

STATE OF NEW MEXICO  
TOWN OF BERNALILLO

**ANNUAL FINANCIAL REPORT  
AND INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2016**



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2016**

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**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
OFFICIAL ROSTER  
AS OF JUNE 30, 2016**

**TOWN COUNCIL**

Jack Torres ..... Mayor  
Tina Dominguez..... Councilor  
Ronnie Sisneros..... Councilor  
Dale Prairie ..... Councilor  
Marian Jaramillo..... Councilor

**TOWN OFFICIALS**

Ida Fierro..... Interim Town Administrator / Clerk  
Vacant..... Town Treasurer / Finance Director



## Independent Auditors' Report

Honorable Timothy Keller  
New Mexico State Auditor  
Santa Fe, New Mexico  
and

To the Honorable Mayor and the Town Council  
Town of Bernalillo  
Bernalillo, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Town of Bernalillo (Town), New Mexico, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise a portion of the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental, nonmajor enterprise and the budgetary comparisons for the major special revenue funds, debt service fund, capital project funds, enterprise fund and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, 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 misstatements, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our 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 an audit opinion.

## **Basis for Disclaimer of Opinion**

The Town could not provide adequate supporting documentation for all transactions during the fiscal year ended June 30, 2016 which was a result of inadequate internal controls over financial reporting for all governmental activities and business-type activities. The Town's records do not permit the application of auditing procedures to all transaction classes. Since the Town could not provide adequate supporting documentation for all transactions for the year ended June 30, 2016, we were unable to apply other auditing procedures to satisfy ourselves as the accuracy of the financial statements listed in the table of contents, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the financial statements listed in the table of contents.

## **Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion, and, accordingly, we do not express an opinion on these financial statements.

## **Other Matters**

Required Supplementary Information:

The Town has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *Schedule of the Town's Proportionate Share of the Net Pension Liability of PERA Fund Divisions* on pages 49-51, the *Schedule of Town's Contributions* on pages 52-54, and the notes to required supplementary information on page 55 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

We were engaged to conduct an audit for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and the budgetary comparisons. The other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the financial statements.

For the reasons described above, we were unable to obtain sufficient evidential matter to form an opinion regarding the fair presentation of this information in relation to the basic financial statements taken as a whole and accordingly, we express no opinion on them.

These other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying financial and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, these other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Vendor Schedule required by 2.2.2.10(A)(2)(g) NMAC has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provision 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 the Town's internal control over financial reporting and compliance.

*Kubiak Melton & Associates, LLC*

Kubiak Melton & Associates, LLC  
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico  
December 9, 2016



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 6,636,349	\$ 927,099	\$ 7,563,448
Restricted Cash	32,825	258,700	291,525
Investments	-	964,644	964,644
Accounts and Taxes Receivable	12,706,923	1,250,092	13,957,015
Due From Other Governments	105,289	161,922	267,211
<b>Total Current Assets</b>	<u>19,481,386</u>	<u>3,562,457</u>	<u>23,043,843</u>
<b>Noncurrent Assets:</b>			
Capital Assets			
Capital Assets Not Being Depreciated	260,810	-	260,810
Capital Assets Being Depreciated	19,297,659	18,595,277	37,892,936
Less: Accumulated Depreciation	<u>(8,952,480)</u>	<u>(2,944,600)</u>	<u>(11,897,080)</u>
<b>Total Noncurrent Assets</b>	<u>10,605,989</u>	<u>15,650,677</u>	<u>26,256,666</u>
<b>Deferred Outflows:</b>			
Deferred Outflows, Pension Related	<u>1,016,232</u>	<u>254,059</u>	<u>1,270,291</u>
<b>Total Deferred Outflows</b>	<u>1,016,232</u>	<u>254,059</u>	<u>1,270,291</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 31,103,607</u>	<u>\$ 19,467,193</u>	<u>\$ 50,570,800</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 435,380	\$ 367,480	\$ 802,860
Accrued Salaries and Benefits	90,949	9,331	100,280
Customer Deposits Payable	9,125	1,674	10,799
Due to Other Funds	8,433,474	3,299,764	11,733,238
Accrued Compensated Absences	172,283	47,748	220,031
Current Portion of Loans and Bonds Payable	51,488	581,574	633,062
Net Pension Liability	<u>4,832,312</u>	<u>1,208,078</u>	<u>6,040,390</u>
<b>Total Current Liabilities</b>	<u>14,025,011</u>	<u>5,515,649</u>	<u>19,540,660</u>
<b>Noncurrent Liabilities:</b>			
Loans and Bonds Payable, Long-term	<u>2,624,225</u>	<u>7,957,782</u>	<u>10,582,007</u>
<b>Total Noncurrent Liabilities</b>	<u>2,624,225</u>	<u>7,957,782</u>	<u>10,582,007</u>
<b>TOTAL LIABILITIES</b>	<u>16,649,236</u>	<u>13,473,431</u>	<u>30,122,667</u>
<b>Deferred Inflows:</b>			
Deferred Inflows, Pension Related	<u>133,212</u>	<u>33,303</u>	<u>166,515</u>
<b>Total Deferred Inflows</b>	<u>133,212</u>	<u>33,303</u>	<u>166,515</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>16,782,448</u>	<u>13,506,734</u>	<u>30,289,182</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	7,930,276	7,111,321	15,041,597
Restricted	(5,968,566)	-	(5,968,566)
Unrestricted	<u>12,359,449</u>	<u>(1,150,862)</u>	<u>11,208,587</u>
<b>Total Net Position</b>	<u>14,321,159</u>	<u>5,960,459</u>	<u>20,281,618</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<u>\$ 31,103,607</u>	<u>\$ 19,467,193</u>	<u>\$ 50,570,800</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contrib.	Government Activities	Business- Type Activities	
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental Activities</b>							
General Government	\$ 2,211,481	\$ -	\$ 7,916,586	\$ -	\$ 5,705,105	\$ -	\$ 5,705,105
Public Safety	704,236	-	-	-	(704,236)	-	(704,236)
Culture and Recreation	719,679	-	-	-	(719,679)	-	(719,679)
Health and Welfare	-	-	-	-	-	-	-
Public Works	6,042,533	-	-	-	(6,042,533)	-	(6,042,533)
Change in Compensated Absences	40,771	-	-	-	(40,771)	-	(40,771)
Interest on Long-Term Debt	28,698	-	-	-	(28,698)	-	(28,698)
Change in Pension Expense	65,350	-	-	-	(65,350)	-	(65,350)
Total Governmental Activities	9,812,748	-	7,916,586	-	(1,896,162)	-	(1,896,162)
<b>Business-Type Activities</b>							
Campground	146,745	149,018	-	-	-	2,273	2,273
Water and Sewer	2,046,777	4,349,692	-	-	-	2,302,915	2,302,915
Change in Compensated Absences	40,171	-	-	-	-	(40,171)	(40,171)
Debt Service Interest	260,540	-	-	-	-	(260,540)	(260,540)
Pension Expense	16,337	-	-	-	-	(16,337)	(16,337)
Total Business-Type Activities	2,510,570	4,498,710	-	-	-	1,988,140	1,988,140
<b>General Revenues:</b>							
Taxes:							
Property Taxes levied for general purposes					9,486,558	148,472	9,635,030
Franchise Taxes					1,120,799	-	1,120,799
Gross Receipts Taxes					-	-	-
Interest Income					21,204	46,692	67,896
Net Transfers					56,329	-	56,329
Miscellaneous Income					277,834	16,278	294,112
Subtotal, General Revenues					10,962,724	211,442	11,174,166
Change in Net Position					9,066,562	2,199,582	11,266,144
Beginning Net Position					5,254,597	3,760,877	9,015,474
<b>Ending Net Position</b>					<b>\$ 14,321,159</b>	<b>\$ 5,960,459</b>	<b>\$ 20,281,618</b>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<b>General Fund</b>	<b>Gas Tax Fund</b>	<b>Capital Projects Fund</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,920,853	\$ -	\$ 612,888
Restricted Cash	-	-	-
Investments	-	-	-
Accounts Receivable			
Property Taxes	14,104	-	-
Other Taxes	1,049,859	-	-
Due From Other Governments	-	-	105,209
Miscellaneous	-	59,012	-
Due From Other Funds	11,011,783	-	-
Prepaid Expenses	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 16,996,599</b>	<b>\$ 59,012</b>	<b>\$ 718,097</b>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 416,925	\$ -	\$ 18,455
Accrued Salaries and Benefits	89,525	-	-
Customer Deposits Payable	9,125	-	-
Due To Other Funds	-	6,640,493	136,087
Unearned Revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>515,575</b>	<b>6,640,493</b>	<b>154,542</b>
 <b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	(6,581,481)	563,555
Committed	-	-	-
Assigned	-	-	-
Unassigned	16,481,024	-	-
<b>TOTAL FUND BALANCES</b>	<b>16,481,024</b>	<b>(6,581,481)</b>	<b>563,555</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b>\$ 16,996,599</b>	 <b>\$ 59,012</b>	 <b>\$ 718,097</b>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)  
JUNE 30, 2016**

	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,073,304	\$ 29,304	\$ 6,636,349
Restricted Cash	29,456	3,369	32,825
Investments	-	-	-
Accounts Receivable			
Property Taxes	-	-	14,104
Other Taxes	-	12,632	1,062,491
Due From Other Governments	-	80	105,289
Miscellaneous	-	-	59,012
Due From Other Funds	-	559,533	11,571,316
Prepaid Expenses	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 1,102,760</u></b>	<b><u>\$ 604,918</u></b>	<b><u>\$ 19,481,386</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ 435,380
Accrued Salaries and Benefits	-	1,424	90,949
Customer Deposits Payable	-	-	9,125
Due To Other Funds	496,064	1,160,830	8,433,474
Unearned Revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>496,064</u></b>	<b><u>1,162,254</u></b>	<b><u>8,968,928</u></b>
 <b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	606,696	(557,336)	(5,968,566)
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	16,481,024
<b>TOTAL FUND BALANCES</b>	<b><u>606,696</u></b>	<b><u>(557,336)</u></b>	<b><u>10,512,458</u></b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b><u>\$ 1,102,760</u></b>	 <b><u>\$ 604,918</u></b>	 <b><u>\$ 19,481,386</u></b>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016**

**Total Fund Balance - Governmental Funds** **\$ 10,512,458**

Amounts reported for governmental activities in the statement of net position  
are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds

Capital Assets	19,558,469	
Less: Accumulated Depreciation	<u>(8,952,480)</u>	
Capital Assets, Net		10,605,989

Deferred outflows and inflows of resources related to pensions are  
applicable to future periods and therefore, are not reported in funds:

Deferred Outflows Related to GASB 68		1,016,232
Deferred Inflows Related to GASB 68		<u>(133,212)</u>

Long-term and certain other liabilities, including bonds payable, are not due and  
payable in the current period and therefore are not reported as liabilities in the  
funds. Long-term and other liabilities at year end consist of:

Accrued Compensated Absences	(172,283)	
Net Pension Liability	(4,832,312)	
Long-Term Debt	<u>(2,675,713)</u>	
Total		<u>(7,680,308)</u>

**Net Position of Governmental Activities** **\$ 14,321,159**

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Gas Tax Fund</u>	<u>Capital Projects Fund</u>
<b>REVENUES</b>			
Property Taxes	\$ 9,327,526	\$ -	\$ -
Gross Receipts Taxes	6,772,660	-	-
Other Taxes	276,106	301,118	-
State Grants	168,835	173,752	535,055
Federal Grants	-	-	-
Licenses and Fees	431,348	-	-
Charges for Services	26,294	-	-
Investment Income	712	-	623
Miscellaneous	40,005	8,632	-
<b>TOTAL REVENUES</b>	<u>17,043,486</u>	<u>483,502</u>	<u>535,678</u>
<b>EXPENDITURES</b>			
Current			
General Government	1,841,825	34,967	-
Public Safety	10,801	-	-
Culture and Recreation	471,094	-	-
Health and Welfare	-	-	-
Public Works	1,310,185	4,035,181	635,647
Capital Outlay	-	-	-
Debt Service Principal	-	-	-
Debt Service Interest	-	-	-
Bond Issuance Costs	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>3,633,905</u>	<u>4,070,148</u>	<u>635,647</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	13,409,581	(3,586,646)	(99,969)
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds From Note Payable	-	-	-
Discount on Bonds Payable	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	13,409,581	(3,586,646)	(99,969)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>3,071,443</u>	<u>(2,994,835)</u>	<u>663,524</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 16,481,024</u>	<u>\$ (6,581,481)</u>	<u>\$ 563,555</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS (continued)  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>REVENUES</b>			
Property Taxes	\$ -	\$ 159,032	\$ 9,486,558
Gross Receipts Taxes	5,629	-	6,778,289
Other Taxes	-	-	577,224
State Grants	-	243,157	1,120,799
Federal Grants	-	-	-
Licenses and Fees	-	19,107	450,455
Charges for Services	-	84,324	110,618
Investment Income	19,869	-	21,204
Miscellaneous	-	229,197	277,834
<b>TOTAL REVENUES</b>	<b>25,498</b>	<b>734,817</b>	<b>18,822,981</b>
<b>EXPENDITURES</b>			
Current			
General Government	-	531,124	2,407,916
Public Safety	-	693,435	704,236
Culture and Recreation	-	248,585	719,679
Health and Welfare	-	-	-
Public Works	-	61,520	6,042,533
Capital Outlay	-	-	-
Debt Service Principal	51,162	-	51,162
Debt Service Interest	28,698	-	28,698
Bond Issuance Costs	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>79,860</b>	<b>1,534,664</b>	<b>9,954,224</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(54,362)</b>	<b>(799,847)</b>	<b>8,868,757</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds From Note Payable	-	-	-
Discount on Bonds Payable	-	-	-
Transfers in	56,329	-	56,329
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>56,329</b>	<b>-</b>	<b>56,329</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,967</b>	<b>(799,847)</b>	<b>8,925,086</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>604,729</b>	<b>242,511</b>	<b>1,587,372</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 606,696</b>	<b>\$ (557,336)</b>	<b>\$ 10,512,458</b>

See Independent Auditors' Report and Notes to Financial Statements

**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  
FOR THE YEAR ENDED JUNE 30, 2016**

**Net Changes in Fund Balance - Governmental Funds** **\$ 8,925,086**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation in the period:

Capital Outlay	-
Adjustments to Capital Assets	196,435
Depreciation Expense	-

The statement of activities reflects accruals related to GASB 68 implementation:

Change in Pension Liability	(65,350)
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In the Statement of Activities, operating expenses such as compensated absences and long-term debt are measured by the amounts incurred during the year. In the fund financial statements, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid):

(Increase) Decrease in Long-Term Debt	51,162
(Increase) Decrease in Compensated Absences	<u>(40,771)</u>

**Change in Net Position of Governmental Activities** **\$ 9,066,562**



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES AND EXPENSES – BUDGET (NON-GAAP BUDGETARY  
BASIS) AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property Taxes	\$ 752,802	\$ 752,802	\$ 754,904	2,102
Gross Receipts Taxes	5,705,056	5,705,056	5,763,007	57,951
Other Taxes	234,246	234,246	193,783	(40,463)
State Grants	163,832	578,832	168,835	(409,997)
Federal Grants	-	-	-	-
Licenses and Fees	478,944	478,944	431,348	(47,596)
Charges for Services	-	-	26,294	26,294
Investment Income	152,000	152,000	712	(151,288)
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>7,486,880</u>	<u>7,901,880</u>	<u>7,338,883</u>	<u>(562,997)</u>
<b>EXPENDITURES</b>				
Current				
General Government	7,287,169	8,611,864	4,684,417	3,927,447
Public Safety	-	11,000	10,801	199
Culture and Recreation	-	451,000	450,643	357
Health and Welfare	-	-	-	-
Public Works	-	1,250,000	1,248,813	1,187
Capital Outlay	-	1,270,000	1,269,170	830
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>7,287,169</u>	<u>11,593,864</u>	<u>7,663,844</u>	<u>3,930,020</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	199,711	(3,691,984)	(324,961)	(4,493,017)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	10,600	10,600	-	(10,600)
Transfers out	<u>(765,336)</u>	<u>(831,336)</u>	<u>-</u>	<u>831,336</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(754,736)</u>	<u>(820,736)</u>	<u>-</u>	<u>820,736</u>
<b>NET CHANGE</b>	<u>(555,025)</u>	<u>(4,512,720)</u>		
<b>PRIOR YEAR CASH BALANCE BUDGETED</b>	<u>\$ 555,025</u>	<u>\$ 4,512,720</u>		

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES AND EXPENSES – BUDGET (NON-GAAP BUDGETARY  
BASIS) AND ACTUAL – GAS TAX FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	-
Gross Receipts Taxes	-	-	-	-
Other Taxes	312,759	312,759	301,118	(11,641)
State Grants	2,113,424	2,112,424	114,740	(1,997,684)
Federal Grants	-	-	-	-
Licenses and Fees	-	-	-	-
Charges for Services	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>2,426,183</u>	<u>2,425,183</u>	<u>415,858</u>	<u>(2,009,325)</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	2,744,000	2,709,000	219,253	2,489,747
Capital Outlay	-	35,000	34,967	33
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>2,744,000</u>	<u>2,744,000</u>	<u>254,220</u>	<u>2,489,780</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(317,817)	(318,817)	161,638	(4,499,105)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE</b>	<u>(317,817)</u>	<u>(318,817)</u>		
<b>PRIOR YEAR CASH BALANCE BUDGETED</b>	<u>\$ 317,817</u>	<u>\$ 318,817</u>		

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES AND EXPENSES – BUDGET (NON-GAAP BUDGETARY  
BASIS) AND ACTUAL – CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	-
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	1,770,334	1,770,334	42,679	(1,727,655)
Federal Grants	-	-	-	-
Licenses and Fees	-	-	-	-
Charges for Services	-	-	-	-
Investment Income	-	-	623	623
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>1,770,334</u>	<u>1,770,334</u>	<u>43,302</u>	<u>(1,727,032)</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	1,770,334	1,797,970	635,647	1,162,323
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>1,770,334</u>	<u>1,797,970</u>	<u>635,647</u>	<u>1,162,323</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(27,636)	(592,345)	(2,889,355)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE</b>	<u>-</u>	<u>(27,636)</u>		
<b>PRIOR YEAR CASH BALANCE BUDGETED</b>	<u>\$ -</u>	<u>\$ 27,636</u>		

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES AND EXPENSES – BUDGET (NON-GAAP BUDGETARY  
BASIS) AND ACTUAL – DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	-
Gross Receipts Taxes	-	-	5,629	5,629
Other Taxes	-	-	-	-
State Grants	-	-	-	-
Federal Grants	-	-	-	-
Licenses and Fees	-	-	-	-
Charges for Services	-	-	-	-
Investment Income	-	-	1,205	1,205
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>6,834</u>	<u>6,834</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	765,163	315,163	-	315,163
Debt Service Interest	-	450,000	79,860	370,140
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>765,163</u>	<u>765,163</u>	<u>79,860</u>	<u>685,303</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(765,163)</u>	<u>(765,163)</u>	<u>(73,026)</u>	<u>(678,469)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	765,163	765,163	56,329	(708,834)
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>765,163</u>	<u>765,163</u>	<u>56,329</u>	<u>(708,834)</u>
<b>NET CHANGE</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>PRIOR YEAR CASH BALANCE BUDGETED</b>	<u>\$ -</u>	<u>\$ -</u>		

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<u>Campground Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 927,099	\$ 927,099
Restricted Cash	-	258,700	258,700
Investments	-	964,644	964,644
Receivables			
Taxes	-	22,946	22,946
Customers	-	1,227,146	1,227,146
Due From Other Funds	124,777	37,145	161,922
Prepaid Expenses	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<u>124,777</u>	<u>3,437,680</u>	<u>3,562,457</u>
<b>NONCURRENT ASSETS</b>			
Capital Assets Being Depreciated	17,661	18,577,616	18,595,277
Less: Accumulated Depreciation	<u>(13,015)</u>	<u>(2,931,585)</u>	<u>(2,944,600)</u>
Capital Assets, Net	<u>4,646</u>	<u>15,646,031</u>	<u>15,650,677</u>
<b>DEFERRED OUTFLOWS:</b>			
Deferred Outflows, Pension Related	<u>12,704</u>	<u>241,355</u>	<u>254,059</u>
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>12,704</u>	<u>241,355</u>	<u>254,059</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 142,127</u>	<u>\$ 19,325,066</u>	<u>\$ 19,467,193</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 2,366	\$ 365,114	\$ 367,480
Accrued Salaries and Benefits	618	8,713	9,331
Customer Deposits Payable	-	1,674	1,674
Due to Other Funds	2,564	3,297,200	3,299,764
Accrued Compensated Absences	2,074	45,674	47,748
Bonds and Notes Payable, Current	-	581,574	581,574
Net Pension Liability	<u>60,404</u>	<u>1,147,674</u>	<u>1,208,078</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>68,026</u>	<u>5,447,623</u>	<u>5,515,649</u>
<b>NONCURRENT LIABILITIES</b>			
Long-Term Debt, Net	<u>-</u>	<u>7,957,782</u>	<u>7,957,782</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>-</u>	<u>7,957,782</u>	<u>7,957,782</u>
<b>DEFERRED INFLOWS:</b>			
Deferred Inflows, Pension Related	<u>1,665</u>	<u>31,638</u>	<u>33,303</u>
<b>TOTAL DEFERRED INFLOWS</b>	<u>1,665</u>	<u>31,638</u>	<u>33,303</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>69,691</u>	<u>13,437,043</u>	<u>13,506,734</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,646	7,106,675	7,111,321
Restricted	-	-	-
Unrestricted	<u>67,790</u>	<u>(1,218,652)</u>	<u>(1,150,862)</u>
<b>TOTAL NET POSITION</b>	<u>72,436</u>	<u>5,888,023</u>	<u>5,960,459</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<u>\$ 142,127</u>	<u>\$ 19,325,066</u>	<u>\$ 19,467,193</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Campground Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 149,018	\$ 4,349,692	\$ 4,498,710
<b>TOTAL OPERATING REVENUES</b>	149,018	4,349,692	4,498,710
<b>OPERATING EXPENSES</b>			
General and Administrative	-	-	-
Personnel Services	82,738	805,622	888,360
Contractual Services	-	483,226	483,226
Supplies and Purchased Power	483	32,778	33,261
Maintenance and Materials	25,920	292,570	318,490
Utilities	34,886	278,887	313,773
Depreciation	-	-	-
Compensated Absences Expense	21	40,150	40,171
Pension Expense	816	15,521	16,337
Miscellaneous	2,718	153,694	156,412
<b>TOTAL OPERATING EXPENSES</b>	<u>147,582</u>	<u>2,102,448</u>	<u>2,250,030</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,436</u>	<u>2,247,244</u>	<u>2,248,680</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Taxes	-	148,472	148,472
Housing Assistance Payments	-	-	-
Interest Income	-	46,692	46,692
Interest Expense	-	(260,540)	(260,540)
Grant Revenue	-	-	-
Miscellaneous Income	-	16,278	16,278
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>-</u>	<u>(49,098)</u>	<u>(49,098)</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	1,436	2,198,146	2,199,582
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	1,436	2,198,146	2,199,582
<b>BEGINNING NET POSITION</b>	<u>71,000</u>	<u>3,689,877</u>	<u>3,760,877</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 72,436</u>	<u>\$ 5,888,023</u>	<u>\$ 5,960,459</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Campground Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received From User Charges	\$ 149,018	\$ 4,349,692	\$ 4,498,710
Cash Payments to Employees for Services	(82,738)	(805,622)	(888,360)
Cash Payments to Suppliers for Goods and Services	<u>(158,072)</u>	<u>(2,623,544)</u>	<u>(2,781,616)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	(91,792)	920,526	828,734
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Change in Compensated Absences	21	40,150	40,171
Change in Pension Expense	816	15,521	16,337
Payments on Long-term Debt	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES</b>	837	55,671	56,508
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	<u>-</u>	<u>(49,098)</u>	<u>(49,098)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	-	(49,098)	(49,098)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(90,955)	927,099	836,144
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>90,955</u>	<u>-</u>	<u>90,955</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 927,099</u>	<u>\$ 927,099</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (loss)	\$ 1,436	\$ 2,247,244	\$ 2,248,680
Adjustments to reconcile operating income (loss) to net cash used by operating activities	-	-	-
Depreciation Expense			-
Changes in assets and liabilities:			
Change in receivables	(127,645)	(3,161,393)	(3,289,038)
Change in Due to / Due from	31,795	1,606,059	1,637,854
Change in accounts payable	2,366	241,195	243,561
Change in accrued salaries and benefits	<u>256</u>	<u>(12,579)</u>	<u>(12,323)</u>
<b>NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES</b>	<u>\$ (91,792)</u>	<u>\$ 920,526</u>	<u>\$ 828,734</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. Summary of Significant Accounting Policies**

The Town of Bernalillo (the “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 and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The Town is a body politic and corporate under the name and form of government selected by its qualified electors. The Town may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

During the year ended June 30, 2015, 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 financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the year ended June 30, 2013, the Town adopted GASB Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The Town does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

The more significant of the Town’s accounting policies are described below:

**A. Financial Reporting Entity**

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their  
See Independent Auditors’ Report



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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.

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

## **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

**Deferred outflows of resources** – a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

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**Deferred inflows of resources** – an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

**Net position** – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The Town's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 and other items not properly included among program revenues are reported instead as *general revenues*.

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

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary 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 provider have been met.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

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Property taxes, franchise taxes, licenses and interest 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. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Town facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Town does not currently employ indirect cost allocation systems. Depreciation expense is unallocated and is considered an indirect expense and is reported separately on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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

The Town reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Gas Tax Fund* accounts for funds used for construction and maintenance of streets and bridges and is provided by a one (1) and two (2) cent per gallon tax on gasoline purchased in the community as authorized by Section 7-24A, NMSA 1978.

*Capital Projects Fund* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

*Debt Service Fund* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The Town reports the following proprietary funds as major funds. Proprietary funds include:

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

*Campground Fund* - This enterprise fund is used to account for all operations of the campground.

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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.

Additionally, the government reports the following fund types:

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Fiduciary Funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The Town's fiduciary funds are used to account for DWI testing receipts and disbursements; water security deposits, and for funds provided by a private donor to finance the purchase of medical equipment for the community hospital.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned as reported in the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Town's enterprise fund is charges for services for the Town's utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, Liabilities and Net Position or Equity**

**Cash & Cash Equivalents:** The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Investments:** State statutes authorize the Town to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Local Government Investment Pool (LGIP).

Investments for the Town are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Interest income, unrealized and realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

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**Receivables and Payables:** Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting funds and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes are considered to be 100% collectable.

**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.

**Inventory:** Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as an expense when consumed rather than when purchased.

**Capital Assets:** Capital assets, which include property, plant, utility systems, equipment, 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. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1980) are included as part of the governmental capital assets reported in the government-wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Library books and periodicals are estimated to have a useful life of less than one year or are under the capitalization threshold and are expensed when purchased. 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. The total interest expense capitalized by the Town during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

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Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Infrastructure	25
Utility Systems	40
Machinery, Equipment, Vehicles	3-10

**Accrued Expenses:** Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2016, along with applicable PERA, FICA, Medicare, and Retiree Health Care contributions.

**Pensions:** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Restricted Assets:** Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used.

**Deferred Revenues:** Accounting principles generally accepted in the United States of America require that grant revenue (voluntary nonexchange transactions) be recognized as revenue in the government-wide financial statements when all eligibility requirements have been met and recognized as revenue in the governmental fund financial statements based on the same factors subject to the availability criterion. Amounts received from reimbursement basis grants are recorded as deferred revenue in the governmental fund financial statements when received more than 90 days after year end and amounts received after 60 days after year end for property taxes.

**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. 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. The Town's deferred outflows/inflows of resources are described in Note 10.

**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.

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Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental or proprietary fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

**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 in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or the straight line method if the difference from using the effective method is inconsequential.

**Fund Balance:** Fund Balance Classification: The Town has implemented the provisions of GASB 54. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town. These amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town or through the Town delegating this responsibility to the Town through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

**Minimum Fund Balance Policy:** In the event that the Unassigned Fund Balance in the General Fund is calculated to be less than the policy requires, the Town shall plan to control operating expenditures and use budget surpluses in subsequent fiscal years to restore the balance. The minimum Unassigned Fund Balance shall be restored within one to three fiscal years, as economic conditions allow. Except in extraordinary circumstances, the minimum Undesignated Fund Balance should not be used to fund any portion of the ongoing and routine year-to-year operating expenditures of the Town. It should be used primarily to insure

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adequate designated reserves, to respond to unforeseen emergencies, to provide cash flow, and to provide overall financial stability.

**Net Position:** For the government-wide statement of net position, the net position is reported in three categories: net investment in capital assets, restricted and unrestricted.

Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position – Net position is reported as restricted when constraints placed on net position use either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – Net position which does not meet the definition of “restricted” and “net investment in capital assets”.

**Interfund Transactions:** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Town’s financial statements include the allowance for uncollectible accounts in the enterprise funds, depreciation on capital assets over their estimated useful lives and the current portion of accrued compensated absences.

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

Annual budgets of the Town are prepared prior to June 1 and must be approved by resolution of the Town Council Members, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Town Council Members and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total at the fund level.

These budgets are prepared on a Non-GAAP cash budgetary basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been properly amended by the Town Council in accordance with the above procedures. These amendments resulted in the following changes:

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Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects.

The Town is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP), a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual fund budgetary statement.

**NOTE 3. Deposits & Investments**

*Cash and Cash Equivalents*

State statutes authorize the investment of Town funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Town properly followed State investment requirements as of June 30, 2016.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Town. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the FDIC. Beginning January 1, 2013, all of the County's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

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*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 to it. The Town does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2016, \$7,517,702, of the Town's bank balances of \$8,017,702 was exposed to custodial credit risk, \$7,517,702 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Town's name and none of the Town's deposits were uninsured and uncollateralized.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Town's deposits:

	<u>U.S. Bank</u>	<u>NMFA Reserves</u>	<u>Total</u>
Amount of Deposits	\$ 7,726,177	291,525	8,017,702
Less: FDIC Coverage	(250,000)	(250,000)	(500,000)
<b>Total Uninsured Public Funds</b>	<u>7,476,177</u>	<u>41,525</u>	<u>7,517,702</u>
50% Collateralization Requirement	<u>3,738,089</u>	<u>20,763</u>	<u>3,758,851</u>
Pledged Collateral	<u>7,900,000</u>	-	<u>7,900,000</u>
<b>Overpledged</b>	<u>\$ 4,161,912</u>	<u>\$ (20,763)</u>	<u>\$ 4,141,149</u>

As of June 30, 2016, the Town's investment balances were exposed to custodial credit risk as follows:

NMFA reserves \$ 291,525

*Interest Rate Risk and Credit Rating* - The Town does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates. The Town's investments at June 30, 2016 include the following:

NMFA reserves \$ 291,525

*Investments*

The Town's investments at June 30, 2016 consist of the following:

<u>Investments</u>	<u>Fair Value</u>	<u>Investment Maturity in Years Less than 1</u>
Money Market - U.S. Treasuries	\$ 192,694	\$ 192,694
Mutual Funds	748,615	748,615
Federal National Mortgage Association	23,335	23,335
Total	<u>\$ 964,644</u>	<u>\$ 964,644</u>

*Interest Rate Risk – Investments.* The Town's policy related to interest rate risk with investments is to comply with the state as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). The Town's

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investments were rated AAA by Moody's Investors Services and S&P and have a weighted average days to maturity (WAM) of 27.5 days.

*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 – Investments.* For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the Town. The investment in the U.S Treasury Money Market represents 20% and the investment in the Mutual Funds represents 78% of the investment portfolio, respectively. Since the Town only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the Town. The Town's policy related to concentration of credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

**NOTE 4. Receivables**

*Governmental Activities:*

Receivables as of June 30, 2016, are as follows:

	<b>General Fund</b>	<b>Other Major Funds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Property Taxes	\$ 14,104	\$ -	\$ -	\$ 14,104
Other Taxes	1,049,859	-	12,632	1,062,491
Intergovernmental	-	105,209	80	105,289
Miscellaneous	-	59,012	-	59,012
<b>Receivables, Net</b>	<b>\$ 1,063,963</b>	<b>\$ 164,221</b>	<b>\$ 12,712</b>	<b>\$ 1,240,896</b>

The above receivables are deemed 100% collectable.

*Business-Type Activities:*

Proprietary fund receivables as of June 30, 2016 are as follows:

	<b>Utilities</b>
Taxes	22,946
Customer Receivables	1,227,146
Allowance for Doubtful Accounts	-
<b>Receivables, Net</b>	<b>\$ 1,250,092</b>

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The business-type activities accounts receivable are net of an estimated allowance for uncollectible accounts of \$0.

**NOTE 5. Interfund Receivables, Payables, and Transfers**

The Town records temporary interfund receivables and payables to enable the funds to operate until grant monies are received. Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances of June 30, 2016 is as follows:

<u>Fund</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund	\$ -	\$ 11,011,783
Gas Tax Fund	6,640,493	-
Capital Projects Fund	136,087	-
Debt Service Fund	496,064	-
Fire Fund	27,523	13,773
MVD Fund	306,481	-
Corrections Fund	-	195,545
Law Enforcement Fund	44,133	4,407
Lodgers' Tax Fund	35,782	303,456
Brew Festival Fund	-	42,352
Rescue Fund	746,911	-
Campground Fund	2,564	124,777
Water and Sewer Fund	3,297,200	37,145
<b>Total</b>	<b>\$ 11,733,238</b>	<b>\$ 11,733,238</b>

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**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows. Land and construction in progress are not subject to depreciation.

*Governmental Activities:*

	Balance			Balance	
	June 30, 2015	Additions	Deletions	Adjustments	June 30, 2016
Capital Assets Not Being Depreciated:					
Land	\$ 260,810	\$ -	\$ -	\$ -	\$ 260,810
Total Capital Assets Not Being Depreciated	260,810	-	-	-	260,810
Capital Assets Being Depreciated:					
Buildings and Improvements	4,189,196	-	-	-	4,189,196
Other Improvements	1,038,278	-	-	-	1,038,278
Infrastructure	10,435,769	-	-	-	10,435,769
Vehicles, furniture, and Equipment	<u>3,634,416</u>	-	-	-	<u>3,634,416</u>
Total Capital Assets Being Depreciated	<u>19,297,659</u>	-	-	-	<u>19,297,659</u>
Total Capital Assets	19,558,469	-	-	-	19,558,469
Accumulated Depreciation:					
Buildings and Improvements	1,711,739	-	-	-	1,711,739
Other Improvements	263,472	-	-	-	263,472
Infrastructure	3,844,721	-	-	-	3,844,721
Vehicles, furniture, and Equipment	<u>3,132,548</u>	-	-	-	<u>3,132,548</u>
Total Accumulated Depreciation	<u>8,952,480</u>	-	-	-	<u>8,952,480</u>
<b>Capital Assets, Net</b>	<u>\$ 10,605,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,605,989</u>

The Town did not record depreciation expense related to governmental activities for the year ended June 30, 2016.

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*Business-Type Activities:*

	Balance			Balance	
	June 30, 2015	Additions	Deletions	Adjustments	June 30, 2016
Capital Assets Not Being Depreciated:					
Land	\$ 377,428	\$ -	\$ -	\$ -	\$ 377,428
Total Capital Assets Not Being Depreciated	377,428	-	-	-	377,428
Capital Assets Being Depreciated:					
Buildings and Improvements	87,742	-	-	-	87,742
Infrastructure	17,437,634	-	-	-	17,437,634
Vehicles, furniture, and Equipment	692,473	-	-	-	692,473
Total Capital Assets Being Depreciated	18,217,849	-	-	-	18,217,849
Total Capital Assets	18,595,277	-	-	-	18,595,277
Accumulated Depreciation:					
Buildings and Improvements	39,314	-	-	-	39,314
Infrastructure	2,313,399	-	-	-	2,313,399
Vehicles, furniture, and Equipment	591,887	-	-	-	591,887
Total Accumulated Depreciation	2,944,600	-	-	-	2,944,600
<b>Capital Assets, Net</b>	<b>\$ 15,650,677</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,650,677</b>

The Town did not record depreciation expense related to business-type activities for the year ended June 30, 2016.

**NOTE 7. Long-term Debt**

**Governmental Activities**

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the government wide Statement of Net Position:

	Balance			Balance		Due
	June 30, 2015	Additions	Deletions	June 30, 2016	One Year	
Loans Payable	\$ 336,875	\$ -	\$ 51,162	\$ 285,713	\$ 51,488	
Revenue Bonds Payable	2,390,000	-	-	2,390,000	-	
Compensated Absences	131,512	123,367	82,596	172,283	172,283	
<b>Total Long-Term Debt</b>	<b>\$ 2,858,387</b>	<b>\$ 123,367</b>	<b>\$ 133,758</b>	<b>\$ 2,847,996</b>	<b>\$ 223,771</b>	

Interest expense paid on long-term debt for governmental activities totaled \$28,698 for the year ended June 30, 2016.

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 loans payable at year-end are presented below.

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The annual requirements to amortize the Notes as of June 30, 2016, including interest payments, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 51,488	\$ 4,846	\$ 56,334
2018	52,045	4,302	56,347
2019	44,395	3,600	47,995
2020	45,045	2,894	47,939
2021	45,920	2,064	47,984
2022-2026	46,820	1,096	47,916
Total	<u>\$ 285,713</u>	<u>\$ 18,802</u>	<u>\$ 304,515</u>

**Revenue Bonds**

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 procedure on the bond purchase; however, the financial statement and/or tax exempt status implications, if any, of the Town holding its own bonds has been fully evaluated by management.

<u>Series</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
Revenue Bonds Series 2009	\$ 8,125,000	6/1/2029	2.750-4.625%	\$ 2,390,000

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The annual requirements to amortize the Bonds as of June 30, 2016, including interest payments, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 115,856	\$ 115,856
2018	350,000	115,956	465,956
2019	-	100,980	100,980
2020	2,040,000	100,980	2,140,980
2021	-	100,980	100,980
2022-2026	-	-	-
2027-2031	-	-	-
Total	<u>\$ 2,390,000</u>	<u>\$ 534,752</u>	<u>\$ 2,924,752</u>

**Business-Type Activities**

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the proprietary Statement of Net Position:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Loans Payable #4	\$ 258,960	\$ -	\$ 17,379	\$ 241,581	\$ 18,034
Loans Payable #5	2,503,725		\$ 245,950	2,257,775	168,540
Revenue Bonds Payable	6,420,000	-	380,000	6,040,000	395,000
Compensated Absences	<u>41,749</u>	<u>27,888</u>	<u>21,889</u>	<u>47,748</u>	<u>47,748</u>
<b>Total Long-Term Debt</b>	<u>\$ 9,224,434</u>	<u>\$ 27,888</u>	<u>\$ 665,218</u>	<u>\$ 8,587,104</u>	<u>\$ 629,322</u>

Interest expense paid on long-term debt for business-type activities totaled \$260,540 for the year ended June 30, 2016.

The Town has received loans for the purchase of land and for the design and construction of an arsenic removal system. The loans will be repaid by the proprietary funds. The loans payable at year-end are presented below.

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The annual requirements to amortize the loans as of June 30, 2016, including interest payments, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 186,574	\$ 91,406	\$ 277,980
2018	193,667	84,792	278,459
2019	201,080	77,884	278,964
2020	208,824	70,658	279,482
2021	216,901	63,126	280,027
2022-2026	1,218,807	190,226	1,409,033
2027-2031	273,503	10,256	283,759
Total	<u>\$ 2,499,356</u>	<u>\$ 588,348</u>	<u>\$ 3,087,704</u>

**Revenue Bonds**

On November 8, 1977, the Town entered into a bond agreement for the Joint Water and Sewer Extension. No revenues are pledged for payment of the debt service. The revenue bonds are as follows:

<u>Series</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
Water and Sewer Improvement Bond	\$ 8,775,000	6/1/2007	4.00-4.20%	\$ 6,040,000

The annual requirements to amortize the Bonds as of June 30, 2016, including interest payments, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 395,000	\$ 253,158	\$ 648,158
2018	415,000	236,370	651,370
2019	430,000	218,732	648,732
2020	450,000	200,094	650,094
2021	1,470,000	290,655	1,760,655
2022-2023	2,880,000	564,213	3,444,213
Total	<u>\$ 6,040,000</u>	<u>\$ 1,763,222</u>	<u>\$ 7,803,222</u>

**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, 2016. 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. 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 and natural disasters. The Town participates in the New Mexico Self-Insurer's

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Fund risk pool. The Town has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Town which exceeds the insurance coverage, the Town would not be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurer's Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage has not changed significantly from prior years and coverage is expected to be continued.

At June 30, 2016, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against Town of Bernalillo. New Mexico Self-Insurer's Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and prior fiscal year.

**NOTE 9. Operating Leases**

The Town has several operating leases as of June 30, 2016. Lease payments for the year ending June 30, 2016 were paid \$5,808. Future minimum payment under these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2017	\$ 23,232
2018	23,232
2019	17,424
2020	-
2021	-
Total	<u>\$ 63,888</u>

**NOTE 10. PERA Pension Plan**

*Plan description.* The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

*Benefits provided.* For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financialreports/CAFR-2015.pdf>

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**Contributions**

The contribution requirements of defined benefit plan members and the (name of employer) are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at

[http://www.saonm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf)

The PERA coverage options that apply to the Town are the Municipal General Division, Municipal Police Division and Municipal Fire Division. Statutorily required contributions to the pension plan from the Town were \$780,805 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2016.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:*** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Town’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General Division, at June 30, 2016, the Town reported a liability of \$2,304,266 for its proportionate share of the net pension liability. At June 30, 2016, the Town’s proportion was .2260 percent, which was an increase from its proportion measured as of June 30, 2015.

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For the year ended June 30, 2016, the Town recognized PERA Fund Municipal General Division pension expense of \$115,474. At June 30, 2016, the Town reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 51,041
Changes of assumptions	-	898
Net difference between projected and actual earnings on pension plan investments	-	7,289
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	88,161	-
Town's contributions subsequent to the measurement date	352,824	-
<b>Total</b>	<b>\$ 440,985</b>	<b>\$ 59,228</b>

\$352,824 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended</b>	<b>Amount</b>
2016	\$ (61,031)
2017	(61,031)
2018	(61,031)
2019	123,865
2020	-
Thereafter	-
Total	<b>\$ (59,228)</b>

For PERA Fund Division Municipal Police Division, at June 30, 2016, the Town reported a liability of \$2,393,701 for its proportionate share of the net pension liability. At June 30, 2016, the Town's proportion was .4978 percent, which was an increase from its proportion measured as of June 30, 2015.

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For the year ended June 30, 2016, the Town recognized PERA Fund Division Municipal Police Members pension expense of \$171,076. At June 30, 2016, the Town reported PERA Fund Division Municipal Police Members deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 167,262	\$ -
Changes of assumptions	-	99,032
Net difference between projected and actual earnings on pension plan investments	-	6,640
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	40,574	-
Town's contributions subsequent to the measurement date	297,132	-
Total	\$ 504,968	\$ 105,672

\$297,132 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended</b>	<b>Amount</b>
2016	\$ (20,382)
2017	(20,382)
2018	(20,382)
2019	122,736
2020	-
Thereafter	-
Total	\$ 61,590

For PERA Fund Division Municipal Fire Division, at June 30, 2016, the Town reported a liability of \$1,342,423 for its proportionate share of the net pension liability. At June 30, 2016, the Town's proportion was .2601 percent, which was an increase from its proportion measured as of June 30, 2015.

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For the year ended June 30, 2016, the Town recognized PERA Fund Division Municipal Fire Members pension expense of \$173,070. At June 30, 2016, the Town reported PERA Fund Division Municipal Fire Members deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 52,867	\$ -
Changes of assumptions	28,313	-
Net difference between projected and actual earnings on pension plan investments	-	1,615
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	143,426	-
Town's contributions subsequent to the measurement date	99,731	-
Total	\$ 324,337	\$ 1,615

\$99,731 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended</b>	<b>Amount</b>
2017	\$ 15,941
2018	15,941
2019	15,941
2020	31,742
2021	-
Thereafter	-
Total	\$ 79,565

**Actuarial assumptions:** As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2015 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

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Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Asset valuation period	Solved for based on statutory rates
Asset valuation method	Fair value
<b>Actuarial assumptions:</b>	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality Assumption	RP-200 Mortality tables (combined table for healthy post-retirements, employee table for active members, and disabled table for disabled retirees before retirement age) with projections to 2018 using scale AA.
Experience study dates	July 1, 2008 to June 30, 2013

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>ALL FUNDS - Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Equity	21.1%	5.00%
International Equity	24.8%	5.20%
Private Equity	7.0%	8.20%
Core and Global Fixed Income	26.1%	1.85%
Fixed Income Plus Sectors	5.0%	4.80%
Real Estate	5.0%	5.30%
Real Assets	7.0%	5.70%
Absolute Return	<u>4.0%</u>	4.15%
Total	100.0%	

**Discount rate:** The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in

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accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate:** The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Town's net pension liability in each PERA Fund Division that the Town participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

<b>PERA Fund Division Municipal Government</b>	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Town of Bernalillo's proportionate share of the net pension liability	\$ 3,923,250	\$ 2,304,266	\$ 958,190

<b>PERA Fund Division Municipal Police</b>	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Town of Bernalillo's proportionate share of the net pension liability	\$ 3,953,054	\$ 2,393,701	\$ 1,114,505

<b>PERA Fund Division Municipal Fire</b>	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Town of Bernalillo's proportionate share of the net pension liability	\$ 1,820,659	\$ 1,342,423	\$ 948,293

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY2015 PERA financial report. The report is available at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financialreports/CAFR-2015.pdf>

**Payables to the pension plan.** The Town included a payable related to PERA contribution at June 30, 2016 of \$10,592.

**NOTE 11. Post-Employment Benefits – State Retiree Health Care 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

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TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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 even 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; 4) former governing authority members who served at least four years.

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

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

The 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.

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JUNE 30, 2016**

The Town's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$72,393, \$67,655, and \$62,204, respectively, which equal the required contributions for each year.

**NOTE 12. Concentrations**

The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

In the normal course of operations, the Town receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 13. Contingent Liabilities**

The Town is party to various claims and lawsuits arising in the normal course of business. Management and the Town's attorney are unaware of any material pending or threatened litigation, claims or assessments against the Town which are not covered by the Town's insurance as described in Note 8.

**NOTE 14. EMS Fund Balance**

During fiscal year 2016, the Town closed the EMS Fund, transferring existing balances and accounting for new transactions to the General Fund. The prior year fund balance amount \$13,597 for the EMS Fund is shown as part of the beginning fund balance in FY2016 for the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances.

**NOTE 15. Deficit Fund Balances and Budget Noncompliance Issues**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

A. Deficit fund balance of individual funds. The following funds reflected a deficit fund balance as of June 30, 2016:

- Fire Fund: \$10,381
- MVD Fund: \$307,905
- Law Enforcement: \$39,726
- Rescue Fund: \$746,911
- Gas Tax Fund: \$6,581,481

B. Excess of expenditures over appropriations. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2016:

C. Designated cash appropriations. There were no funds that had designated cash appropriations in excess of available balances for the year ended June 30, 2016.

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**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 16. Subsequent Events**

The Town of Bernalillo has evaluated subsequent events through December 9, 2016, which is the date the financial statements were dated. No significant subsequent event to report.

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**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 16. Budget to GAAP Reconciliations**

	100	125	139	180	132
	<b>General</b>	<b>Gas Tax</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Rescue Fund</b>
Revenues per Modified Accrual Basis	\$ 17,043,486	\$ 483,502	\$ 535,678	\$ 25,498	\$ 9,500
Prior Year Receivables	(10,768,566)	(126,656)	(597,585)	(18,664)	-
Current Year Receivables	<u>1,063,963</u>	<u>59,012</u>	<u>105,209</u>	<u>-</u>	<u>-</u>
Revenues per Budgetary Basis	<u>\$ 7,338,883</u>	<u>\$ 415,858</u>	<u>\$ 43,302</u>	<u>\$ 6,834</u>	<u>\$ 9,500</u>
Expenditures per Modified Accrual Basis	\$ 3,633,905	\$ 4,070,148	\$ 635,647	\$ 79,860	\$ 484,421
Prior Year Payables	4,545,514	2,824,565	-	-	271,990
Current Year Payables	<u>(515,575)</u>	<u>(6,640,493)</u>	<u>-</u>	<u>-</u>	<u>(746,911)</u>
Expenditures per Budgetary Basis	<u>\$ 7,663,844</u>	<u>\$ 254,220</u>	<u>\$ 635,647</u>	<u>\$ 79,860</u>	<u>\$ 9,500</u>
	133	135	105	165	
	<b>Campground Fund</b>	<b>Water &amp; Sewer</b>	<b>Fire Fund</b>	<b>MVD Fund</b>	
Revenues per Modified Accrual Basis	\$ 149,018	\$ 4,349,692	\$ 221,880	\$ -	
Prior Year Receivables	-	-	-	-	
Current Year Receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Revenues per Budgetary Basis	<u>\$ 149,018</u>	<u>\$ 4,349,692</u>	<u>\$ 221,880</u>	<u>\$ -</u>	
Expenditures per Modified Accrual Basis	\$ 147,582	\$ 2,102,448	\$ 239,399	\$ 446,409	
Prior Year Payables	-	173,794	9,999	-	
Current Year Payables	<u>(42,096)</u>	<u>-</u>	<u>(27,523)</u>	<u>(361,725)</u>	
Expenditures per Budgetary Basis	<u>\$ 105,486</u>	<u>\$ 2,276,242</u>	<u>\$ 221,875</u>	<u>\$ 84,684</u>	
	115	120	126	145	
	<b>Corrections</b>	<b>LEPF</b>	<b>Lodgers Tax</b>	<b>Brew Festival</b>	
Revenues per Modified Accrual Basis	\$ 12,387	\$ 11,777	\$ 159,032	\$ 320,241	
Prior Year Receivables	-	-	(38,654)	(114,195)	
Current Year Receivables	<u>-</u>	<u>20,223</u>	<u>-</u>	<u>-</u>	
Revenues per Budgetary Basis	<u>\$ 12,387</u>	<u>\$ 32,000</u>	<u>\$ 120,378</u>	<u>\$ 206,046</u>	
Expenditures per Modified Accrual Basis	\$ 22,330	\$ 32,000	\$ 61,520	\$ 248,585	
Prior Year Payables	-	-	-	-	
Current Year Payables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Expenditures per Budgetary Basis	<u>\$ 22,330</u>	<u>\$ 32,000</u>	<u>\$ 61,520</u>	<u>\$ 248,585</u>	

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**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedules of Required Supplementary Information**  
**SCHEDULE OF TOWN OF BERNALILLO'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\* 2016**

<b><u>MUNICIPAL GENERAL FUND</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Town's proportion of the net pension liability (asset)	0.2260%	0.2112%
Town's proportionate share of the net pension liability (asset)	\$ 2,304,266	\$ 1,647,587
Town's covered-employee payroll	\$ 1,580,583	\$ 1,544,042
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	145.79%	106.71%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

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**Schedules of Required Supplementary Information**  
**SCHEDULE OF TOWN OF BERNALILLO'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL POLICE**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\* 2016**

<b><u>MUNICIPAL POLICE FUND</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Town's proportion of the net pension liability (asset)	0.4978%	0.4815%
Town's proportionate share of the net pension liability (asset)	\$ 2,393,701	\$ 1,569,638
Town's covered-employee payroll	\$ 1,205,335	\$ 1,017,658
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	198.59%	154.24%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

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**Schedules of Required Supplementary Information**  
**SCHEDULE OF TOWN OF BERNALILLO'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL FIRE**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\* 2016**

<u><b>MUNICIPAL FIRE FUND</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Town's proportion of the net pension liability (asset)	0.2601%	0.2151%
Town's proportionate share of the net pension liability (asset)	\$ 1,342,423	\$ 897,826
Town's covered-employee payroll	\$ 329,907	\$ 296,368
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	406.91%	302.94%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.



**Schedules of Required Supplementary Information**  
**SCHEDULE OF TOWN OF BERNALILLO'S CONTRIBUTIONS TO THE PERA FUND**  
**DIVISION MUNICIPAL GENERAL**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\* 2016**

<b><u>MUNICIPAL GENERAL FUND</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contribution	\$ 353,102	\$ 343,992
Contributions in relation to the contractually required contribution	<u>352,824</u>	<u>343,992</u>
Contribution deficiency (excess)	<u>\$ 278</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,580,583	\$ 1,544,042
Contributions as a percentage of covered-employee payroll	22.32%	22.28%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

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**Schedules of Required Supplementary Information**  
**SCHEDULE OF TOWN OF BERNALILLO'S CONTRIBUTIONS TO THE PERA FUND**  
**DIVISION MUNICIPAL POLICE**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\* 2016**

<b><u>MUNICIPAL POLICE FUND</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contribution	\$ 327,972	\$ 276,631
Contributions in relation to the contractually required contribution	<u>297,132</u>	<u>276,631</u>
Contribution deficiency (excess)	<u>\$ 30,840</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,205,335	\$ 1,017,658
Contributions as a percentage of covered-employee payroll	24.65%	27.18%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

**Schedules of Required Supplementary Information**  
**SCHEDULE OF TOWN OF BERNALILLO'S CONTRIBUTIONS TO THE PERA FUND**  
**DIVISION MUNICIPAL FIRE**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\* 2016**

<u><b>MUNICIPAL FIRE FUND</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 99,731	\$ 120,720
Contributions in relation to the contractually required contribution	<u>99,731</u>	<u>120,720</u>
Contribution deficiency (excess)	<u>\$ (0)</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 329,907	\$ 296,368
Contributions as a percentage of covered-employee payroll	30.23%	40.73%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

**Changes of benefit terms.**

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at:

<http://www.nmpera.org/assets/uploads/downloads/gasb-67-supplemental-reports/NMPERAEmployer-Allocation-Report-FINAL-2015.pdf>

**Changes of assumptions.**

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at:

<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>

The summary of Key Findings for the PERA Fund (on page 2 of the report) states:

- The total PERA Fund experienced an investment return of approximately \$251.5 million on the market value of assets. The actuarial value of assets smooth the unexpected portion of the market return over a four year period. The return on the actuarial value of assets was 7.64% compared to an expected return of 7.75%. As of June 30, 2015, the actuarial value of assets is 99% of market value. Table III-4 provides the development of the actuarial value of assets.
- The total actuarial loss due to the investment experience of the total PERA Fund is \$14.9 million. The loss on non-investment related items totaled \$286.5 million. The net loss due to the plan's experience was \$301.4 million.
- The total increase to the UAAL of PERA is \$410.0 million and results in a decrease to the funded ratio from 75.8% to 74.9%.
- Based on the current statutory rates and actuarial assumptions, the UAAL is projected to be fully amortized in 41 years.

For details about changes in the actuarial assumptions, see Appendix B on page 53 of the report.

**NON-MAJOR GOVERNMENTAL FUNDS**

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
FUND DESCRIPTIONS  
JUNE 30, 2016**

**SPECIAL REVENUE FUNDS**

**FIRE PROTECTION FUND**– to account for grant revenues received through the New Mexico Fire Protection Fund, Authority Section 59A-53-1 through 19, NMSA 1978.

**MVD FUND**– To account for a portion of the fees and taxes collected through the Motor Vehicle Department for payroll purposes within the MVD. Funds are restricted to motor vehicle department for payroll. No minimum balance required according to legislation.

**LOCAL CORRECTIONS FUND** – to establish an additional source of funds to municipalities to offset the costs of corrections. The source of the fund is a five dollar fee, which must be paid by all persons violating the law relating to the operations of a motor vehicle. Authority is NMSA 33-0-3.

**LAW ENFORCEMENT PROTECTION FUND** – to account for grant funds used for maintenance and development of the Town’s police force. Financing is provided by a grant from the State of New Mexico. Such revenue provides for purchase and repairs of equipment as well as classes to update the training of police personnel and may be used only for these purposes. Authority is NMSA 29-13-1.

**LODGERS TAX FUND**– 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.

**BREW FESTIVAL FUND**– to account for revenues and expenditures of the annual Brew Festival held Labor Day weekend.

**RESCUE FUND**– to account for grant revenues and expenditures for the purchase of medical supplies. Authority EMS Fund Act, DOH .24.4 NMAC.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<u>Fire Fund</u>	<u>MVD Fund</u>	<u>Corrections Fund</u>	<u>Law Enforcement Protection Fund</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Restricted Cash	3,369	-	-	-
Investments	-	-	-	-
Accounts Receivable				
Property Taxes	-	-	-	-
Other Taxes	-	-	-	-
Due From Other Governments	-	-	-	-
Miscellaneous	-	-	-	-
Due From Other Funds	13,773	-	195,545	4,407
Prepaid Expenses	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 17,142</u>	<u>\$ -</u>	<u>\$ 195,545</u>	<u>\$ 4,407</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Salaries and Benefits	-	1,424	-	-
Customer Deposits Payable	-	-	-	-
Due To Other Funds	27,523	306,481	-	44,133
Unearned Revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>27,523</u>	<u>307,905</u>	<u>-</u>	<u>44,133</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	(10,381)	(307,905)	195,545	(39,726)
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>(10,381)</u>	<u>(307,905)</u>	<u>195,545</u>	<u>(39,726)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 17,142</u>	<u>\$ -</u>	<u>\$ 195,545</u>	<u>\$ 4,407</u>

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
(continued)  
JUNE 30, 2016**

	Lodgers Tax Fund	Brew Festival Fund	Rescue Fund	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 29,304	\$ -	\$ 29,304
Restricted Cash	-	-	-	3,369
Investments	-	-	-	-
Accounts Receivable				-
Property Taxes	-	-	-	-
Other Taxes	12,632	-	-	12,632
Due From Other Gov.	80	-	-	80
Miscellaneous	-	-	-	-
Due From Other Funds	303,456	42,352	-	559,533
Prepaid Expenses	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 316,168</u>	<u>\$ 71,656</u>	<u>\$ -</u>	<u>\$ 604,918</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Salaries and Ben.	-	-	-	1,424
Customer Deposits Payable	-	-	-	-
Due To Other Funds	35,782	-	746,911	1,160,830
Unearned Revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>35,782</u>	<u>-</u>	<u>746,911</u>	<u>1,162,254</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	
Restricted	280,386	71,656	(746,911)	(557,336)
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>280,386</u>	<u>71,656</u>	<u>(746,911)</u>	<u>(557,336)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 316,168</u>	<u>\$ 71,656</u>	<u>\$ -</u>	<u>\$ 604,918</u>

See Independent Auditors' Report



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Fire Fund	MVD Fund	Corrections Fund	Law Enforcement Protection Fund
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	221,880	-	-	11,777
Federal Grants	-	-	-	-
Licenses and Fees	-	-	12,387	-
Charges for Services	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>221,880</u>	<u>-</u>	<u>12,387</u>	<u>11,777</u>
<b>EXPENDITURES</b>				
Current				
General Government	52,715	446,409	-	32,000
Public Safety	186,684	-	22,330	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>239,399</u>	<u>446,409</u>	<u>22,330</u>	<u>32,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(17,519)	(446,409)	(9,943)	(20,223)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(17,519)	(446,409)	(9,943)	(20,223)
<b>FUND BALANCE, BEGINNING</b>	<u>7,138</u>	<u>138,504</u>	<u>205,488</u>	<u>(19,503)</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ (10,381)</u>	<u>\$ (307,905)</u>	<u>\$ 195,545</u>	<u>\$ (39,726)</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS (continued)  
FOR THE YEAR ENDED JUNE 30, 2016**

	Lodgers Tax Fund	Brew Festival Fund	Rescue Fund	Total
<b>REVENUES</b>				
Property Taxes	\$ 159,032	\$ -	\$ -	\$ 159,032
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	-	-	9,500	243,157
Federal Grants	-	-	-	-
Licenses and Fees	-	6,720	-	19,107
Charges for Services	-	84,324	-	84,324
Investment Income	-	-	-	-
Miscellaneous	-	229,197	-	229,197
<b>TOTAL REVENUES</b>	<u>159,032</u>	<u>320,241</u>	<u>9,500</u>	<u>734,817</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	531,124
Public Safety	-	-	484,421	693,435
Culture and Recreation	-	248,585	-	248,585
Health and Welfare	-	-	-	-
Public Works	61,520	-	-	61,520
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>61,520</u>	<u>248,585</u>	<u>484,421</u>	<u>1,534,664</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	97,512	71,656	(474,921)	(799,847)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	97,512	71,656	(474,921)	(799,847)
<b>FUND BALANCE, BEGINNING</b>	<u>182,874</u>	<u>-</u>	<u>(271,990)</u>	<u>242,511</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 280,386</u>	<u>\$ 71,656</u>	<u>\$ (746,911)</u>	<u>\$ (557,336)</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET (NON-GAAP  
BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) –  
SPECIAL REVENUE FUND – FIRE FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	-
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	165,537	221,880	221,880	-
Federal Grants	-	-	-	-
Licenses and Fees	-	-	-	-
Charges for Services	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>165,537</u>	<u>221,880</u>	<u>221,880</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	165,537	169,160	169,160	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	-	52,720	52,715	5
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>165,537</u>	<u>221,880</u>	<u>221,875</u>	<u>5</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	5	(5)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE</b>	<u>-</u>	<u>-</u>		
<b>PRIOR YEAR CASH BALANCE BUDGETED</b>	<u>\$ -</u>	<u>\$ -</u>		

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET (NON-GAAP  
BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) –  
SPECIAL REVENUE FUND – MOTOR VEHICLE FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	-
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	-	-	-	-
Federal Grants	-	-	-	-
Licenses and Fees	-	-	-	-
Charges for Services	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
General Government	90,433	90,433	84,684	5,749
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>90,433</u>	<u>90,433</u>	<u>84,684</u>	<u>5,749</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(90,433)	(90,433)	(84,684)	(5,749)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	90,433	90,433	-	(90,433)
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>90,433</u>	<u>90,433</u>	<u>-</u>	<u>(90,433)</u>
<b>NET CHANGE</b>	<u>-</u>	<u>-</u>		
<b>PRIOR YEAR CASH BALANCE BUDGETED</b>	<u>\$ 90,433</u>	<u>\$ 90,433</u>		

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET (NON-GAAP  
BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) –  
SPECIAL REVENUE FUND – CORRECTIONS FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	-
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	-	-	-	-
Federal Grants	-	-	-	-
Licenses and Fees	30,000	30,000	12,387	(17,613)
Charges for Services	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>30,000</u>	<u>30,000</u>	<u>12,387</u>	<u>(17,613)</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	30,000	30,000	22,330	7,670
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>30,000</u>	<u>30,000</u>	<u>22,330</u>	<u>7,670</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	(9,943)	(25,283)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE</b>	-	-		
<b>PRIOR YEAR CASH BALANCE BUDGETED</b>	<u>\$ -</u>	<u>\$ -</u>		

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET (NON-GAAP  
BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) –  
SPECIAL REVENUE FUND – LAW ENFORCEMENT PROTECTION FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	-
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	32,000	32,000	32,000	-
Federal Grants	-	-	-	-
Licenses and Fees	-	-	-	-
Charges for Services	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	32,000	32,000	32,000	-
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	32,000	32,000	32,000	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	32,000	32,000	32,000	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-	-
<b>NET CHANGE</b>	-	-	-	-
 <b>PRIOR YEAR CASH BALANCE BUDGETED</b>	 \$ -	 \$ -		

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET (NON-GAAP  
BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) –  
SPECIAL REVENUE FUND – LODGERS TAX FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Property Taxes	\$ 95,000	\$ 95,000	\$ 120,378	25,378
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	-	-	-	-
Federal Grants	-	-	-	-
Licenses and Fees	-	-	-	-
Charges for Services	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	95,000	95,000	120,378	25,378
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	95,000	95,000	61,520	33,480
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	95,000	95,000	61,520	33,480
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	58,858	(8,102)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-	-
<b>NET CHANGE</b>	-	-		
<b>PRIOR YEAR CASH BALANCE BUDGETED</b>	\$ -	\$ -		

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET (NON-GAAP  
BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) –  
SPECIAL REVENUE FUND – BREW FESTIVAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	-
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	-	-	-	-
Federal Grants	-	-	-	-
Licenses and Fees	-	-	6,720	6,720
Charges for Services	527,500	1,055,000	84,324	(970,676)
Investment Income	-	-	-	-
Miscellaneous	-	-	115,002	115,002
<b>TOTAL REVENUES</b>	527,500	1,055,000	206,046	(848,954)
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	261,000	261,000	248,585	12,415
Health and Welfare	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	261,000	261,000	248,585	12,415
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	266,500	794,000	(42,539)	(861,369)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	66,000	-	(66,000)
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	66,000	-	(66,000)
<b>NET CHANGE</b>	266,500	860,000		
<b>PRIOR YEAR CASH BALANCE BUDGETED</b>	\$ -	\$ -		

See Independent Auditors' Report



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET (NON-GAAP  
BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) –  
SPECIAL REVENUE FUND – RESCUE FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	-
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	-	9,500	9,500	-
Federal Grants	-	-	-	-
Licenses and Fees	-	-	-	-
Charges for Services	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>9,500</u>	<u>9,500</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	-	9,500	9,500	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>9,500</u>	<u>9,500</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NET CHANGE</b>	-	-		
<b>PRIOR YEAR CASH BALANCE BUDGETED</b>	<u>\$ -</u>	<u>\$ -</u>		

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET (NON-GAAP  
BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) –  
PROPRIETARY FUND – CAMPGROUND FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 119,000	\$ 419,500	\$ 149,018	\$ (270,482)
<b>TOTAL OPERATING REVENUES</b>	119,000	419,500	149,018	(270,482)
<b>OPERATING EXPENSES</b>				
General and Administrative	-	-	-	-
Personnel Services	125,846	77,346	60,637	16,709
Contractual Services	-	-	-	-
Supplies and Purchased Power	-	1,000	483	517
Maintenance and Materials	-	15,000	14,120	880
Utilities	-	25,000	22,728	2,272
Depreciation	-	-	-	-
Capital Outlay	-	5,000	4,800	200
Miscellaneous	-	3,000	2,718	282
<b>TOTAL OPERATING EXPENSES</b>	125,846	126,346	105,486	20,860
<b>OPERATING INCOME (LOSS)</b>	(6,846)	293,154	43,532	(291,342)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Taxes	-	-	-	-
Housing Assistance Payments	-	-	-	-
Interest Income	-	-	-	-
Interest Expense	-	-	-	-
Grant Revenue	-	-	-	-
Miscellaneous Income	-	-	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	-	-	-	-
<b>EXCESS OF REVENUES OVER EXPENSES</b>	(6,846)	293,154	43,532	(291,342)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-	-
<b>NET CHANGE</b>	(6,846)	293,154	\$ 43,532	\$ (291,342)
<b>Prior Year Cash Balance Budgeted</b>	\$ 6,846	\$ -		

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET (NON-GAAP  
BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) –  
PROPRIETARY FUND – WATER AND SEWER FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 3,430,202	\$ 4,329,917	\$ 4,349,692	\$ 19,775
<b>TOTAL OPERATING REVENUES</b>	<u>3,430,202</u>	<u>4,329,917</u>	<u>4,349,692</u>	<u>19,775</u>
<b>OPERATING EXPENSES</b>				
General and Administrative	-	-	-	-
Personnel Services	2,793,891	1,368,316	803,134	565,182
Contractual Services	-	720,000	715,179	4,821
Supplies and Purchased Power	-	35,000	32,778	2,222
Maintenance and Materials	-	175,000	166,000	9,000
Utilities	-	280,000	278,887	1,113
Depreciation	-	-	-	-
Capital Outlay	-	130,000	126,570	3,430
Miscellaneous	-	160,000	153,694	6,306
<b>TOTAL OPERATING EXPENSES</b>	<u>2,793,891</u>	<u>2,868,316</u>	<u>2,276,242</u>	<u>592,074</u>
<b>OPERATING INCOME (LOSS)</b>	<u>636,311</u>	<u>1,461,601</u>	<u>2,073,450</u>	<u>(572,299)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Taxes	127,754	140,727	140,727	-
Housing Assistance Payments	-	-	-	-
Interest Income	-	-	46,692	46,692
Interest Expense	-	-	-	-
Grant Revenue	-	-	-	-
Miscellaneous Income	110,000	171,409	16,278	(155,131)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>237,754</u>	<u>312,136</u>	<u>203,697</u>	<u>(108,439)</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>874,065</u>	<u>1,773,737</u>	<u>2,277,147</u>	<u>(680,738)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	11,224	37,224	-	(37,224)
Transfers out	(917,268)	(1,401,902)	-	1,401,902
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(906,044)</u>	<u>(1,364,678)</u>	<u>-</u>	<u>1,364,678</u>
<b>NET CHANGE</b>	<u>(31,979)</u>	<u>409,059</u>	<u>\$ 2,277,147</u>	<u>\$ 683,940</u>
<b>Prior Year Cash Balance Budgeted</b>	<u>\$ 31,979</u>	<u>\$ -</u>		

See Independent Auditors' Report

## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY  
FOR PUBLIC FUNDS  
JUNE 30, 2016**

<b>For Accounts Held With</b>	<b>Description</b>	<b>Fair Market Value</b>	<b>Maturity Date</b>	<b>Name and Location of Safekeeper</b>
US Bank	Letter of Credit	\$ 600,000	N/A	Federal Home Loan of Cincinnati
US Bank	Letter of Credit	7,000,000	N/A	Federal Home Loan of Cincinnati
US Bank	Letter of Credit	<u>300,000</u>	N/A	Federal Home Loan of Cincinnati
		<u>\$ 7,900,000</u>		

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS  
JUNE 30, 2016**

<b>Bank Name/Account Name</b>	<b>Acct Type</b>	<b>Bank Balance</b>	<b>Reconciling Items</b>	<b>Carrying Balance</b>
US Bank:				
General Non interest-Bearing checking	Checking	\$ 4,017,612	\$ (162,728)	\$ 3,854,884
Court Cash Bonds Non interest-Bearing checking	Checking	28,119	-	28,119
Wine Festival Non interest-Bearing checking	Checking	29,304	-	29,304
Police Department	Checking		-	-
Bond (savings)	Savings	612,888	-	612,888
General Debt Service	Investment	1,073,304	-	1,073,304
Debt Service - Investment	Investment	794,221	-	794,221
Permit-Free Checking	Checking	125,065	-	125,065
Prices Water Rights	Savings	7,813	-	7,813
CDBG	Checking	431,019	-	431,019
General Fund Savings	Savings	606,831	-	606,831
NMFA	Loan	258,700	-	258,700
NMFA	Loan	3,369	-	3,369
NMFA	Loan	29,456	-	29,456
		<u>\$ 8,017,701</u>	<u>\$ (162,728)</u>	<u>\$ 7,854,973</u>

See Independent Auditors' Report

**TOWN OF BERNALILLO**  
**SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (excluding GRT)**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Prepared by: Lupita DeHererra Title: Treasurer/ Finance Director Date: December 8, 2016

<i>RFB# /RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded</i>	<i>In-State/ Out-of- State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in- state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
ITB # 2013-04	Invitation for Bid	Integration & Control Solution	\$ 164,600.00		Integration & Control Solutions, 4485 Irving Blvd NW, Albuquerque, NM 87114	In-State	Yes-No-N/A	Design,construct,program Scada system for (3) wells
NA	NA	Cooperative Education Service	\$ 63,241.00		Cooperative Educational Services, 4216 Balloon Park Rd NE, Albuq. NM 87109	In-State	Y-N/A-N/A	Purchase (2) trucks for Water Department
NA	Invitation for Bid	Melloy Dodge	\$ 73,800.00		Melloy Dodge, 9621 Coors Blvd.NW, Albuquerque, NM 87114	In-State	Yes-N/A-N/A	Purchase (3) Dodge Police Chargers
NA	Invitation for Bid	Wilson & Company	\$ 62,241.00		Wilson & Company, 4900 Long Ave NE, Albuquerque, NM 87109	In-State	Yes-N/A-N/a	South Hill Design
CDBG - 13-C- NR-I-G- 02	Invitation for Bid	RMCI, Inc	\$ 243,775.00		RMCI, Inc., PO Box 91447, Albuquerque, NM 87199	In-State	Yes-N/A-N/A	Rehab of Well #2, new pump, piping & equipment in well house
					Hays Plumbing & Heating, 600 Railroad Ave., Las Vegas, NM 87701			

## **COMPLIANCE SECTION**





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

**Independent Auditors' Report**

Honorable Timothy Keller  
New Mexico State Auditor  
Santa Fe, New Mexico  
and

To the Honorable Mayor and the Town Council  
Town of Bernalillo  
Bernalillo, New Mexico

We have been 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, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund, major special revenue funds, major capital projects funds and major debt service funds of the State of New Mexico, Town of Bernalillo (Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Town, presented as supplemental information and have issued our report dated December 9, 2016. We did not express an opinion on the financial statements because of inadequacy of accounting records. Except as discussed in the previous sentence, we conducted our 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.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 discussed 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 Town'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* to be material weaknesses - 2006-003, 2006-008, 2007-002, 2007-003 and 2008-004.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany *schedule of findings and responses* to be significant deficiencies - 2008-006.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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, 2016-001, 2016-002 and 2016-003.

### **Town's Response to Findings**

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we do not express an opinion on them.

### **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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kubiak Melton & Associates, LLC*

Kubiak Melton & Associates, LLC  
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico  
December 9, 2016

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**SECTION I. CURRENT YEAR FINDINGS**

**2006-003 – Accounts Receivables Records and Procedures – Material Weakness (Repeated)**

**Condition:** Due to an excessive penalty policy, which existed in prior year, 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 2007-09 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 2016 general ledger. The auditors were unable to obtain a reliable listing for proprietary receivables as of June 30, 2016.

**Management's Progress:** The Town has contracted an independent contractor to address this issue. The amounts that require adjustment are being determined.

**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 statement 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 the fiscal year 2016 general ledger due to software implementation errors.

**Auditors' 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.

**Management's Response:** Management agrees with the recommendation. The Town is working on a plan to address this finding. The plan will include reviewing each utility account to determine if it is a current receivable or if should be deemed uncollectable. Once it is determined which accounts are uncollectable, they will be presented to the Council for approval and to DFA for their final approval.

**Timeline:** This finding is expected to be corrected by June 30, 2017.

**Responsible Party:** The Treasurer and the Utility/Cash Collection department, will review each customer account to determine the correct total for Accounts Receivable and what accounts should be deemed as "Uncollectable".

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**2006-008 – Reconciliation and Recording of Bank Accounts – Material Weakness (Repeated)**

**Condition:** We noted a material bank account that wasn't reflected the Town's general ledger. We also noted material unreconciled balances in several funds at June 30, 2016 that could not be substantiated. Additionally, the Town did not reconcile or account for the activity and balances maintained in the NMFA debt service accounts. It was noted during the fiscal year 2016 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.

**Management's Progress:** The Town has contracted an independent contractor to address this issue. The contractor and the Town are working to determine the final adjustments to be made to the general ledger.

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

**Effect:** The Town is a 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.

**Cause:** The Town did not have a procedure for tracking bank accounts to ensure that all are captured on the general ledger and reconciled.

**Auditors' 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.

**Management's Response:** Management agrees with the recommendation. The Town has included all the bank accounts and are now reconciling the bank statements to the general ledger on a monthly basis. *Timeline:* This finding has been corrected as of the release of this audit report.

**Responsible Party:** Treasurer and Payroll Clerk. Payroll Clerk is tasked with reconciling all the bank accounts, the Treasurer reviews and approves the reconciliation of the bank accounts.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**2007-002 – Internal Control over Financial Reporting – Material Weakness (Repeated)**

**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 their 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.

**Management's Progress:** The Town has contracted an independent contractor to address this issue.

**Criteria:** Town management is responsible for establishing and maintaining internal controls that include controls for 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 misstatement would be prevented and/or detected. A disclaimer of opinion was issued on the Town's financial statements in part 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.

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

**Management's Response:** The Town has implemented financial policies and procedures which address this issue. At this time management is following these procedures to insure verification of amounts on the financial statements. *Timeline:* The financial policies and procedures have been implemented and are being adhered to as of the release of this audit report.

**Responsible Party:** Treasurer and Finance Staff.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**2007-003 – Year-End Cutoff – Material Weakness (Repeated)**

**Condition:** The Town does not have a formal procedure in place to identify significant receivables existing at year end.

**Management's Progress:** The Town has contracted an independent contractor to address this issue.

**Criteria:** According to generally accepted accounting principles (GAAP), the Town must record revenues in the year which they are earned.

**Effect:** The Town is at risk of misstating the financial statements.

**Cause:** Town staff wasn't aware of all items that were earned in FY2016, and thus did not provide a complete list of receivables at year-end.

**Auditors' Recommendation:** The Town should develop a process to review and track receipts/revenues occurring after year end, but attributed that will accurately monitor and record all year-end revenue activity.

**Management's Response:** Management agrees with the recommendation. The Town will monitor and record all of the year-end revenue activity. A spreadsheet will be developed to identify prior year and current year revenues. *Timeline:* The procedure will be written and will be followed for the FY2016-2017.

**Responsible Party:** Treasurer and Accounts Payable Clerk.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**2008-004 – Insufficient Capital Asset Support – Material Weakness (Repeated)**

**Condition:** The Town did not provide an accurate or complete listing of fiscal year 2016 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.

**Management's Progress:** The Town has contracted an independent contractor to address this issue. In addition, the Town is working internally to finalize a capital asset listing.

**Criteria:** Management is responsible for establishing and maintaining internal controls that included controls for the Town's capital assets. Controls should include reconciliation of all a capital expenditures to capital asset additions, as well as an annual physical inventory.

**Cause:** Limited staff size resources contributed to difficulties in establishing adequate controls over capital assets.

**Effect:** The Town's control 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 in part due to our inability to obtain a sufficient, up-to-date capital asset listing.

**Auditors' Recommendation:** The Town should implement effective internal control procedures to ensure completeness of capital asset balances reported.

**Management's Response:** The Town with the assistance of our independent contractor, has started this process. The Finance Department will develop a system to enter and keep track of current capital assets and assets which will be deleted. The Town is in the process of establishing the policy and procedure to accurately account for Capital Assets. Once this completed we will have the departments at year-end conduct a physical inventory of their assets. *Timeline:* Staff has been working on this and will have the procedure completed by March 2017.

**Responsible Party:** Treasurer, Department Supervisors and Finance staff.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**2008-005 — Internal Controls over Disbursements –Noncompliance (Repeated and Modified)**

**Condition:** During our test work of disbursements, we noted:

- Four of twenty six purchases were purchased without prior authorization. The amount of the purchases totaled \$25,297.
- One out of twenty six disbursements that did not have a purchase order for the item purchased. The amount of the purchase totaled \$1,720.

**Management's Progress:** Management was very concerned about the breakdown in these new policies and procedures. They think that it's due to a lack of communication of policies to all Town employees. They are planning to better communicate policies and procedures and train when necessary.

**Criteria:** NMAC 6.20.2.17 states that each governmental entity shall establish and implement written policies and procedures for purchasing, which shall be in compliance with the procurement code Section 13-1-21, NMSA 1978. The Town's policy requires purchase requisitions and purchase orders to be obtained and approved prior to procurement of goods and services.

**Effect:** The Town did not comply with NMSA 1978 Section 13-1-21 and NMAC 6.20.2.17. The Town's internal controls over purchasing authorization limits management's ability to monitor the accuracy of transactions and provide assurance with respect to public funds.

**Cause:** The Town did not ensure purchases were properly authorized and that purchase orders were issued for every procurement transaction.

**Auditors' Recommendations:** We recommend the Town exercise more caution with purchase authorization procedures to ensure similar instances do not occur.

**Management's Response:** Management will reiterate Town policies and procedures surrounding purchase authorization to all Town staff. Town policies and procedures regarding purchases will be disseminated via email. Town Staff will be expected to follow Town policies and procedures for purchases. *Timeline:* this procedure is currently being done as of the date this report was released, however, we are closely monitoring the procedure in order to avoid any purchase without purchase orders.

**Responsible Party:** Town Staff, coordinated by the Treasurer with Town Council Oversight. Beginning December 2016.



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**2008-006 – Fund Balance Deficits – Significant Deficiency (Repeated)**

**Condition:** At year-end the following individual funds reported deficits in fund balance:

- Fire Fund: \$10,381
- MVD Fund: \$307,905
- Law Enforcement: \$39,726
- Rescue Fund: \$746,911
- Gas Tax Fund: \$6,581,481

**Management's Progress:** The Town has contracted an independent contractor to address this issue along with others; the number of deficit balances has reduced in recent audits.

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

**Cause:** Ineffective monitoring of expenditures in prior years and cash reconciliation deficiencies have resulted in the deficits reported.

**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).

**Auditors' 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.

**Management's Response:** Town management recognizes the need to correct fund balances. Management agrees with the recommendation. The Town has been able to address this issue and will continue to review and monitor all funds to avoid any Fund Balance deficits. *Timeline:* This finding is expected to be corrected by June 30, 2017.

**Responsible Party:** Treasurer and Finance Staff.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**2016-001 – Internal Controls over Receipts and Deposits – Noncompliance**

**Condition:** During our testwork of the Town's cash receipts and deposits, we noted:

- Three out of nine deposits tested were not sent to the bank in a timely manner. These deposits amounted to \$23,638.
- One out of nine deposits tested had two different totals on a bank deposit slip. The difference in the two totals was \$90.

**Criteria:** Appropriate internal controls over cash receipts is required to properly report all revenues as required by Section 6-10-10, NMSA 1978 law. These controls were not operating during FY2016.

**Effect:** Cash and checks that are not deposited timely create a risk of the opportunity for misappropriation.

**Cause:** Management may have been unaware to deposit the receipts pursuant to New Mexico laws.

**Auditors' Recommendation:** We recommend that management communicate and verify that deposits are being made timely per New Mexico laws.

**Management's Response:** Management will reiterate Town policies and procedures surrounding receipts and deposits to all staff. Town policies and procedures regarding receipts and deposits will be disseminated via email. Town staff that is in receipt of cash or checks will be expected to follow Town policies and procedures. *Timeline:* The processes to fix this finding are currently in place as of the release of this audit. We are continuing to monitor this finding in order to verify that it is corrected by June 30, 2017.

**Responsible Party:** Town staff that is in receipt of cash or checks, coordinated by the Treasurer with Town Council Oversight. Beginning December 2016.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**2016-002 – Per Diem and Mileage Act –Noncompliance**

**Condition:** During our test work of the Town’s compliance with the per diem and mileage act, we noted the following:

- One out of ten instances where Town employees were advanced 100% of mileage instead of the required 80% advancement. The difference between 80% and 100% totaled \$45.
- Six out of ten instances where Town employees were paid the incorrect mileage rate. The differences in these incorrect payments totaled \$24.63.

**Criteria:** According to NMAC 2.42.2.10, an employee may be advanced up to 80 percent of per diem rates and mileage cost. According to NMAC 2.42.2.11, Mileage accrued in the use of a private conveyance shall be paid only in accordance with the provisions of this section. Rate: Public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the discharge of official duties as follows: unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA 1978, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

**Cause:** The Town does not have adequate internal controls over travel and per diem expenditures.

**Effect:** The Town is in not in compliance with New Mexico law.

**Auditors’ Recommendation:** We recommend that the Town improve internal controls over their travel and per diem reimbursement and advance to match the requirements provided by NMAC 2.42.2.

**Management’s Response:** The Town is in the process of revising the Travel Policy to concede with State Of New Mexico Travel Policy. The travel policy will be presented to the governing body for their review and approval. Once it has been approved by the governing body, a copy of the approved policy will be given to each employee, so they are aware of the current travel policy. The Town will also include a review and approval of the mileage rates annually at a regularly scheduled board meeting in January of each year. *Timeline:* The Town’s Travel Policy is being revised to concede with the State of New Mexico Travel Policy. The Policy will be presented to Town Council for their approval at the February meeting. State of New Mexico travel policy is being followed as of January 2017.

**Responsible Party:** Accounts Payable staff that is in receipt of Per Diem and Mileage reimbursement requests, coordinated by the Treasurer with Town Council Oversight. Beginning December 2016.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**2016-003 – Procurement – Material Noncompliance**

**Condition:** During our test work of the Town's compliance its' procurement policy we noted the following:

- One out of six instances where the Town purchased goods or services and did not follow its' own procurement policy. The Town obtained one written bid for a purchase of \$73,800 for the purchase of three police pursuit vehicles. We also noted that there was no evidence of a formal bid process for the purchase or use of the State's vendors with whom they have contracts.

**Criteria:** Per the Town's purchasing policy, the Town adopted and adheres to section 13-1-28 through 13-1-199 NMSA 1978. For purchases of \$60,001 and above, other than professional services, requires competitive written bids or proposals responsive to a formal, written Invitation for Bids (IFB) or Request for Proposal (RFP).

**Cause:** The Town does not have adequate internal controls over its procurement policy.

**Effect:** The Town was not in compliance with New Mexico law. They could potentially be overpaying for goods by not seeking the lowest cost to the Town.

**Auditors' Recommendation:** We recommend that the Town improve internal controls over their procurement policies to ensure that the Town is receiving the best possible price for goods and services.

**Management's Response:** The Town noted that this was an isolated instance and will communicate with the Town personnel to follow policies and procedures. Timeline: The new procedures are being followed as of the beginning of the 2016-2017 fiscal year.

**Responsible Party:** Treasurer and Finance Staff.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**SECTION II. STATUS OF PRIOR YEAR AUDIT FINDINGS**

<b><u>Finding Number</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
2006-003	Accounts Receivables Records and Procedures	Repeated
2006-008	Reconciliation and Recording of Bank Accounts	Repeated
2007-001	Comprehensive Set of Policies	Resolved
2007-002	Internal Control over Financial Reporting	Repeated
2007-003	Year-End Cutoff	Repeated
2008-004	Insufficient Capital Asset Support	Repeated
2008-005	Internal Controls over Disbursements	Repeated
2008-006	Fund Balance Deficits	Repeated

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2016**

An exit conference was held on December 9, 2016 to discuss the results of the audit. Attending were the following:

Representing the Town:

Jack Torres, Mayor  
Marian A. Jaramillo, Councilor  
Lupita DeHererra, Treasurer/Finance Director

Representing the Independent Auditors:

Daniel O. Trujillo, CPA, CFE, CGFM, CGMA  
Andrew Quintana, CPA

Note: The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of the Town's Treasurer/Finance Manager. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles. Management has reviewed and approved the financial statements.