3,328,329) | | | (3,328,329) |
| | | | | |
| Reconciled balance, June 30, 2013 | 3,203,575 | 807,937 | 286,102 | 4,297,614 |
| | | | | |
| Total deposits and investments | <u>\$ 3,203,575</u> | <u>\$ 807,937</u> | <u>\$ 286,102</u> | <u>\$ 4,297,614</u> |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF JOINT POWERS AGREEMENTS AND
MEMORANDUMS OF UNDERSTANDING
JUNE 30, 2014**

JOINT POWERS AGREEMENTS:

| | |
|---------------------------------|--|
| Participants: | Town of Bernalillo, Sandoval County, Village of Corrales, Pueblo of Santa Ana |
| Responsible Party: | City of Rio Rancho |
| Description: | Sandoval County Retional Emergency Communications Center (Dispatch Services) |
| Date of Agreement: | 12/1/2007 |
| Total Amount/Town Share: | 8.0134% of SCRECC Annual Budget |
| Fiscal Year 2014 Amount: | \$183,628 |
| Audit Responsibility: | City of Rio Rancho |
| Participants: | Town of Bernalillo and Sandoval County |
| Responsible Party: | Sandoval County |
| Description: | Provide ambulance transport services within the Town of Bernalillo |
| Date of Agreement: | 9/1/2011 |
| Total Amount/Town Share: | Four payments of \$100,000 |
| Fiscal Year 2014 Amount: | \$100,000 |
| Audit Responsibility: | Sandoval County |
| Participants: | Town of Bernalillo and City of Albuquerque |
| Responsible Party: | City of Albuquerque |
| Description: | Provide animal housing services for the Town of Bernalillo |
| Date of Agreement: | 9/1/2011 |
| Total Amount/Town Share: | Proportionate share based on intake of animals to be determined by the City's actual expense calculated quarterly. |
| Fiscal Year 2014 Amount: | \$0 |
| Audit Responsibility: | City of Albuquerque |

MEMORANDUMS OF UNDERSTANDING

| | |
|---------------------------------|--|
| Participants: | Town of Bernalillo and Mid Region Council of Governments |
| Responsible Party: | Mid Region Council of Governments |
| Description: | Mid Region Council of Governments shall act as fiscal agent for the Town's legislative appropriations. |
| Date of Agreement: | 2/14/2014 |
| Total Amount/Town Share: | none |
| Fiscal Year 2014 Amount: | none |
| Audit Responsibility: | Mid Region Council of Governments |
| Participants: | Town of Bernalillo and Eastern Sandoval County Arroyo Flood Control Authority |
| Responsible Party: | Eastern Sandoval County Arroyo Flood Control Authority |
| Description: | Eastern Sandoval County Arroyo Flood Control Authority to establish storm water facilities on Town owned Property and establish mutual obligations |
| Date of Agreement: | 3/26/2012 |
| Total Amount/Town Share: | none |
| Fiscal Year 2014 Amount: | none |
| Audit Responsibility: | Eastern Sandoval County Arroyo Flood Control Authority |
| Participants: | Town of Bernalillo and Village of Corrales |
| Responsible Party: | Village of Corrales |
| Description: | Village of Corrales will allow the Town of Bernalillo to use their Building Official until the Town has their own certified Building Official. |
| Date of Agreement: | 4/14/2014 |
| Total Amount/Town Share: | 30% permit fee. |
| Fiscal Year 2014 Amount: | \$0 |
| Audit Responsibility: | Town of Bernalillo and Village of Corrales |

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

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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***

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

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and major special revenue fund of Town of Bernalillo, New Mexico (Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Bernalillo, New Mexico's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Town presented as supplementary information, and have issued our report thereon dated November 21, 2014. 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, revenues/receivables, and completeness of the underlying general ledger accounting.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements, we considered Town of Bernalillo, New Mexico's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Bernalillo, New Mexico's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Bernalillo, New Mexico's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 and correct, 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 responses as items 2006-003, 2006-008, 2007-002, 2007-003 and 2008-004 to be material weaknesses.

A significant deficiency is a deficiency, or a 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 responses as items 2007-001 and 2008-006 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Bernalillo, New Mexico's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-005 and 2014-001.

Town of Bernalillo, New Mexico's Response to Findings

The Town of Bernalillo, New Mexico's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Bernalillo, New Mexico's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

November 21, 2014

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND REPOSSES
YEAR ENDED JUNE 30, 2014**

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

Reference Number: 2006-003 [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 2013-14 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 2013-14 general ledger due to software implementation errors.

RECOMMENDATION

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

Management agrees with the recommendation. The Town is working to obtain proper approvals from NMDFA and NMOSA to adjust the erroneous receivable balances. The Town is in the process of creating an action plan that will clearly lay out the best way to correct all of the Town's audit findings. When the plan is complete, the Town will submit the plan for approval. Once the approval is obtained, the Town will work to accurately adjust customer balances to reflect correct receivable balances on both the general ledger and the subsidiary customer ledger.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND REPOSSES
YEAR ENDED JUNE 30, 2014**

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

Reference Number: 2006-008 [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, 2014 that could not be substantiated. Beginning in fiscal year 2012-13 and continuing into fiscal year 2013-14, the Town reconciled most accounts timely; however, the "book balances" on the reconciliations didn't agree to the Town's general ledger cash balances. Additionally, the Town did not reconcile or account for the activity and balances maintained in the NMFA debt service accounts, nor did the Town record the 2008 Revenue Bond bank account and activity in the general ledger. It was noted during the fiscal year 2013-14 audit that due to these issues not all debt service payments were properly recorded in the Town's general ledger, therefore, audit adjustments were required to properly recognize the balances and activity.

CRITERIA

The Town is responsible for establishing and maintaining internal controls that include controls over cash and investments accounts in order to meet the financial reporting objectives of the Town.

EFFECT

The Town is at risk of undetected misstatements in the cash and investment accounts, as well as, other financial accounts. Fraud risk is also heightened without the proper recognition and sufficient reconciliation of all bank and investment 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

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 banking and investment accounts and ensure their inclusion in the general ledger. The Town should also develop and enforce a policy that requires a full reconciliation and documentation of all banking and investment accounts.

AGENCY RESPONSE

Management agrees with the recommendation. The Town is working to obtain proper approvals from NMDFA and NMOSA to adjust the erroneous fund balances. The Town is in the process of creating an action plan that will clearly lay out the best way to correct all of the Town's audit findings. When the plan is complete, the Town will submit the plan for approval to correct the balances. Once these balances are corrected, reconciliations will agree to general ledger cash balances. The Town is also committed to develop and adopt a policy ensuring all banking and investment accounts are being reconciled in a timely manner.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND REPOSSES
YEAR ENDED JUNE 30, 2014**

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

Reference Number: 2007-001 [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 resources 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 and asset safeguarding.

AGENCY RESPONSE

Management agrees with the recommendation to develop, update and adopt comprehensive policies and procedures throughout the Town. The Town is committed to create, update, and adopt policies that will establish proper internal controls, ensure accurate reporting, safeguard Town assets, maintain strong accountability, and ensure procedures are being followed throughout the Town. The Town is currently working to create and implement these critical policies and procedures as soon as possible.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND REPOSSES
YEAR ENDED JUNE 30, 2014**

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

Reference Number: 2007-002 [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). 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.

CRITERIA

Town management is responsible for establishing and maintaining internal controls that include controls for the generally accepted accounting principles (GAAP) basis financial statements issued by the Town. The Town's system of internal controls must extend beyond the cash basis general ledger and the supporting schedules prepared by the Town; rather it must also include controls over the GAAP basis financial statements.

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 and limited resources contribute to difficulties in establishing controls over financial reporting at the financial statement level.

RECOMMENDATION

The Town must design and implement effective internal control procedures to ensure the financial statements and related notes are free from material misstatements.

AGENCY RESPONSE

Town Management agrees with the recommendation to design and implement internal control procedures to ensure the financial statements and notes are free from material misstatements. The Town recognizes the need for effective policies and procedures that will ensure more accurate reporting and is committed to create and adopt these policies.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND REPOSSES
YEAR ENDED JUNE 30, 2014**

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

Reference Number: 2007-003 [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 receivables existing at year end.

CRITERIA

According to generally accepted accounting principles, the Town must 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 revenue activity to determine proper fiscal year posting.

RECOMMENDATION

The Town should develop a process to review and track receipts/revenues occurring after year end, but attributed to the previous fiscal year, to ensure the audited financials reflect proper receivable balances.

AGENCY RESPONSE

Management agrees with the recommendation. The Town will design and implement a policy and procedure that will accurately monitor and record all year-end revenue activity.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND REPOSSES
YEAR ENDED JUNE 30, 2014**

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

Reference Number: 2008-004 [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 2013-14 capital asset activity 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. Finally, the Town has not conducted a physical inventory of assets in several years.

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, as well as an annual physical inventory.

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 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 will develop and adopt capital asset policies and procedures to ensure accuracy in its reporting. The Town is in the process of identifying and reconciling all assets. The Town will start conducting an annual physical inventory this fiscal year.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND REPOSSES
YEAR ENDED JUNE 30, 2014**

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

Reference Number: 2008-005 [FS 2008-05]

Type of Finding: Findings that do not rise to the level of a significant deficiency

Description: Internal Controls over Disbursements

CONDITION

We noted in one of 25 disbursements reviewed, a purchase order was not created (purchases totaled \$4,194).

CRITERIA

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

EFFECT

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

CAUSE

The Town did not ensure purchase orders were issued for every purchase transaction applicable.

RECOMMENDATION

The Town should exercise more caution with purchase authorization procedures to ensure similar instances do not occur.

AGENCY RESPONSE

Management agrees with the recommendation. The Town will implement stronger control to ensure procurement procedures are being followed.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND REPOSSES
YEAR ENDED JUNE 30, 2014**

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

Reference Number: 2008-006 [FS 2008-06]

Type of Finding: Significant Deficiency

Description: Fund Balance Deficits

CONDITION

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

| <u>Fund</u> | <u>Deficits</u> |
|-----------------|-----------------|
| Gas Tax | \$ 2,114,064 |
| Law Enforcement | 20,375 |
| Rescue | 272,489 |

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 deficit 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 2006-008 have likely 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. Management agrees with the recommendation. The Town is working to obtain proper approvals from NMDFA and NMOSA to adjust the erroneous fund balances. The Town is in the process of creating an action plan that will clearly lay out the best way to correct all of the Town's audit findings. When the plan is complete, the Town will submit the plan for approval. Once the plan is approved, the Town will accurately adjust balances in order to reflect correct fund balances across all Town funds.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND REPOSSES
YEAR ENDED JUNE 30, 2014**

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

Reference Number: 2014-001

Type of Finding: Findings that do not rise to the level of a significant deficiency

Description: Internal Controls over Payroll

CONDITION

For one of 25 payroll transactions reviewed, the Town did not have a wage/salary agreement on file to support the wages paid. Additionally, for four of five employees exempt from Public Employees Retirement Association (PERA) reviewed, a PERA exclusion form was not completed.

CRITERIA

The Town should have wage/salary agreements on file for every employee, as well as completed PERA exclusion forms for each applicable employee/official.

EFFECT

The wage/salary for one individual selected was not properly supported and the Town was not in compliance with Section 10-11-3(B) NMSA 1978.

CAUSE

The Town did not ensure wage documentation was in place for every payroll transaction. Additionally, the Town was not aware of the PERA exclusion form requirement for all applicable employees/officials.

RECOMMENDATION

The Town should establish procedures (e.g., checklists) to ensure all pertinent forms and agreements are collected and approved prior to employee official start dates.

AGENCY RESPONSE

Management agrees with the recommendation and has started to create procedures in order to accurately ensure that all Town employees have proper forms and agreements completed and filed.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014**

Status of Prior Year Findings

Financial Statement Findings:

| <u>Finding Reference</u> | <u>Description</u> | <u>Status</u> |
|--------------------------|---|------------------------|
| FS 2006-01 | Exceeded Budget Authority | Resolved. |
| 2006-003 [FS 2006-03] | Accounts Receivables Records and Procedures | Modified and Repeated. |
| 2006-008 [FS 2006-08] | Reconciliation and Recording of Bank Accounts | Modified and Repeated. |
| 2007-001 [FS 2007-01] | Comprehensive Set of Policies | Modified and Repeated. |
| 2007-002 [FS 2007-02] | Internal Control over Financial Reporting | Modified and Repeated. |
| 2007-003 [FS 2007-03] | Year-end Cutoff | Modified and Repeated. |
| FS 2007-04 | Violation of Town's Procurement Policies | Resolved. |
| FS 2008-03 | Credit Card Purchases | Resolved. |
| 2008-004 [FS 2008-04] | Insufficient Capital Asset Support | Modified and Repeated. |
| 2008-005 [FS 2008-05] | Internal Controls over Disbursements | Modified and Repeated. |
| 2008-006 [FS 2008-06] | Fund Balance Deficits | Modified and Repeated. |
| FS 2013-01 | Late IPA Recommendation Form | Resolved. |

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, 2014**

An exit conference was held on November 24, 2014, 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
Marian A. Jaramillo, City Councilor
Ida Fierro, Town Clerk

Heinfeld, Meech & Co., P.C.

Christopher A. Goeman, CPA

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