

STATE OF NEW MEXICO  
TOWN OF BERNALILLO

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

**FOR THE YEAR ENDED JUNE 30, 2017**



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

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**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

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STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
OFFICIAL ROSTER  
AS OF JUNE 30, 2017

**TOWN COUNCIL**

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

**TOWN OFFICIALS**

Ida Fierro..... Town Administrator / Clerk  
Lupita DeHerrera .....Town Treasurer / Finance Director



## Independent Auditors' Report

Honorable Wayne Johnson

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 governmental funds of the Town of Bernalillo (the "Town"), New Mexico, as of and for the year ended June 30, 2017, 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 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, 2017, 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 responsibility 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

### **Basis for Adverse Opinion on the Financial Statements as a Whole**

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, and business-type activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements of the Town's governmental activities, and business-type activities have not been determined.

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Financial Statements as a Whole" paragraph, the financial statements referred to above do not present fairly the financial position of the Town, or the changes in financial position or, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 50-52, the *Schedule of Town's Contributions* on pages 53-55, and the notes to required supplementary information on page 56 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.

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. We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, and business-type activities.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 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 12, 2017



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 8,576,647	\$ 380,245	\$ 8,956,892
Restricted Cash	32,825	258,700	291,525
Investments	-	876,742	876,742
Accounts and Taxes Receivable:			
Property Taxes	6,392	-	6,392
Other Taxes	1,909,034	20,221	1,929,255
Due From Other Governments	249,594	-	249,594
Due From Customers	-	649,652	649,652
Due From Other Funds	1,290,212	-	1,290,212
<b>Total Current Assets</b>	<u>12,064,704</u>	<u>2,185,560</u>	<u>14,250,264</u>
<b>Noncurrent Assets:</b>			
Capital Assets			
Capital Assets Not Being Depreciated	6,986,002	377,428	7,363,430
Capital Assets Being Depreciated	22,175,726	18,506,499	40,682,225
Less: Accumulated Depreciation	<u>(10,036,128)</u>	<u>(6,439,783)</u>	<u>(16,475,911)</u>
<b>Total Noncurrent Assets</b>	<u>19,125,600</u>	<u>12,444,144</u>	<u>31,569,744</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Outflows of Resources, Pension Related	<u>2,980,026</u>	<u>745,007</u>	<u>3,725,033</u>
<b>Total Deferred Outflows of Resources</b>	<u>2,980,026</u>	<u>745,007</u>	<u>3,725,033</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 34,170,330</u>	<u>\$ 15,374,711</u>	<u>\$ 49,545,041</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 652,726	\$ 330,771	\$ 983,497
Accrued Salaries and Benefits	71,086	718	71,804
Customer Deposits Payable	10,915	5,779	16,694
Due to Other Funds	-	1,290,212	1,290,212
Accrued Compensated Absences	174,290	50,397	224,687
Current Portion of Loans and Bonds Payable	420,764	589,948	1,010,712
Net Pension Liability	<u>7,746,175</u>	<u>1,936,544</u>	<u>9,682,719</u>
<b>Total Current Liabilities</b>	9,075,956	4,204,369	13,280,325
<b>Noncurrent Liabilities:</b>			
Loans and Bonds Payable, Long-term	<u>2,427,008</u>	<u>7,144,287</u>	<u>9,571,295</u>
<b>Total Noncurrent Liabilities</b>	<u>2,427,008</u>	<u>7,144,287</u>	<u>9,571,295</u>
<b>TOTAL LIABILITIES</b>	<u>11,502,964</u>	<u>11,348,656</u>	<u>22,851,620</u>
<b>Deferred Inflows of Resources:</b>			
Deferred Inflows of Resources, Pension Related	<u>88,110</u>	<u>22,027</u>	<u>110,137</u>
<b>Total Deferred Inflows of Resources</b>	<u>88,110</u>	<u>22,027</u>	<u>110,137</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>11,591,074</u>	<u>11,370,683</u>	<u>22,961,757</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	16,277,828	4,709,909	20,987,737
Restricted	(4,842,331)	-	(4,842,331)
Unrestricted	<u>11,143,759</u>	<u>(705,881)</u>	<u>10,437,878</u>
<b>Total Net Position</b>	<u>22,579,256</u>	<u>4,004,028</u>	<u>26,583,284</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 34,170,330</u>	<u>\$ 15,374,711</u>	<u>\$ 49,545,041</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, 2017**

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contrib.	Government Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental Activities</b>							
General Government	\$ 4,886,248	\$ 11,059	\$ 171,943	\$ -	\$ (4,703,246)	\$ -	\$ (4,703,246)
Public Safety	407,854	50,193	-	-	(357,661)	-	(357,661)
Culture and Recreation	608,867	-	-	-	(608,867)	-	(608,867)
Health and Welfare	-	-	-	-	-	-	-
Public Works	3,128,022	-	2,104,752	-	(1,023,270)	-	(1,023,270)
Change in Compensated Absences	2,007	-	-	-	(2,007)	-	(2,007)
Interest on Long-Term Debt	97,995	-	-	-	(97,995)	-	(97,995)
Change in Pension Expense	904,967	-	-	-	(904,967)	-	(904,967)
Total Governmental Activities	<u>10,035,960</u>	<u>61,252</u>	<u>2,276,695</u>	<u>-</u>	<u>(7,698,013)</u>	<u>-</u>	<u>(7,698,013)</u>
<b>Business-Type Activities</b>							
Campground	92,080	161,236	-	-	-	69,156	69,156
Water and Sewer	2,262,010	4,570,860	-	-	-	2,308,850	2,308,850
Change in Compensated Absences	3,118	-	-	-	-	(3,118)	(3,118)
Depreciation Expense	558,122	-	-	-	-	(558,122)	(558,122)
Debt Service Interest	332,375	-	-	-	-	(332,375)	(332,375)
Pension Expense	<u>226,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(226,242)</u>	<u>(226,242)</u>
Total Business-Type Activities	<u>\$ 3,473,947</u>	<u>\$ 4,732,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,258,149</u>	<u>\$ 1,258,149</u>
<b>General Revenues:</b>							
Taxes:							
Property Taxes levied for general purposes					879,887	153,295	1,033,182
Other Taxes					599,467	-	599,467
Gross Receipts Taxes					6,017,221	-	6,017,221
Interest Income/(Expense)					1,167	105,769	106,936
Net Transfers					438,566	-	438,566
Miscellaneous Income					609,735	922	610,657
Subtotal, General Revenues					<u>8,546,043</u>	<u>259,986</u>	<u>8,806,029</u>
Change in Net Position					848,030	1,518,135	2,366,165
Beginning Net Position					14,321,159	5,960,459	20,281,618
Restatement					<u>7,410,067</u>	<u>(3,474,566)</u>	<u>3,935,501</u>
Net Position as Restated					<u>21,731,226</u>	<u>2,485,893</u>	<u>24,217,119</u>
<b>Ending Net Position</b>					<u>\$ 22,579,256</u>	<u>\$ 4,004,028</u>	<u>\$ 26,583,284</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<b>General Fund</b>	<b>Gas Tax Fund</b>	<b>Capital Projects Fund</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,393,056	\$ -	\$ 613,500
Restricted Cash	-	-	-
Investments	-	-	-
Accounts Receivable:			
Property Taxes	6,392	-	-
Other Taxes	1,011,867	883,751	-
Due From Other Governments	48,001	-	90,582
Miscellaneous	-	-	-
Due From Other Funds	11,662,248	-	-
Prepaid Expenses	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 19,121,564</u>	<u>\$ 883,751</u>	<u>\$ 704,082</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 652,726	\$ -	\$ -
Accrued Salaries and Benefits	69,501	-	-
Customer Deposits Payable	10,915	-	-
Due To Other Funds	1,613,058	7,403,402	498,748
Unearned Revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<u>2,346,200</u>	<u>7,403,402</u>	<u>498,748</u>
 <b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	(6,519,651)	205,334
Restricted - Minimum Fund Balance	603,056	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	16,172,308	-	-
<b>TOTAL FUND BALANCES</b>	<u>16,775,364</u>	<u>(6,519,651)</u>	<u>205,334</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 19,121,564</u>	<u>\$ 883,751</u>	<u>\$ 704,082</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)  
JUNE 30, 2017**

	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,527,312	\$ 42,779	\$ 8,576,647
Restricted Cash	29,456	3,369	32,825
Investments	-	-	-
Accounts Receivable:			
Property Taxes	-	-	6,392
Other Taxes	-	13,416	1,909,034
Due From Other Governments	-	111,011	249,594
Miscellaneous	-	-	-
Due From Other Funds	-	626,607	12,288,855
Prepaid Expenses	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 1,556,768</u></b>	<b><u>\$ 797,182</u></b>	<b><u>\$ 23,063,347</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ 652,726
Accrued Salaries and Benefits	-	1,585	71,086
Customer Deposits Payable	-	-	10,915
Due To Other Funds	270,029	1,213,406	10,998,643
Unearned Revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>270,029</u></b>	<b><u>1,214,991</u></b>	<b><u>11,733,370</u></b>
 <b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	1,286,739	(417,809)	(5,445,387)
Restricted - Minimum Fund Balance	-	-	603,056
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	16,172,308
<b>TOTAL FUND BALANCES</b>	<b><u>1,286,739</u></b>	<b><u>(417,809)</u></b>	<b><u>11,329,977</u></b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b><u>\$ 1,556,768</u></b>	 <b><u>\$ 797,182</u></b>	 <b><u>\$ 23,063,347</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, 2017**

**Total Fund Balance - Governmental Funds** **\$ 11,329,977**

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	29,161,728	
Less: Accumulated Depreciation	<u>(10,036,128)</u>	
Capital Assets, Net		19,125,600

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	2,980,026	
Deferred Inflows Related to GASB 68	(88,110)	

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	(174,290)	
Net Pension Liability	(7,746,175)	
Long-Term Debt	<u>(2,847,772)</u>	
Total		<u>(10,768,237)</u>

**Net Position of Governmental Activities** **\$ 22,579,256**

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Gas Tax Fund</u>	<u>Capital Projects Fund</u>
<b>REVENUES</b>			
Property Taxes	\$ 749,117	\$ -	\$ -
Gross Receipts Taxes	6,017,221	-	-
Other Taxes	226,790	372,677	-
State Grants	171,943	1,174,725	240,152
Federal Grants	-	-	-
Licenses and Fees	416,064	-	-
Charges for Services	11,059	-	-
Investment Income	555	-	612
Miscellaneous	157,388	-	-
<b>TOTAL REVENUES</b>	<u>7,750,137</u>	<u>1,547,402</u>	<u>240,764</u>
<b>EXPENDITURES</b>			
Current			
General Government	4,721,474	-	-
Public Safety	11,466	-	-
Culture and Recreation	406,222	-	-
Health and Welfare	-	-	-
Public Works	1,381,678	1,485,572	-
Capital Outlay	582,297	-	598,985
Debt Service Principal	-	-	-
Debt Service Interest	-	-	-
Bond Issuance Costs	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>7,103,137</u>	<u>1,485,572</u>	<u>598,985</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	647,000	61,830	(358,221)
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds From Note Payable	-	-	-
Discount on Bonds Payable	-	-	-
Transfers in	-	-	-
Transfers out	(352,660)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(352,660)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	294,340	61,830	(358,221)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>16,481,024</u>	<u>(6,581,481)</u>	<u>563,555</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 16,775,364</u>	<u>\$ (6,519,651)</u>	<u>\$ 205,334</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, 2017**

	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>REVENUES</b>			
Property Taxes	\$ -	\$ 130,770	\$ 879,887
Gross Receipts Taxes	-	-	6,017,221
Other Taxes	-	-	599,467
State Grants	-	689,875	2,276,695
Federal Grants	-	-	-
Licenses and Fees	-	26,478	442,542
Charges for Services	-	50,193	61,252
Investment Income	-	-	1,167
Miscellaneous	-	9,805	167,193
<b>TOTAL REVENUES</b>	<u>-</u>	<u>907,121</u>	<u>10,445,424</u>
<b>EXPENDITURES</b>			
Current			
General Government	-	(826)	4,720,648
Public Safety	-	223,677	235,143
Culture and Recreation	-	133,684	539,906
Health and Welfare	-	-	-
Public Works	-	61,626	2,928,876
Capital Outlay	-	293,099	1,474,381
Debt Service Principal	69,522	-	69,522
Debt Service Interest	97,995	-	97,995
Bond Issuance Costs	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>167,517</u>	<u>711,260</u>	<u>10,066,471</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(167,517)	195,861	378,953
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds From Note Payable	-	-	-
Discount on Bonds Payable	-	-	-
Transfers in	847,560	-	847,560
Transfers out	-	(56,334)	(408,994)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>847,560</u>	<u>(56,334)</u>	<u>438,566</u>
<b>NET CHANGE IN FUND BALANCES</b>	680,043	139,527	817,519
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>606,696</u>	<u>(557,336)</u>	<u>10,512,458</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 1,286,739</u>	<u>\$ (417,809)</u>	<u>\$ 11,329,977</u>

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, 2017**

**Net Changes in Fund Balance - Governmental Funds** \$ 817,519

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	1,474,381
Depreciation Expense	(606,418)

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

Pension Expense	(904,967)
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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):

Payments on Long-Term Debt	69,522
(Increase) Decrease in Compensated Absences	(2,007)
	_____

**Change in Net Position of Governmental Activities** \$ 848,030



**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, 2017**

	Original Budget	Final Budget	Actual	Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Property Taxes	\$ 752,305	\$ 752,305	\$ 756,829	4,524
Gross Receipts Taxes	6,339,121	6,339,121	5,855,842	(483,279)
Other Taxes	234,246	234,246	235,805	1,559
State Grants	190,000	190,000	171,943	(18,057)
Federal Grants	-	-	-	-
Licenses and Fees	450,673	450,673	403,390	(47,283)
Charges for Services	10,500	23,115	11,059	(12,056)
Investment Income	152,000	152,000	152,555	555
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<b>8,128,845</b>	<b>8,141,460</b>	<b>7,587,423</b>	<b>(554,037)</b>
<b>EXPENDITURES</b>				
Current				
General Government	3,016,822	3,056,822	4,855,003	(1,798,181)
Public Safety	3,715,641	3,668,839	11,466	3,657,373
Culture and Recreation	1,744,101	1,400,402	415,044	985,358
Health and Welfare	-	-	-	-
Public Works	-	-	1,385,639	(1,385,639)
Capital Outlay	-	-	569,514	(569,514)
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>8,476,564</b>	<b>8,126,063</b>	<b>7,236,666</b>	<b>889,397</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(347,719)</b>	<b>15,397</b>	<b>350,757</b>	<b>(1,443,434)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(443,199)	(1,507,663)	(352,660)	1,155,003
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(443,199)</b>	<b>(1,507,663)</b>	<b>(352,660)</b>	<b>1,155,003</b>
<b>NET CHANGE</b>	<b>(790,918)</b>	<b>(1,492,266)</b>		
<b>PRIOR YEAR CASH BALANCE BUDGETED</b>	<b>\$ 790,918</b>	<b>\$ 1,492,266</b>		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 7,587,423
Revenues, Actual on Modified Accrual Basis	7,750,137
Adjustments to revenues for property tax and grant revenues	\$ (162,714)
Expenditures, Actual on a Budget Basis	\$ 7,589,326
Expenditures, Actual on Modified Accrual Basis	7,455,797
Adjustments to expenditures for insurance, materials, other charges and payroll	\$ 133,529

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, 2017**

	Original Budget	Final Budget	Actual	Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	-
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	344,209	344,209
State Grants	1,400,000	1,400,000	378,454	(1,021,546)
Federal Grants	-	-	-	-
Licenses and Fees	-	-	-	-
Charges for Services	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<b>1,400,000</b>	<b>1,400,000</b>	<b>722,663</b>	<b>(677,337)</b>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	1,762,500	1,762,500	1,485,572	276,928
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,762,500</b>	<b>1,762,500</b>	<b>1,485,572</b>	<b>276,928</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(362,500)	(362,500)	(762,909)	(954,265)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	256,750	-	(256,750)
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>256,750</b>	<b>-</b>	<b>(256,750)</b>
<b>NET CHANGE</b>	<b>(362,500)</b>	<b>(105,750)</b>		
<b>PRIOR YEAR CASH BALANCE BUDGETED</b>	<b>\$ 362,500</b>	<b>\$ 105,750</b>		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 722,663
Revenues, Actual on Modified Accrual Basis	1,547,402
Adjustments to revenues for property tax and grant revenues	\$ (824,739)
Expenditures, Actual on a Budget Basis	\$ 1,485,572
Expenditures, Actual on Modified Accrual Basis	1,485,572
	\$ -

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, 2017**

	<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	1,105,750	1,105,750	642,946	(462,804)
Federal Grants	-	-	-	-
Licenses and Fees	-	-	-	-
Charges for Services	-	-	-	-
Investment Income	30,000	61,500	612	(60,888)
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>1,135,750</u>	<u>1,167,250</u>	<u>643,558</u>	<u>(523,692)</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	-	-	331,948	(331,948)
Capital Outlay	1,105,750	1,137,250	267,037	870,213
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>1,105,750</u>	<u>1,137,250</u>	<u>598,985</u>	<u>538,265</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	30,000	30,000	44,573	(1,061,957)
<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>30,000</u>	<u>30,000</u>		
<b>PRIOR YEAR CASH BALANCE BUDGETED</b>	<u>\$ (30,000)</u>	<u>\$ (30,000)</u>		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 643,558
Revenues, Actual on Modified Accrual Basis	240,764
Adjustments to revenues for property tax and grant revenues	<u>\$ 402,794</u>
Expenditures, Actual on a Budget Basis	\$ 598,985
Expenditures, Actual on Modified Accrual Basis	598,985
	<u>\$ -</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, 2017**

	<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	-	-	1,514	1,514
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>1,514</u>	<u>1,514</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	84,928	396,873	69,522	327,351
Debt Service Interest	-	-	132,007	(132,007)
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>84,928</u>	<u>396,873</u>	<u>201,529</u>	<u>195,344</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(84,928)	(396,873)	(200,015)	(193,830)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	84,928	340,539	856,527	515,988
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>84,928</u>	<u>340,539</u>	<u>856,527</u>	<u>515,988</u>
<b>NET CHANGE</b>	<u>-</u>	<u>(56,334)</u>		
<b>PRIOR YEAR CASH BALANCE BUDGETED</b>	<u>\$ -</u>	<u>\$ 56,334</u>		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 858,041
Revenues, Actual on Modified Accrual Basis	847,560
Adjustments to revenues for property tax and grant revenues	<u>\$ 10,481</u>
Expenditures, Actual on a Budget Basis	\$ 201,529
Expenditures, Actual on Modified Accrual Basis	167,517
Adjustments to expenditures for insurance, materials, other charges and payroll	<u>\$ 34,012</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, 2017**

	<u>Campground Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 380,245	\$ 380,245
Restricted Cash	-	258,700	258,700
Investments	-	876,742	876,742
Receivables:			
Taxes	-	20,221	20,221
Customers	-	649,652	649,652
Due From Other Funds	165,467	-	165,467
Prepaid Expenses	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<u>165,467</u>	<u>2,185,560</u>	<u>2,351,027</u>
<b>NONCURRENT ASSETS</b>			
Capital Assets Being Not Depreciated	-	377,428	377,428
Capital Assets Being Depreciated	47,217	18,459,282	18,506,499
Less: Accumulated Depreciation	<u>(21,712)</u>	<u>(6,418,071)</u>	<u>(6,439,783)</u>
Capital Assets, Net	<u>25,505</u>	<u>12,418,639</u>	<u>12,444,144</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Outflows of Resources, Pension Related	<u>37,251</u>	<u>707,756</u>	<u>745,007</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>37,251</u>	<u>707,756</u>	<u>745,007</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 228,223</u>	<u>\$ 15,311,955</u>	<u>\$ 15,540,178</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 2,367	\$ 328,404	\$ 330,771
Accrued Salaries and Benefits	178	540	718
Customer Deposits Payable	-	5,779	5,779
Due to Other Funds	-	1,455,679	1,455,679
Accrued Compensated Absences	2,522	47,875	50,397
Bonds and Notes Payable, Current	-	589,948	589,948
Net Pension Liability	<u>96,827</u>	<u>1,839,717</u>	<u>1,936,544</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>101,894</u>	<u>4,267,942</u>	<u>4,369,836</u>
<b>NONCURRENT LIABILITIES</b>			
Long-Term Debt, Net	<u>-</u>	<u>7,144,287</u>	<u>7,144,287</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>-</u>	<u>7,144,287</u>	<u>7,144,287</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Inflows of Resources, Pension Related	<u>1,101</u>	<u>20,926</u>	<u>22,027</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,101</u>	<u>20,926</u>	<u>22,027</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>102,995</u>	<u>11,433,155</u>	<u>11,536,150</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	25,505	4,684,404	4,709,909
Restricted	-	-	-
Unrestricted	<u>99,723</u>	<u>(805,604)</u>	<u>(705,881)</u>
<b>TOTAL NET POSITION</b>	<u>125,228</u>	<u>3,878,800</u>	<u>4,004,028</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 228,223</u>	<u>\$ 15,311,955</u>	<u>\$ 15,540,178</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, 2017**

	<u>Campground Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 161,236	\$ 4,570,860	\$ 4,732,096
<b>TOTAL OPERATING REVENUES</b>	<u>161,236</u>	<u>4,570,860</u>	<u>4,732,096</u>
<b>OPERATING EXPENSES</b>			
General and Administrative	-	-	-
Personnel Services	39,982	837,547	877,529
Contractual Services	-	693,864	693,864
Supplies and Purchased Power	566	62,508	63,074
Maintenance and Materials	21,871	171,340	193,211
Utilities	26,168	330,021	356,189
Depreciation	4,583	553,539	558,122
Compensated Absences Expense	469	2,649	3,118
Pension Expense	11,312	214,930	226,242
Miscellaneous	3,493	166,730	170,223
<b>TOTAL OPERATING EXPENSES</b>	<u>108,444</u>	<u>3,033,128</u>	<u>3,141,572</u>
<b>OPERATING INCOME (LOSS)</b>	<u>52,792</u>	<u>1,537,732</u>	<u>1,590,524</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Taxes	-	153,295	153,295
Housing Assistance Payments	-	-	-
Interest Income	-	444,413	444,413
Interest Expense	-	(338,644)	(338,644)
Grant Revenue	-	-	-
Miscellaneous Income	-	922	922
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>-</u>	<u>259,986</u>	<u>259,986</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	52,792	1,797,718	1,850,510
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	771,545	771,545
Transfers out	-	(1,103,920)	(1,103,920)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(332,375)</u>	<u>(332,375)</u>
<b>CHANGE IN NET POSITION</b>	52,792	1,465,343	1,518,135
<b>BEGINNING NET POSITION</b>	72,436	5,888,023	5,960,459
<b>RESTATEMENT</b>	<u>-</u>	<u>(3,474,566)</u>	<u>(3,474,566)</u>
<b>NET POSITION AS RESTATED</b>	<u>72,436</u>	<u>2,413,457</u>	<u>2,485,893</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 125,228</u>	<u>\$ 3,878,800</u>	<u>\$ 4,004,028</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, 2017**

	<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	\$ 161,236	\$ 4,725,077	\$ 4,886,313
Cash Payments to Employees for Services	(39,982)	(837,547)	(877,529)
Cash Payments to Suppliers for Goods and Services	<u>(133,035)</u>	<u>(5,317,540)</u>	<u>(5,450,575)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	(11,781)	(1,430,010)	(1,441,791)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Change in Compensated Absences	469	2,649	3,118
Depreciation		553,539	553,539
Net Transfers		(332,375)	(332,375)
Pension Expense	11,312	214,930	226,242
Payments on Long-term Debt	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES</b>	11,781	438,743	450,524
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	<u>-</u>	<u>444,413</u>	<u>444,413</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	-	444,413	444,413
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-	(546,854)	(546,854)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>-</u>	<u>1,185,799</u>	<u>1,185,799</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 638,945</u>	<u>\$ 638,945</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (loss)	\$ 52,792	\$ 1,537,732	\$ 1,590,524
Adjustments to reconcile operating income (loss) to net cash used by operating activities	-	-	-
Depreciation Expense			-
Changes in assets and liabilities:			
Change in receivables	(40,690)	617,364	576,674
Change in Due to / Due from	-	(3,416,375)	(3,416,375)
Change in accounts payable	(23,443)	(160,558)	(184,001)
Change in accrued salaries and benefits	<u>(440)</u>	<u>(8,173)</u>	<u>(8,613)</u>
<b>NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES</b>	<u>\$ (11,781)</u>	<u>\$ (1,430,010)</u>	<u>\$ (1,441,791)</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO**  
**TOWN OF BERNALILLO**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND**  
**JUNE 30, 2017**

**ASSETS**

	<b>MVD Fund</b>
Cash and Cash Equivalents	\$ <u>3,119</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3,119</u></b>

**LIABILITIES**

Due to Tax and Revenue Department	\$ <u>3,119</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>3,119</u></b>

See Independent Auditors' Report and Notes to Financial Statements



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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.

This summary of significant accounting policies of the Town is presented to assist in the understanding of the Town's financial statements. The financial statements and notes are the representation of the Town's management who is responsible for their integrity and objectivity. 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 government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. 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 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.

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

**A. Financial Reporting Entity (continued)**

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 sole 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. Based upon the application of these criteria, the Town has no component units, and is not a component unit of another governmental agency.

**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.

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.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

**B. Government-wide and fund financial statements (continued)**

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.

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.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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

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 include 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 allocated by function 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. (Special Revenue Fund)

*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. (Capital Projects Fund)

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

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.

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.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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

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 Motor Vehicle Department receipts and disbursements to the New Mexico Tax and Revenue Department.

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.

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Net Position or Equity (continued)**

**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% collectible.

**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.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Net Position or Equity (continued)**

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

<u>Assets</u>	<u>Years</u>
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, 2017, 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.

**Unearned 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.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Net Position or Equity (continued)**

**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.

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.



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Net Position or Equity (continued)**

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 itself or by the Town delegating this responsibility 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.

**Fund Balance for Subsequent Years Expenditures.** According to New Mexico State Statute and the New Mexico Department of Finance and Administration (DFA), the Town is required to reserve 1/12th of the General Fund's expenditures (\$603,056) for subsequent year expenditures to maintain an adequate cash flow. The Town is in compliance with these DFA requirements.

**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.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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:

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, 2017 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, 2017.

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.

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3. Deposits & Investments (Continued)**

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 Page 66 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.

**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, 2017, \$9,014,647, of the Town's bank balances of \$9,514,647 was exposed to custodial credit risk, \$9,014,647 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	\$ 9,223,122	\$ 291,525	\$ 9,514,647
Less: FDIC Coverage	(250,000)	(250,000)	(500,000)
<b>Total Uninsured Public Funds</b>	<u>8,973,122</u>	<u>41,525</u>	<u>9,014,647</u>
50% Collateralization Requirement	<u>4,486,561</u>	<u>20,763</u>	<u>4,507,324</u>
Pledged Collateral	<u>7,750,000</u>	-	<u>7,750,000</u>
<b>Over (Under) Collateralized</b>	<u>\$ 3,263,439</u>	<u>\$ (20,763)</u>	<u>\$ 3,242,677</u>

As of June 30, 2017, the Town also has \$291,525 in NMFA reserve cash that is included as restricted cash on the Statement of Net Position.

*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.

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3. Deposits & Investments (Continued)**

*Investments*

The Town's investments at June 30, 2017 consist of the following:

<u>Investment Type</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>	<u>Rating*</u>
Money Market - U.S. Treasuries	< 1 year	\$ 219,567	Not Rated
Mutual Funds	3.89	637,173	AA - AAA
Federal National Mortgage Association	25	<u>20,002</u>	Not Rated
Total		<u>\$ 876,742</u>	

\*Based on Moody's Rating

*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).

*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 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 25% and the investment in the Mutual Funds represents 73% of the investment portfolio, and investments in bonds of 2%, 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, 2017, are as follows:

	<u>General Fund</u>	<u>Other Major Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 6,392	\$ -	\$ -	\$ 6,392
Other Taxes	1,011,867	883,751	13,416	1,909,034
Intergovernmental	48,001	90,582	111,011	249,594
Miscellaneous	-	-	-	-
<b>Receivables, Net</b>	<u>\$ 1,066,260</u>	<u>\$ 974,333</u>	<u>\$ 124,427</u>	<u>\$ 2,165,020</u>

The above receivables are deemed fully collectable.

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**NOTE 4. Receivables (Continued)**

*Business-Type Activities:*

Proprietary fund receivables as of June 30, 2017 are as follows:

	<b>Utilities</b>
Taxes	20,221
Customer Receivables	649,652
Allowance for Doubtful Accounts	-
<b>Receivables, Net</b>	<b>\$ 669,873</b>

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, 2017 is as follows:

	<b>Due to Other Funds</b>	<b>Due from Other Funds</b>
<b>Governmental Funds:</b>		
General Fund	\$ 1,613,058	\$ 11,662,248
Gas Tax Fund	7,403,402	-
Capital Projects Fund	498,748	-
Debt Service Fund	270,029	-
Fire Fund	16,428	25,633
MVD Fund	305,494	-
Corrections Fund	1,120	200,148
Law Enforcement Fund	39,726	-
Traffic Safety Fund	-	5,056
School Resources	-	31,469
Bullet Proof Vest Grant	-	1,510
GO Bond Library	-	3,482
State Grant Library	-	-
Library County Bond	103,258	-
Lodgers' Tax Fund	751	336,865
Brew Festival Fund	-	22,444
Rescue Fund	746,629	-
<b>Total Governmental Funds</b>	<b>10,998,643</b>	<b>12,288,855</b>
<b>Proprietary Funds:</b>		
Campground Fund	-	165,467
Water and Sewer Fund	1,455,679	-
<b>Total Proprietary Funds</b>	<b>1,455,679</b>	<b>165,467</b>
<b>Grand Total</b>	<b>\$ 12,454,322</b>	<b>\$ 12,454,322</b>

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**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows. Land and construction in progress are not subject to depreciation.

*Governmental Activities:*

	<b>Balance</b>			<b>Adjustments</b>	<b>Balance</b>
	<b>June 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>		<b>June 30, 2017</b>
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 260,810	\$ -	\$ -	\$ 6,364,004	\$ 6,624,814
Construction in Progress	-	1,139,995	-	(870,807)	269,188
Works of Art	-	-	-	92,000	92,000
Total Capital Assets Not Being Depreciated	260,810	1,139,995	-	5,585,197	6,986,002
<b>Capital Assets Being Depreciated:</b>					
Buildings and Improvements	4,189,196	19,048	-	3,874,314	8,082,558
Other Improvements	1,038,278	52,451	-	18,085	1,108,814
Infrastructure	10,435,769	-	-	(68,566)	10,367,203
Vehicles, furniture, and Equipment	3,634,416	262,887	-	(1,280,152)	2,617,151
Total Capital Assets Being Depreciated	19,297,659	334,386	-	2,543,681	22,175,726
Total Capital Assets	19,558,469	1,474,381	-	8,128,878	29,161,728
<b>Accumulated Depreciation:</b>					
Buildings and Improvements	1,711,739	188,022	-	1,925,528	3,825,289
Other Improvements	263,472	25,522	-	49,289	338,283
Infrastructure	3,844,721	198,953	-	221,000	4,264,674
Vehicles, furniture, and Equipment	3,132,548	193,921	-	(1,718,587)	1,607,882
Total Accumulated Depreciation	8,952,480	606,418	-	477,230	10,036,128
<b>Capital Assets, Net</b>	<b>\$ 10,605,989</b>	<b>\$ 867,963</b>	<b>\$ -</b>	<b>\$ 7,651,648</b>	<b>\$ 19,125,600</b>

The Town recorded \$606,418 in depreciation expense related to governmental activities for the year ended June 30, 2017. Depreciation expense is allocated as follows:

<b><u>Function</u></b>	<b><u>Amount</u></b>
General	\$ 165,600
Public Safety	172,711
Culture and Recreation	68,961
Health and Welfare	-
Public Works	199,146
<b>Total</b>	<b>\$ 606,418</b>

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**NOTE 6. Capital Assets (Continued)**

*Business-Type Activities:*

	Balance				Balance
	June 30, 2016	Additions	Deletions	Adjustments	June 30, 2017
Capital Assets Not Being Depreciated:					
Land	\$ 377,428	\$ -	\$ -	\$ -	\$ 377,428
Construction in Progress	-	14,783	-	(14,783)	-
Works of Art	-	-	-	-	-
Total Capital Assets Not Being Depreciated	377,428	14,783	-	(14,783)	377,428
Capital Assets Being Depreciated:					
Buildings and Improvements	87,742	-	-	16,667	104,409
Infrastructure	17,437,634	8,800	-	(94,158)	17,352,276
Vehicles, furniture, and Equipment	692,473	110,879	-	246,462	1,049,814
Total Capital Assets Being Depreciated	18,217,849	119,679	-	168,971	18,506,499
Total Capital Assets	18,595,277	134,462	-	154,188	18,883,927
Accumulated Depreciation:					
Buildings and Improvements	39,314	5,088	-	4,653	49,055
Infrastructure	2,313,399	498,689	-	2,824,598	5,636,686
Vehicles, furniture, and Equipment	591,887	54,345	-	107,810	754,042
Total Accumulated Depreciation	2,944,600	558,122	-	2,937,061	6,439,783
<b>Capital Assets, Net</b>	<b>\$ 15,650,677</b>	<b>\$ (423,660)</b>	<b>\$ -</b>	<b>\$ (2,782,873)</b>	<b>\$ 12,444,144</b>

The Town recorded \$558,122 in depreciation expense related to business-type activities for the year ended June 30, 2017.

**NOTE 7. Long-term Debt**

**Governmental Activities**

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government wide Statement of Net Position:

	Balance			Due	
	June 30, 2016	Additions	Deletions	Balance June 30, 2017	Within One Year
Loans Payable	\$ 285,713	\$ -	\$ 51,488	\$ 234,225	\$ 52,045
Loans Payable #4	241,581	-	18,034	223,547	18,719
Revenue Bonds Payable	2,390,000	-	-	2,390,000	350,000
Compensated Absences	172,283	151,722	149,715	174,290	174,290
<b>Total Long-Term Debt</b>	<b>\$ 3,089,577</b>	<b>\$ 151,722</b>	<b>\$ 219,237</b>	<b>\$ 3,022,062</b>	<b>\$ 595,054</b>

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**NOTE 7. Long-term Debt (Continued)**

Interest expense paid on long-term debt for governmental activities totaled \$97,955 for the year ended June 30, 2017.

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.

The annual requirements to amortize the Notes as of June 30, 2017, including interest payments, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 70,764	\$ 12,498	\$ 83,262
2019	63,831	11,128	74,959
2020	65,229	9,724	74,953
2021	66,885	8,166	75,051
2022	68,601	6,436	75,037
2023-2027	122,462	14,038	136,500
Total	<u>\$ 457,772</u>	<u>\$ 61,990</u>	<u>\$ 519,762</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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**NOTE 7. Long-term Debt (Continued)**

The annual requirements to amortize the Bonds as of June 30, 2017, including interest payments, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	-	-	-
Total	<u>\$ 2,390,000</u>	<u>\$ 418,896</u>	<u>\$ 2,808,896</u>

**Business-Type Activities**

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the proprietary Statement of Net Position:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Loans Payable #5	\$ 2,257,775	\$ -	\$ 168,542	\$ 2,089,233	\$ 174,948
Revenue Bonds Payable	6,040,000	-	395,000	5,645,000	415,000
Compensated Absences	47,748	31,804	29,155	50,397	50,397
<b>Total Long-Term Debt</b>	<u>\$ 8,345,523</u>	<u>\$ 31,804</u>	<u>\$ 592,697</u>	<u>\$ 7,784,630</u>	<u>\$ 640,345</u>

Interest expense paid on long-term debt for business-type activities totaled \$338,644 for the year ended June 30, 2017.

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.

The annual requirements to amortize the loans as of June 30, 2017, including interest payments, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 174,948	\$ 76,596	\$ 758,872
2019	181,644	70,356	728,172
2020	188,640	63,828	729,915
2021	195,936	57,024	730,807
2022	203,556	49,908	730,852
2023-2027	1,144,509	131,196	3,648,353
Total	<u>\$ 2,089,233</u>	<u>\$ 448,908</u>	<u>\$ 7,326,970</u>

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**STATE OF NEW MEXICO  
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**NOTE 7. Long-term Debt (Continued)**

**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%	\$ 5,645,000

The annual requirements to amortize the Bonds as of June 30, 2017, including interest payments, are as follows:

<u>Year Ending June</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,880,000	564,213	3,444,213
Total	<u>\$ 5,645,000</u>	<u>\$ 1,510,064</u>	<u>\$ 7,155,064</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, 2017. 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 \$6 million and the total principal and interest paid on the bonds was \$115,956 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 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, 2017, 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.

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**NOTE 9. Operating Leases**

The Town has several operating leases as of June 30, 2017. Lease payments for the year ending June 30, 2017 were \$5,808. Future minimum payment under these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2018	\$ 29,572
2019	22,724
2020	-
2021	-
2022	-
Total	<u>\$ 52,296</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 <https://www.saonm.org/media/audits/366-B PERA Schedule of Employer Allocations FY2015.pdf>.

**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>. 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 \$515,459 and employer paid member benefits that were “picked up” by the employer were \$309,306 for the year ended June 30, 2017.

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**NOTE 10. PERA Pension Plan (Continued)**

***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, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016.

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, 2017, the Town reported a liability of \$3,724,154 for its proportionate share of the net pension liability. At June 30, 2016, the Town's proportion was .2331 percent, which was an increase of .0071 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized PERA Fund Municipal General Division pension expense of \$445,939. At June 30, 2017, 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	\$ 186,074	\$ 36,346
Changes of assumptions	218,378	618
Net difference between projected and actual earnings on pension plan investments	685,237	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	140,819	-
The Town's contributions subsequent to the measurement date	208,520	-
<b>Total</b>	<b>\$ 1,439,028</b>	<b>\$ 36,964</b>

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**NOTE 10. PERA Pension Plan (Continued)**

\$208,520 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:

<u>Year Ended</u>	<u>Amount</u>
2018	\$ 285,691
2019	285,691
2020	447,145
2021	175,016
2022	-
Thereafter	-
<b>Total</b>	<b><u>\$ 1,193,543</u></b>

For PERA Fund Division Municipal Police Division, at June 30, 2017, the Town reported a liability of \$4,057,326 for its proportionate share of the net pension liability. At June 30, 2016, the Town's proportion was .5499 percent, which was an increase of .0521 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized PERA Fund Division Municipal Police Members pension expense of \$612,285. At June 30, 2017, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 297,867	\$ -
Changes of assumptions	268,735	73,173
Net difference between projected and actual earnings on pension plan investments	641,689	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	225,108	-
The Town's contributions subsequent to the measurement date	221,314	-
<b>Total</b>	<b><u>\$ 1,654,713</u></b>	<b><u>\$ 73,173</u></b>

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**NOTE 10. PERA Pension Plan (Continued)**

\$221,314 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:

<u>Year Ended</u>	<u>Amount</u>
2018	\$ 348,881
2019	348,881
2020	492,923
2021	169,541
2022	-
Thereafter	-
<b>Total</b>	<b>\$ 1,360,226</b>

For PERA Fund Division Municipal Fire Division, at June 30, 2017, the Town reported a liability of \$1,901,240 for its proportionate share of the net pension liability. At June 30, 2016, the Town's proportion was .2850 percent, which was an increase of .0249 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized PERA Fund Division Municipal Fire Members pension expense of \$308,075. At June 30, 2017, the Town reported PERA Fund Division Municipal Fire Members deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 86,098	\$ -
Changes of assumptions	100,568	-
Net difference between projected and actual earnings on pension plan investments	158,363	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	200,637	-
The Town's contributions subsequent to the measurement date	85,625	-
<b>Total</b>	<b>\$ 631,291</b>	<b>\$ -</b>

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**NOTE 10. PERA Pension Plan (Continued)**

\$85,625 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:

<u>Year Ended</u>	<u>Amount</u>
2018	\$ 174,138
2019	174,138
2020	153,714
2021	43,676
2022	-
Thereafter	-
Total	<u>\$ 545,666</u>

**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.

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Asset valuation period	Solved for based on statutory rates
Asset valuation method	Fair value
<b>Actuarial assumptions:</b>	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for the first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years, 2.75% all other years
Mortality assumption	RP-2000 Mortality tables (combined table for healthy post-retirements, employee table for active members, and disabled table for disabled retirees before retirement age) with projection to 2018 using scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

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.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10. PERA Pension Plan (Continued)**

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:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	<u>20.00%</u>	7.35%
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 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.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.48%)</u>
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The Town's proportionate share of the net pension liability	\$ 5,552,382	\$ 3,724,154	\$ 2,207,729
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<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.48%)</u>
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The Town's proportionate share of the net pension liability	\$ 5,969,334	\$ 4,057,326	\$ 2,493,528
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<u>PERA Fund Division Municipal Fire</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.48%)</u>
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The Town's proportionate share of the net pension liability	\$ 2,486,812	\$ 1,901,240	\$ 1,420,254
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See Independent Auditors' Report



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10. PERA Pension Plan (Continued)**

***Payables to the pension plan.*** The Town included a payable related to PERA contribution at June 30, 2017 of \$0.

**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 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.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (Continued)**

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

The Town's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$78,791, \$72,393, and \$67,655, 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. 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, 2017:

- Gas Tax Fund: \$6,519,651
- MVD Fund: \$307,079
- Law Enforcement: \$39,726

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

- Rescue Fund: \$746,629

**NOTE 14. Deficit Fund Balances and Budget Noncompliance Issues (Continued)**

B. Excess of expenditures over appropriations. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2017.

C. Designated cash appropriations. There were no funds that had designated cash appropriations in excess of available balances for the year ended June 30, 2017.

**NOTE 15. Tax Abatements**

The Town of Bernalillo has evaluated GASB 77 with regard to tax abatements and has determined that the Town is a party to the following agreement that abates taxes:

<b>Agency number for Agency making the disclosure (Abating Agency)</b>	6014
<b>Abating Agency Name</b>	Town of Bernalillo
<b>Abating Agency Type</b>	Municipality
<b>Tax Abatement Agreement Name</b>	Industrial Revenue Bond Agreement
<b>Name of agency affected by abatement agreement (Affected Agency)</b>	Sandoval County
<b>Agency number of Affected Agency</b>	5025
<b>Agency type of Affected Agency</b>	County
<b>Recipient(s) of tax abatement</b>	MCT Development
<b>Tax abatement program (name and brief description)</b>	Industrial Revenue Bond
<b>Specific Tax(es) Being Abated</b>	Ad Valorem Taxes
<b>Authority under which abated tax would have been paid to Affected Agency</b>	NMSA 1978 Section 7-38-17
<b>Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement</b>	\$ 118,878
<b>For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year</b>	NA
<b>If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission</b>	NA

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 16. Subsequent Events**

The Town of Bernalillo has evaluated subsequent events through December 12, 2017, which is the date the financial statements were dated. We noted that following:

- The Town refinanced all their bonds for more favorable terms. The details of the refinancing will be disclosed in next year's audited financial statements.

**NOTE 17. Restatement**

During fiscal year 2017, the Town hired a consultant to analyze and update the Town's capital assets listing as well as the depreciation schedules. As a result of this work, large journal entries were made by the Town to the accounting system. This caused a need for a restatement of the Town's government-wide financial statements on the statement of activities and the proprietary fund statement of revenues, expenses and changes in net position. The amounts of restatements were:

- \$7,410,067 for the governmental activities
- (\$3,474,566) for the proprietary funds

**NOTE 18. Budget to GAAP Reconciliations**

For funds where the actual revenues or expenditures on budget basis were different from the actual revenues or expenditures on a GAAP basis, the reconciliations are shown at the bottom of the budget actual comparison statements.

**NOTE 19. Actual Expenditures Exceeded Budgeted Expenditures**

In fund 141, Library Grant Fund, the actual expenditures exceeded budgeted expenditures by \$133.

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
Required Supplementary Information  
SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY OF PERA FUND DIVISION - MUNICIPAL GENERAL  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\* 2017**

**MUNICIPAL GENERAL FUND**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.2331%	0.2260%	0.2112%
Town's proportionate share of the net pension liability	\$ 3,724,154	\$ 2,304,266	\$ 1,647,587
Town's covered-employee payroll	\$ 1,730,460	\$ 1,580,583	\$ 1,544,042
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	215.21%	145.79%	106.71%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	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.

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
Required Supplementary Information  
SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY OF PERA FUND DIVISION - MUNICIPAL POLICE  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\* 2017**

**MUNICIPAL POLICE FUND**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.5499%	0.4978%	0.4815%
Town's proportionate share of the net pension liability	\$ 4,057,326	\$ 2,393,701	\$ 1,569,638
Town's covered-employee payroll	\$ 1,170,976	\$ 1,205,335	\$ 1,017,658
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	346.49%	198.59%	154.24%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	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.

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
Required Supplementary Information  
SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY OF PERA FUND DIVISION - MUNICIPAL FIRE  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\* 2017**

**MUNICIPAL FIRE FUND**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.2850%	0.2601%	0.2151%
Town's proportionate share of the net pension liability	\$ 1,901,240	\$ 1,342,423	\$ 897,826
Town's covered-employee payroll	\$ 395,496	\$ 329,907	\$ 296,368
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	480.72%	406.91%	302.94%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	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.



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
Required Supplementary Information  
SCHEDULE OF TOWN'S CONTRIBUTIONS TO THE PERA FUND DIVISION -  
MUNICIPAL GENERAL  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\* 2017**

**MUNICIPAL GENERAL FUND**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 208,520	\$ 353,102	\$ 343,992
Contributions in relation to the contractually required contribution	<u>208,520</u>	<u>352,824</u>	<u>343,992</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 278</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,730,460	\$ 1,580,583	\$ 1,544,042
Contributions as a percentage of covered-employee payroll	12.05%	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.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
Required Supplementary Information  
SCHEDULE OF TOWN'S CONTRIBUTIONS TO THE PERA FUND DIVISION -  
MUNICIPAL POLICE  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\* 2017**

**MUNICIPAL POLICE FUND**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 221,314	\$ 327,972	\$ 276,631
Contributions in relation to the contractually required contribution	<u>221,314</u>	<u>297,132</u>	<u>276,631</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 30,840</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,170,976	\$ 1,205,335	\$ 1,017,658
Contributions as a percentage of covered-employee payroll	18.90%	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.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
Required Supplementary Information  
SCHEDULE OF TOWN'S CONTRIBUTIONS TO THE PERA FUND DIVISION -  
MUNICIPAL FIRE  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\* 2017**

**MUNICIPAL FIRE FUND**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 85,625	\$ 99,731	\$ 120,720
Contributions in relation to the contractually required contribution	<u>85,625</u>	<u>99,731</u>	<u>120,720</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 395,496	\$ 329,907	\$ 296,368
Contributions as a percentage of covered-employee payroll	21.65%	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.

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**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

**Changes of benefit terms.** The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CAFR. <https://www.saonm.org>.

**Assumptions.** The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>.

**NON-MAJOR GOVERNMENTAL FUNDS**

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS  
JUNE 30, 2017**

**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.

**TRAFFIC SAFETY GRANT** – these funds are provided by NMDOT for the following programs: Ticket/Click It; 100 Days & Nights; STEP; BKLUP; ENDWI.

**SCHOOL RESOURCES GRANT** – Bernalillo Public Schools provides the funding for a School Resource Officer for the schools and school activities.

**BULLET PROOF VEST GRANT** – this grant will reimburse the town for half for purchase of bullet proof vests for officers.

**GO BOND LIBRARY GRANT** – GO bonds are sold to provide services to the library, this funding is usually for two years.

**STATE GRANT LIBRARY** – State funds provided to the library on an annual basis.

**LIBRARY COUNTY BOND** – Sandoval County provides funding from the sale of bonds to improve, equip, renovate and purchase books and other items necessary to run the library.

**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, 2017**

	<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	25,633	-	200,148	-
Prepaid Expenses	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 29,002</u>	<u>\$ -</u>	<u>\$ 200,148</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Salaries	-	1,585	-	-
Customer Deposits Payable	-	-	-	-
Due To Other Funds	16,428	305,494	1,120	39,726
Unearned Revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>16,428</u>	<u>307,079</u>	<u>1,120</u>	<u>39,726</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	12,574	(307,079)	199,028	(39,726)
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>12,574</u>	<u>(307,079)</u>	<u>199,028</u>	<u>(39,726)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 29,002</u>	<u>\$ -</u>	<u>\$ 200,148</u>	<u>\$ -</u>

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
(continued)  
JUNE 30, 2017**

	<b>Traffic Safety</b>	<b>School Resources</b>	<b>Bullet Proof Vest Grant</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Restricted Cash	-	-	-
Investments	-	-	-
Accounts Receivable:			
Property Taxes	-	-	-
Other Taxes	-	-	-
Due From Other Governments	2,590	-	-
Miscellaneous	-	-	-
Due From Other Funds	5,056	31,469	1,510
Prepaid Expenses	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 7,646</b>	<b>\$ 31,469</b>	<b>\$ 1,510</b>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Salaries	-	-	-
Customer Deposits Payable	-	-	-
Due To Other Funds	-	-	-
Unearned Revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
 <b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	7,646	31,469	1,510
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>7,646</b>	<b>31,469</b>	<b>1,510</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,646</b>	<b>\$ 31,469</b>	<b>\$ 1,510</b>

See Independent Auditors' Report



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
(continued)  
JUNE 30, 2017**

	<u>GO Bond Library</u>	<u>State Grant Library</u>	<u>Library County Bond</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Restricted Cash	-	-	-
Investments	-	-	-
Accounts Receivable:			
Property Taxes	-	-	-
Other Taxes	-	-	-
Due From Other Governments	-	-	108,421
Miscellaneous	-	-	-
Due From Other Funds	3,482	-	-
Prepaid Expenses	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 3,482</u>	<u>\$ -</u>	<u>\$ 108,421</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Salaries	-	-	-
Customer Deposits Payable	-	-	-
Due To Other Funds	-	-	103,258
Unearned Revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>103,258</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	3,482	-	5,163
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>3,482</u>	<u>-</u>	<u>5,163</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,482</u>	<u>\$ -</u>	<u>\$ 108,421</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
(continued)  
JUNE 30, 2017**

	<u>Lodgers Tax Fund</u>	<u>Brew Festival Fund</u>	<u>Rescue Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 42,779	\$ -	\$ 42,779
Restricted Cash	-	-	-	3,369
Investments	-	-	-	-
Accounts Receivable:				
Property Taxes	-	-	-	-
Other Taxes	13,416	-	-	13,416
Due From Other Gov.	-	-	-	111,011
Miscellaneous	-	-	-	-
Due From Other Funds	336,865	22,444	-	626,607
Prepaid Expenses	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 350,281</u>	<u>\$ 65,223</u>	<u>\$ -</u>	<u>\$ 797,182</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Salaries	-	-	-	1,585
Customer Deposits Payable	-	-	-	-
Due To Other Funds	751	-	746,629	1,213,406
Unearned Revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>751</u>	<u>-</u>	<u>746,629</u>	<u>1,214,991</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	
Restricted	349,530	65,223	(746,629)	(417,809)
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>349,530</u>	<u>65,223</u>	<u>(746,629)</u>	<u>(417,809)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 350,281</u>	<u>\$ 65,223</u>	<u>\$ -</u>	<u>\$ 797,182</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Fire Fund	MVD Fund	Corrections Fund	Law Enforcement Protection Fund
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	227,001	-	-	33,200
Federal Grants	-	-	-	-
Licenses and Fees	-	-	19,163	-
Charges for Services	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>227,001</u>	<u>-</u>	<u>19,163</u>	<u>33,200</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	(826)	-	-
Public Safety	147,712	-	15,680	33,200
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>147,712</u>	<u>(826)</u>	<u>15,680</u>	<u>33,200</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	79,289	826	3,483	-
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(56,334)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(56,334)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	22,955	826	3,483	-
<b>FUND BALANCE, BEGINNING</b>	<u>(10,381)</u>	<u>(307,905)</u>	<u>195,545</u>	<u>(39,726)</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 12,574</u>	<u>\$ (307,079)</u>	<u>\$ 199,028</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 GOVERNMENTAL FUNDS  
continued  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Traffic Safety</u>	<u>School Resources</u>	<u>Bullet Proof Vest Grant</u>
<b>REVENUES</b>			
Property Taxes	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	-
Other Taxes	-	-	-
State Grants	25,513	41,742	1,510
Federal Grants	-	-	-
Licenses and Fees	-	-	-
Charges for Services	-	-	-
Investment Income	-	-	-
Miscellaneous	-	-	-
<b>TOTAL REVENUES</b>	<u>25,513</u>	<u>41,742</u>	<u>1,510</u>
<b>EXPENDITURES</b>			
Current			
General Government	-	-	-
Public Safety	17,867	-	-
Culture and Recreation	-	10,273	-
Health and Welfare	-	-	-
Public Works	-	-	-
Capital Outlay	-	-	-
Debt Service Principal	-	-	-
Debt Service Interest	-	-	-
Bond Issuance Costs	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>17,867</u>	<u>10,273</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	7,646	31,469	1,510
<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>	7,646	31,469	1,510
<b>FUND BALANCE, BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 7,646</u>	<u>\$ 31,469</u>	<u>\$ 1,510</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
continued  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>GO Bond Library</u>	<u>State Grant Library</u>	<u>Library County Bond</u>
<b>REVENUES</b>			
Property Taxes	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	-
Other Taxes	-	-	-
State Grants	10,888	7,733	332,788
Federal Grants	-	-	-
Licenses and Fees	-	-	-
Charges for Services	-	-	-
Investment Income	-	-	-
Miscellaneous	-	-	-
<b>TOTAL REVENUES</b>	<u>10,888</u>	<u>7,733</u>	<u>332,788</u>
<b>EXPENDITURES</b>			
Current			
General Government	-	-	-
Public Safety	-	-	-
Culture and Recreation	7,406	7,733	34,526
Health and Welfare	-	-	-
Public Works	-	-	-
Capital Outlay	-	-	293,099
Debt Service Principal	-	-	-
Debt Service Interest	-	-	-
Bond Issuance Costs	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>7,406</u>	<u>7,733</u>	<u>327,625</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	3,482	-	5,163
<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>	3,482	-	5,163
<b>FUND BALANCE, BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,482</u>	<u>\$ -</u>	<u>\$ 5,163</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
continued  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Lodgers Tax Fund</u>	<u>Brew Festival Fund</u>	<u>Rescue Fund</u>	<u>Total</u>
<b>REVENUES</b>				
Property Taxes	\$ 130,770	\$ -	\$ -	\$ 130,770
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	-	-	9,500	689,875
Federal Grants	-	-	-	-
Licenses and Fees	-	7,315	-	26,478
Charges for Services	-	50,193	-	50,193
Investment Income	-	-	-	-
Miscellaneous	-	9,805	-	9,805
<b>TOTAL REVENUES</b>	<u>130,770</u>	<u>67,313</u>	<u>9,500</u>	<u>907,121</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	(826)
Public Safety	-	-	9,218	223,677
Culture and Recreation	-	73,746	-	133,684
Health and Welfare	-	-	-	-
Public Works	61,626	-	-	61,626
Capital Outlay	-	-	-	293,099
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>61,626</u>	<u>73,746</u>	<u>9,218</u>	<u>711,260</u>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER EXPENDITURES</b>	<u>69,144</u>	<u>(6,433)</u>	<u>282</u>	<u>195,861</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(56,334)
<b>TOTAL OTHER FINANCING</b>				
<b>SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,334)</u>
<b>NET CHANGE IN FUND BALANCES</b>	69,144	(6,433)	282	139,527
<b>FUND BALANCE, BEGINNING</b>	<u>280,386</u>	<u>71,656</u>	<u>(746,911)</u>	<u>(557,336)</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 349,530</u>	<u>\$ 65,223</u>	<u>\$ (746,629)</u>	<u>\$ (417,809)</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, 2017**

<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	\$ 500,000	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>250,000</u>	N/A	Federal Home Loan of Cincinnati
		<u>\$ 7,750,000</u>		

See Independent Auditors' Report



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS  
JUNE 30, 2017**

<u>Bank Name/Account Name</u>	<u>Acct Type</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>	<u>Carrying Balance</u>
US Bank:				
General Non interest-Bearing	Checking	\$ 5,581,958	\$ (258,110)	\$ 5,323,848
Court Cash Bonds Non interest-Bearing	Checking	28,119	-	28,119
Wine Festival Non interest-Bearing	Checking	42,779	-	42,779
Police Department	Checking	3,118	-	3,118
Bond (savings)	Savings	613,500	-	613,500
General Debt Service	Investment	1,527,312	-	1,527,312
Debt Service - Investment	Investment	192,243	-	192,243
Permit-Free Checking	Checking	180,186	-	180,186
Prices Water Rights	Savings	7,816	-	7,816
CDBG	Checking	431,019	-	431,019
General Fund Savings	Savings	607,437	-	607,437
New Bond Savings	Savings	2,634	-	2,634
NMFA	Loan	258,700	-	258,700
NMFA	Loan	3,369	-	3,369
NMFA	Loan	29,456	-	29,456
<b>Total</b>		<u>\$ 9,509,646</u>	<u>\$ (258,110)</u>	<u>\$ 9,251,536</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO**  
**TOWN OF BERNALILLO**  
**FIDUCIARY FUNDS**  
**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND**  
**JUNE 30, 2017**

<b>ASSETS</b>	<b>Beginning Balance</b>	<b>Debits</b>	<b>Credits</b>	<b>Ending Balance</b>
Cash and Cash Equivalents	\$ -	\$ 358,218	\$ 355,099	\$ 3,119
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 358,218</u>	<u>\$ 355,099</u>	<u>\$ 3,119</u>
<b>LIABILITIES</b>				
Due to General Fund	\$ -	\$ 355,099	\$ 358,218	\$ 3,119
<b>TOTAL LIABILITIES</b>	<u>\$ -</u>	<u>\$ 355,099</u>	<u>\$ 358,218</u>	<u>\$ 3,119</u>

## **COMPLIANCE SECTION**



**INDEPENDENT AUDITORS' 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**

Honorable Wayne Johnson  
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 audited, 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 and the major governmental funds of the Town of Bernalillo (the "Town"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and the combining and individual funds of the Town, presented as supplemental information and have issued our report thereon dated December 12, 2017.

**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 described in the accompanying schedule of findings and questioned costs, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *schedule of findings and responses* to be material weaknesses. 2006-003, 2006-008, 2007-002 and 2007-003.

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*.

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as items 2016-002 and 2017-001.

### **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 12, 2017

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**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 2017 general ledger. The Town has contracted an independent contractor to address this issue. The amounts that require adjustment are being determined.

**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. An adverse 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 2017 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 will contact our software provider on guidance and assistance on the procedure to review each utility account. Once it has been determined which accounts are current and which accounts are deemed as uncollectable, we will present to Council and DFA for approval to charge those accounts. This finding should be corrected by June 2018.

**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, 2017**

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

**Condition:** We noted material unreconciled balances in several funds at June 30, 2017 that could not be substantiated. Beginning in fiscal year 20012-13 and continuing into fiscal year 2017, the Town reconciled most accounts timely; however, the “book balances” on the reconciliations didn’t agree to the Town’s general ledger cash balances. Additionally, the Town did not reconcile or account for the activity and balances maintained in the NMFA debt service accounts, nor did the Town record the 2008 Revenue Bond bank account and activity in the general ledger. It was noted during the fiscal year 2017 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. 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.

**Management’s Progress:** The Town has contracted an independent contractor to address this issue. The contractor and the Town continue 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. An adverse opinion was issued on the Town’s financial statements due to our inability to sufficiently complete the audit objectives necessary to render an opinion on cash and investments.

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

**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. Along with the bank reconciliations, pooled cash will also be balances on a monthly basis.

**Timeline:** To be completed by June 30, 2018.

**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, 2017**

**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. The Town has contracted an independent contractor to address this issue.

**Management's Progress:** The Town continues to work with an independent contractor, addressing 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 adherence to GAAP. An adverse opinion was issued on the Town's financial statements for this reason

**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:** Staff, along with the independent contractor will work on getting the financial statements in balance with records and schedules. **Timeline:** This change will be reflected on the financial statements as of June 30, 2018.

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



**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**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. The Town has contracted an independent contractor to address this issue.

**Management's Progress:** The Town supplied auditor's with a list for the FY2017 audit that we substantially better than in prior year however, it was still missing some large receivables that we identified during our audit procedures.

**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 misstatements to the financial statements.

**Cause:** Due to insufficient staff, the Town did not monitor year-end revenue activity to determine proper fiscal year posting.

**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 FY2017-2018.

**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, 2017**

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

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

- MVD Fund: \$307,079
- Law Enforcement: \$39,726
- Rescue Fund: \$746,629
- Gas Tax Fund: \$6,519,651

**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. A resolution was presented and approved by council on 2/13/17.

**Timeline:** This finding is expected to be corrected by June 30, 2018.

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

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**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 that four (4) out of ten (10) instances where Town employees were advanced 100% of mileage instead of the required 80% advancement. The difference between 80% and 100% totaled \$169.20.

**Management's Progress:** The Town has adopted a resolution regarding an updated travel policy.

**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 2017.

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**2017-001 – Actual Expenditures exceed budgeted expenditures - Noncompliance**

**Condition:** At year-end, in the following individual funds, actual expenditures exceeded budget expenditures:

- Library Grant Fund: \$133

**Criteria:** Per State Auditor Rule 2017, page 24, if actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact shall be reported in a finding and disclosed in the notes to the financial statements.

**Cause:** The budgeted expenditures and actual expenditures for this fund were not reviewed during the year.

**Effect:** The Town expended more than was budgeted in this fund

**Auditors' Recommendation:** The Town should have more frequent budget reviews in order to prevent this from happening in the future.

**Management's Response:** Although the Town did not have budget to cover the \$133 overexpenditures, the Town did receive sufficient revenues in this fund to cover the overexpenditure.

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

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**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 Receivable 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	Resolved
2008-005	Internal Controls over Disbursements	Resolved
2008-006	Fund Balance Deficits	Repeated
2016-001	Internal Controls over Receipts and Deposits	Resolved
2016-002	Per Diem and Mileage Act	Repeated
2016-003	Procurement	Resolved

**STATE OF NEW MEXICO  
TOWN OF BERNALILLO  
EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2017**

An exit conference was held on December 12, 2017 to discuss the results of the audit. Attending were the following:

Representing the Town:

Marian A. Jaramillo, Mayor Pro Tem  
Jack Torres, Mayor  
Ida Fierro, Administrator / Clerk  
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.