

STATE OF NEW MEXICO
TOWN OF BERNALILLO

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

FOR THE YEAR ENDED JUNE 30, 2018



**STATE OF NEW MEXICO
TOWN OF BERNALILLO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

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TOWN OF BERNALILLO
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STATE OF NEW MEXICO
TOWN OF BERNALILLO
OFFICIAL ROSTER
AS OF JUNE 30, 2018

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 DeHerreraTown 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 special revenue fund of the Town of Bernalillo (the "Town"), New Mexico, as of and for the year ended June 30, 2018, 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.

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

The financial statements referred to above do not include reconciled interfund receivables and payables. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements to reflect all the financial activity for the fiscal year under audit. As noted in item 2018-002 in the schedule of findings and responses, the effects of unreconciled interfund receivables and payables cannot be measured in terms of its net effect on the financial statements as a whole. Because of this material departure from accounting principles generally accepted in the United States of America, the effect of unreconciled interfund receivables and payables to assets, liabilities, net position, revenues, and expenses of the Town cannot be 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 special revenue fund 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 *Town’s Proportionate Share of the Net Pension Liability* and their *Proportionate Share of the OPEB Liability* on pages 54-56 and 60, the *Schedule of the Town’s Contributions* on pages 57-59 and 61, and the notes to the required supplementary information, on page 62 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 and historical context. We have applied certain limited procedures to the *Schedule of the Town’s Proportionate Share of the Net Pension Liability* and *Town’s Proportionate Share of the OPEB Liability* in accordance with 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 for all nonmajor funds, 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 17, 2018 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 17, 2018

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash and Cash Equivalents	\$ 9,025,940	\$ 1,191,902	\$ 10,217,842
Restricted Cash	4,684	-	4,684
Investments	-	2,360,958	2,360,958
Accounts and Taxes Receivable:			
Property Taxes	9,367	-	9,367
Other Taxes	852,413	-	852,413
Intergovernmental	85,117	-	85,117
Miscellaneous	51,512	37,677	89,189
Due From Customers	-	394,561	394,561
Due From Other Funds	<u>8,064,825</u>	<u>5,197,567</u>	<u>13,262,392</u>
Total Current Assets	<u>18,093,858</u>	<u>9,182,665</u>	<u>27,276,523</u>
Noncurrent Assets:			
Capital Assets			
Capital Assets Not Being Depreciated	6,791,982	588,689	7,380,671
Capital Assets Being Depreciated	23,158,258	18,770,609	41,928,867
Less: Accumulated Depreciation	<u>(10,651,325)</u>	<u>(7,027,160)</u>	<u>(17,678,485)</u>
Total Noncurrent Assets	<u>19,298,915</u>	<u>12,332,138</u>	<u>31,631,053</u>
Deferred Outflows of Resources:			
Deferred Outflows of Resources, Pension Related	1,282,866	1,158,309	2,441,175
Deferred Outflows of Resources, OPEB Related	<u>31,826</u>	<u>6,519</u>	<u>38,345</u>
Total Deferred Outflows of Resources	<u>1,314,692</u>	<u>1,164,828</u>	<u>2,479,520</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 38,707,465</u>	<u>\$ 22,679,631</u>	<u>\$ 61,387,096</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 691,337	\$ 309,730	\$ 1,001,067
Accrued Salaries and Benefits	120,087	5,765	125,852
Customer Deposits Payable	-	342,993	342,993
Due to Other Funds	8,883,340	6,317,808	15,201,148
Other Liabilities	-	33,993	33,993
Accrued Compensated Absences	185,584	50,219	235,803
Current Portion of Loans and Bonds Payable	<u>914,395</u>	<u>589,384</u>	<u>1,503,779</u>
Total Current Liabilities	<u>10,794,743</u>	<u>7,649,892</u>	<u>18,444,635</u>
Noncurrent Liabilities:			
Loans and Bonds Payable, Long-term	1,497,785	5,734,264	7,232,049
Net Pension Liability	4,795,536	3,315,403	8,110,939
Net OPEB Liability	<u>3,591,655</u>	<u>735,640</u>	<u>4,327,295</u>
Total Noncurrent Liabilities	<u>9,884,976</u>	<u>9,785,307</u>	<u>19,670,283</u>
TOTAL LIABILITIES	<u>20,679,719</u>	<u>17,435,199</u>	<u>38,114,918</u>
Deferred Inflows of Resources:			
Deferred Inflows of Resources, Pension Related	891,354	209,105	1,100,459
Deferred Inflows of Resources, OPEB Related	<u>817,452</u>	<u>167,430</u>	<u>984,882</u>
Total Deferred Inflows of Resources	<u>1,708,806</u>	<u>376,535</u>	<u>2,085,341</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>22,388,525</u>	<u>17,811,734</u>	<u>40,200,259</u>
NET POSITION			
Net Investment in Capital Assets	16,886,735	6,008,490	22,895,225
Restricted	1,797,042	-	1,797,042
Unrestricted	<u>(2,364,837)</u>	<u>(1,140,593)</u>	<u>(3,505,430)</u>
Total Net Position	<u>16,318,940</u>	<u>4,867,897</u>	<u>21,186,837</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 38,707,465</u>	<u>\$ 22,679,631</u>	<u>\$ 61,387,096</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, 2018**

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
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 6,886,015	\$ -	\$ 131,704	\$ -	\$ (6,754,311)	\$ -	\$ (6,754,311)
Public Safety	528,901	-	427,979	-	(100,922)	-	(100,922)
Culture and Recreation	756,930	35,925	240,592	-	(480,413)	-	(480,413)
Health and Welfare	-	-	-	-	-	-	-
Public Works	2,398,231	-	988,802	-	(1,409,429)	-	(1,409,429)
Interest on Long-Term Debt	60,942	-	-	-	(60,942)	-	(60,942)
Total Governmental Activities	<u>10,631,019</u>	<u>35,925</u>	<u>1,789,077</u>	<u>-</u>	<u>(8,806,017)</u>	<u>-</u>	<u>(8,806,017)</u>
Business-Type Activities							
Campground	164,656	188,223	-	-	-	23,567	23,567
Water and Sewer	3,211,486	4,464,669	-	-	-	1,253,183	1,253,183
Depreciation Expense	587,377	-	-	-	-	(587,377)	(587,377)
Debt Service Interest	236,816	-	-	-	-	(236,816)	(236,816)
Total Business-Type Activities	<u>\$ 4,200,335</u>	<u>\$ 4,652,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>452,557</u>	<u>452,557</u>
General Revenues:							
Taxes:							
Property Taxes levied for general purposes					880,862	153,349	1,034,211
Gross Receipts Tax					6,822,491	-	6,822,491
Other Taxes					665,335	-	665,335
Interest Income/(Expense)					19,455	24,829	44,284
Licenses and Fees					443,331	-	443,331
Miscellaneous Income					155,854	84,381	240,235
Subtotal, General Revenues					<u>8,987,328</u>	<u>262,559</u>	<u>9,249,887</u>
Change in Net Position					181,311	715,116	896,427
Net Position, Beginning					22,579,256	4,004,028	26,583,284
Restatement					(6,441,627)	148,753	(6,292,874)
Net Position, as Restated					<u>16,137,629</u>	<u>4,152,781</u>	<u>20,290,410</u>
Net Position, Ending					<u>\$ 16,318,940</u>	<u>\$ 4,867,897</u>	<u>\$ 21,186,837</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Gas Tax Fund	Capital Projects Fund
ASSETS			
Cash and Cash Equivalents	\$ 6,609,679	\$ -	\$ 1,045,190
Restricted Cash	-	-	-
Investments	-	-	-
Accounts Receivable:			
Property Taxes	9,367	-	-
Other Taxes	838,905	-	-
Due From Other Governments	-	-	-
Miscellaneous	-	-	80,473
Due From Other Funds	6,412,233	1,030,674	-
TOTAL ASSETS	\$ 13,870,184	\$ 1,030,674	\$ 1,125,663
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 691,337	\$ -	\$ -
Accrued Salaries and Benefits	120,087	-	-
Other Liabilities	-	-	-
Due To Other Funds	6,188,257	57,342	1,469,551
TOTAL LIABILITIES	6,999,681	57,342	1,469,551
 FUND BALANCES			
Restricted	-	973,332	-
Restricted - Minimum Fund Balance	647,695	-	-
Assigned	-	-	-
Unassigned	6,222,808	-	(343,888)
TOTAL FUND BALANCES	6,870,503	973,332	(343,888)
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 13,870,184	 \$ 1,030,674	 \$ 1,125,663

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
JUNE 30, 2018**

	Debt Service Fund	Other Governmental Funds	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,364,233	\$ 6,838	\$ 9,025,940
Restricted Cash	871	3,813	4,684
Investments	-	-	-
Accounts Receivable:			
Property Taxes	-	-	9,367
Other Taxes	-	13,508	852,413
Due From Other Governments	-	-	-
Miscellaneous	-	56,156	136,629
Due From Other Funds	-	621,918	8,064,825
TOTAL ASSETS	<u>\$ 1,365,104</u>	<u>\$ 702,233</u>	<u>\$ 18,093,858</u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 691,337
Accrued Salaries and Benefits	-	-	120,087
Other Liabilities	-	-	-
Due To Other Funds	1,075,573	92,617	8,883,340
TOTAL LIABILITIES	<u>1,075,573</u>	<u>92,617</u>	<u>9,694,764</u>
 FUND BALANCES			
Restricted	289,531	534,179	1,797,042
Restricted - Minimum Fund Balance	-	-	647,695
Assigned	-	75,437	75,437
Unassigned	-	-	5,878,920
TOTAL FUND BALANCES	<u>289,531</u>	<u>609,616</u>	<u>8,399,094</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 1,365,104</u>	 <u>\$ 702,233</u>	 <u>\$ 18,093,858</u>

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, 2018**

Total Fund Balance - Governmental Funds \$ 8,399,094

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	29,950,240	
Less: Accumulated Depreciation	<u>(10,651,325)</u>	
Capital Assets, Net		19,298,915

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

Deferred Outflows		1,314,692
Deferred Inflows		<u>(1,708,806)</u>

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

Accrued Compensated Absences	(185,584)	
Net Pension Liability	(4,795,536)	
Net OPEB Liability	(3,591,655)	
Long-Term Debt	<u>(2,412,180)</u>	
Total		<u>(10,984,955)</u>

Net Position of Governmental Activities \$ 16,318,940

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Gas Tax Fund	Capital Projects Fund
REVENUES			
Property Taxes	\$ 744,050	\$ -	\$ -
Gross Receipts Taxes	6,822,491	-	-
Other Taxes	295,620	369,715	-
State Grants	172,309	988,802	123,465
Licenses and Fees	421,303	-	-
Charges for Services	9,431	-	-
Investment Income	2,737	-	771
Miscellaneous	76,157	985	71,612
TOTAL REVENUES	<u>8,544,098</u>	<u>1,359,502</u>	<u>195,848</u>
EXPENDITURES			
Current			
General Government	5,759,456	-	-
Public Safety	15,119	-	-
Culture and Recreation	502,508	-	-
Health and Welfare	-	-	-
Public Works	1,387,827	386,170	219,667
Capital Outlay	286,609	-	525,403
Debt Service Principal	-	-	-
Debt Service Interest	-	-	-
TOTAL EXPENDITURES	<u>7,951,519</u>	<u>386,170</u>	<u>745,070</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>592,579</u>	<u>973,332</u>	<u>(549,222)</u>
OTHER FINANCING SOURCES (USES):			
Bond Proceeds	-	-	-
Transfers in	-	-	-
Transfers out	(2,151)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,151)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	590,428	973,332	(549,222)
FUND BALANCE, BEGINNING OF YEAR	16,468,285	(6,519,651)	205,334
RESTATEMENT	<u>(10,188,210)</u>	<u>6,519,651</u>	<u>-</u>
FUND BALANCE AS RESTATED	<u>6,280,075</u>	<u>-</u>	<u>205,334</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,870,503</u>	<u>\$ 973,332</u>	<u>\$ (343,888)</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, 2018**

	Debt Service Fund	Other Governmental Funds	Total
REVENUES			
Property Taxes	\$ -	\$ 136,812	\$ 880,862
Gross Receipts Taxes	-	-	6,822,491
Other Taxes	-	-	665,335
State Grants	-	504,501	1,789,077
Licenses and Fees	-	22,028	443,331
Charges for Services	-	26,494	35,925
Investment Income	15,947	-	19,455
Miscellaneous	-	7,100	155,854
TOTAL REVENUES	<u>15,947</u>	<u>696,935</u>	<u>10,812,330</u>
EXPENDITURES			
Current			
General Government	-	-	5,759,456
Public Safety	-	356,417	371,536
Culture and Recreation	-	168,388	670,896
Health and Welfare	-	-	-
Public Works	-	184,039	2,177,703
Capital Outlay	-	-	812,012
Debt Service Principal	3,115,592	-	3,115,592
Debt Service Interest	134,885	-	134,885
TOTAL EXPENDITURES	<u>3,250,477</u>	<u>708,844</u>	<u>13,042,080</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,234,530)</u>	<u>(11,909)</u>	<u>(2,229,750)</u>
OTHER FINANCING SOURCES (USES):			
Bond proceeds	2,680,000	-	2,680,000
Transfers in	56,251	-	56,251
Transfers out	-	(54,100)	(56,251)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,736,251</u>	<u>(54,100)</u>	<u>2,680,000</u>
NET CHANGE IN FUND BALANCES	(498,279)	(66,009)	450,250
FUND BALANCE, BEGINNING OF YEAR RESTATEMENT	1,286,739	(110,730)	11,329,977
	<u>(498,929)</u>	<u>786,355</u>	<u>(3,381,133)</u>
FUND BALANCE AS RESTATED	<u>787,810</u>	<u>675,625</u>	<u>7,948,844</u>
FUND BALANCE, END OF YEAR	<u>\$ 289,531</u>	<u>\$ 609,616</u>	<u>\$ 8,399,094</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, 2018**

Net Changes in Fund Balance - Governmental Funds \$ 450,250

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	812,012
Depreciation Expense	(638,697)

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

Pension Expense	(581,295)
OPEB Expense	(110,967)

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	3,115,592
Bond Proceeds	(2,680,000)
(Increase) Decrease in Compensated Absences	<u>(185,584)</u>

Change in Net Position of Governmental Activities \$ 181,311

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
REVENUES				
Property Taxes	\$ 752,305	\$ 752,305	\$ 734,683	(17,622)
Gross Receipts Taxes	6,339,907	6,339,907	6,822,491	482,584
Other Taxes	235,800	235,800	257,119	21,319
State Grants	90,000	90,000	172,309	82,309
Federal Grants	-	-	-	-
Licenses and Fees	526,161	675,861	421,303	(254,558)
Charges for Services	-	-	9,431	9,431
Investment Income	152,000	152,000	2,737	(149,263)
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>8,096,173</u>	<u>8,245,873</u>	<u>8,420,073</u>	<u>174,200</u>
EXPENDITURES				
Current				
General Government	6,742,633	5,787,019	5,596,670	190,349
Public Safety	500,634	500,634	15,119	485,515
Culture and Recreation	947,220	610,820	498,159	112,661
Health and Welfare	-	-	-	-
Public Works	-	1,400,000	1,340,613	59,387
Capital Outlay	-	350,000	321,779	28,221
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
TOTAL EXPENDITURES	<u>8,190,487</u>	<u>8,648,473</u>	<u>7,772,340</u>	<u>876,133</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(94,314)</u>	<u>(402,600)</u>	<u>647,733</u>	<u>(701,933)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	207,975	207,975	-	(207,975)
Transfers out	(694,292)	(694,292)	(2,151)	692,141
TOTAL OTHER FINANCING SOURCES (USES)	<u>(486,317)</u>	<u>(486,317)</u>	<u>(2,151)</u>	<u>484,166</u>
NET CHANGE	<u>(580,631)</u>	<u>(888,917)</u>		
PRIOR YEAR CASH BALANCE BUDGETED	<u>\$ 580,631</u>	<u>\$ 888,917</u>		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 8,420,073
Revenues, Actual on Modified Accrual Basis	<u>8,544,098</u>
Adjustments to Revenues	<u>\$ (124,025)</u>
Expenditures, Actual on a Budget Basis	\$ 7,774,491
Expenditures, Actual on Modified Accrual Basis	<u>7,953,670</u>
Adjustments to Expenditures	<u>\$ (179,179)</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 BALANCE –
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – GAS TAX FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	-	-
Other Taxes	322,156	322,156	369,715	47,559
State Grants	300,000	300,000	988,802	688,802
Federal Grants	-	-	-	-
Licenses and Fees	-	-	-	-
Charges for Services	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>622,156</u>	<u>622,156</u>	<u>1,358,517</u>	<u>736,361</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	509,200	509,200	378,183	131,017
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
TOTAL EXPENDITURES	<u>509,200</u>	<u>509,200</u>	<u>378,183</u>	<u>131,017</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>112,956</u>	<u>112,956</u>	<u>980,334</u>	<u>605,344</u>
OTHER FINANCING SOURCES (USES):				
Proceeds From Note Payable	-	-	-	-
Discount on Bonds Payable	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE	<u>112,956</u>	<u>112,956</u>		
PRIOR YEAR CASH BALANCE BUDGETED	<u>\$ (112,956)</u>	<u>\$ (112,956)</u>		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 1,358,517
Revenues, Actual on Modified Accrual Basis	1,359,502
Adjustments to Revenues	<u>\$ (985)</u>
Expenditures, Actual on a Budget Basis	\$ 378,183
Expenditures, Actual on Modified Accrual Basis	386,170
Adjustments to Expenditures	<u>\$ (7,987)</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, 2018**

	<u>Campground Fund</u>	<u>Water & Sewer Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 1,191,902	\$ 1,191,902
Restricted Cash	-	-	-
Investments	-	2,360,958	2,360,958
Receivables:			
Taxes	-	37,677	37,677
Customers	-	394,561	394,561
Due From Other Funds	219,559	4,978,008	5,197,567
TOTAL CURRENT ASSETS	<u>219,559</u>	<u>8,963,106</u>	<u>9,182,665</u>
NONCURRENT ASSETS			
Capital Assets Not Being Depreciated	-	588,689	588,689
Capital Assets Being Depreciated	74,768	18,695,841	18,770,609
Less: Accumulated Depreciation	(29,961)	(6,997,199)	(7,027,160)
Capital Assets, Net	<u>44,807</u>	<u>12,287,331</u>	<u>12,332,138</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows of Resources, Pension Related	61,563	1,096,746	1,158,309
Deferred Outflows of Resources, OPEB	384	6,135	6,519
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>61,947</u>	<u>1,102,881</u>	<u>1,164,828</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 326,313</u>	<u>\$ 22,353,318</u>	<u>\$ 22,679,631</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 2,225	\$ 307,505	\$ 309,730
Accrued Salaries and Benefits	1,091	4,674	5,765
Customer Deposits Payable	2,500	340,493	342,993
Due to Other Funds	2,680	6,315,128	6,317,808
Other Accrued Liabilities	-	33,993	33,993
Accrued Compensated Absences	3,193	47,026	50,219
Bonds and Notes Payable, Current	-	589,384	589,384
TOTAL CURRENT LIABILITIES	<u>11,689</u>	<u>7,638,203</u>	<u>7,649,892</u>
NONCURRENT LIABILITIES			
Long-Term Debt, Net	-	5,734,264	5,734,264
Net Pension Liability	177,936	3,137,467	3,315,403
Net OPEB Liability	43,273	692,367	735,640
TOTAL NONCURRENT LIABILITIES	<u>221,209</u>	<u>9,564,098</u>	<u>9,785,307</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources, Pension Related	12,106	196,999	209,105
Deferred Inflows of Resources OPEB	9,849	157,581	167,430
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>21,955</u>	<u>354,580</u>	<u>376,535</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>254,853</u>	<u>17,556,881</u>	<u>17,811,734</u>
NET POSITION			
Net Investment in Capital Assets	44,807	5,963,683	6,008,490
Unrestricted	26,653	(1,167,246)	(1,140,593)
TOTAL NET POSITION	<u>71,460</u>	<u>4,796,437</u>	<u>4,867,897</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 326,313</u>	<u>\$ 22,353,318</u>	<u>\$ 22,679,631</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, 2018**

	<u>Campground Fund</u>	<u>Water & Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for Services	\$ 188,223	\$ 4,464,669	\$ 4,652,892
TOTAL OPERATING REVENUES	<u>188,223</u>	<u>4,464,669</u>	<u>4,652,892</u>
OPERATING EXPENSES			
General and Administrative	22,106	176,875	198,981
Personnel Services	69,612	986,775	1,056,387
Contractual Services	-	773,296	773,296
Supplies and Purchased Power	747	97,462	98,209
Maintenance and Materials	46,864	441,078	487,942
Utilities	23,214	285,606	308,820
Depreciation	7,564	579,813	587,377
Bad Debt Expense	-	265,849	265,849
Miscellaneous	2,113	184,545	186,658
TOTAL OPERATING EXPENSES	<u>172,220</u>	<u>3,791,299</u>	<u>3,963,519</u>
OPERATING INCOME (LOSS)	<u>16,003</u>	<u>673,370</u>	<u>689,373</u>
NON-OPERATING REVENUES (EXPENSES)			
Taxes	-	153,349	153,349
Housing Assistance Payments	-	-	-
Interest Income	-	24,829	24,829
Debt Service Principal	-	-	-
Debt Service Interest	-	(236,816)	(236,816)
Interest Expense	-	-	-
Grant Revenue	-	-	-
Miscellaneous Income	-	84,381	84,381
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>-</u>	<u>25,743</u>	<u>25,743</u>
EXCESS OF REVENUES OVER EXPENSES	<u>16,003</u>	<u>699,113</u>	<u>715,116</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	16,003	699,113	715,116
NET POSITION, BEGINNING	125,228	3,878,800	4,004,028
RESTATEMENT	<u>(69,771)</u>	<u>218,524</u>	<u>148,753</u>
NET POSITION, AS RESTATED	55,457	4,097,324	4,152,781
NET POSITION, ENDING	<u>\$ 71,460</u>	<u>\$ 4,796,437</u>	<u>\$ 4,867,897</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, 2018**

	<u>Campground Fund</u>	<u>Water & Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received From User Charges	\$ 188,223	\$ 4,702,399	\$ 4,890,622
Cash Payments to Employees for Services	(69,612)	(986,775)	(1,056,387)
Cash Payments to Suppliers for Goods and Services	<u>(139,523)</u>	<u>(3,364,371)</u>	<u>(3,503,894)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(20,912)</u>	<u>351,253</u>	<u>330,341</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Change in Compensated Absences	1,140	41,502	42,642
Net Transfers	-	-	-
Pension Expense & OPEB Expense	19,772	135,373	155,145
Payments on Long-term Debt	<u>-</u>	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>20,912</u>	<u>176,875</u>	<u>197,787</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	<u>-</u>	<u>24,829</u>	<u>24,829</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>-</u>	<u>24,829</u>	<u>24,829</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	<u>-</u>	<u>552,957</u>	<u>552,957</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>638,945</u>	<u>638,945</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ 1,191,902</u>	<u>\$ 1,191,902</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (loss)	\$ 16,003	\$ 673,370	\$ 689,373
Adjustments to reconcile operating income (loss) to net cash used by operating activities	-	-	-
Depreciation Expense	7,564	579,813	587,377
Changes in assets and liabilities:			
Change in receivables	(54,092)	700,141	646,049
Change in Due to / Due from	-	-	-
Change in accounts payable	6,039	(1,606,205)	(1,600,166)
Change in accrued salaries and benefits	<u>3,574</u>	<u>4,134</u>	<u>7,708</u>
NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES	<u>\$ (20,912)</u>	<u>\$ 351,253</u>	<u>\$ 330,341</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 FUNDS
JUNE 30, 2018

ASSETS

	MVD Fund	Police Dept.	Total
Cash and Cash Equivalents	\$ 5,489	\$ 6,811	\$ 12,300
TOTAL ASSETS	<u>\$ 5,489</u>	<u>\$ 6,811</u>	<u>\$ 12,300</u>

LIABILITIES

Deposits Held for Others	\$ 5,489	\$ 6,811	\$ 12,300
TOTAL LIABILITIES	<u>\$ 5,489</u>	<u>\$ 6,811</u>	<u>\$ 12,300</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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
FOR THE YEAR ENDED JUNE 30, 2018**

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
FOR THE YEAR ENDED JUNE 30, 2018**

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
FOR THE YEAR ENDED JUNE 30, 2018**

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:

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

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

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
FOR THE YEAR ENDED JUNE 30, 2018**

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, evidence restricted by the Thirteenth Judicial District Court held at Police Department 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
FOR THE YEAR ENDED JUNE 30, 2018**

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
FOR THE YEAR ENDED JUNE 30, 2018**

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:

Assets	Years
Buildings	40
Infrastructure	25
Utility Systems	30-40
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, 2018, 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.

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows and Deferred Inflows of Resources: The Town implemented the provisions of GASB statement No. 63, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 establishes reporting guidance for certain elements of the financial statements which are distinct from assets and liabilities.

Deferred Outflows of Resources: In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The Town has three types of items that qualify for reporting in this category related to GASB No. 68 and one type related to GASB No. 75: changes in proportion, net difference between expected and actual experience and employer contributions subsequent to measurement date. These total \$2,479,528 and have been reported as deferred outflows of resources. These amounts are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources.

The Town has three types of deferred inflows which arise due to the implementation of GASB No. 68 and the related net pension liability and GASB No. 75 and the related postemployment benefits other than pension liability (OPEB). Accordingly, these items, net difference between projected and actual investment earnings, change in assumptions, and differences between expected and actual experience, are reported on the Statement of Net Position in the amount of \$2,085,341 as of June 30, 2018. Net difference between expected and actual investment earnings are amortized into expense over a five year period. Changes in assumptions are amortized into pension expense over the average remaining service life of the employee participants. Differences between expected and actual experience are amortized into pension expense over the five-year period. Detail is found in the notes and the required supplementary information.

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.

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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

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 No. 54. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

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

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

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

Assigned - This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town 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 (\$647,695) for subsequent year expenditures to maintain an adequate cash flow. The Town is in compliance with these DFA requirements.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

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
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018 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, 2018.

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
FOR THE YEAR ENDED JUNE 30, 2018**

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 74 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, 2018, \$10,015,353, of the Town's bank balances of \$10,520,037 was exposed to custodial credit risk, \$10,015,353 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Town's name.

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	\$ 10,515,353	\$ 4,684	\$ 10,520,037
Less: FDIC Coverage	<u>(500,000)</u>	<u>(4,684)</u>	<u>(504,684)</u>
Total Uninsured Public Funds	10,015,353	-	10,015,353
50% Collateralization Requirement	<u>5,007,677</u>	-	<u>5,007,677</u>
Pledged Collateral	<u>10,500,000</u>	-	<u>10,500,000</u>
Over (Under) Collateralized	<u>\$ 5,492,324</u>	<u>\$ -</u>	<u>\$ 5,492,324</u>

As of June 30, 2018, the Town also has \$4,684 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3. Deposits & Investments (Continued)

Investments

The Town's investments at June 30, 2018 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	\$ 958	Not Rated
Certificate of Deposit	< 1 year	2,360,000	Not Rated
Total		<u>\$ 2,360,958</u>	

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

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 0.04% and the investment in the Certified Deposit represents 99.96% of the investment portfolio. 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, 2018, are as follows:

	<u>General Fund</u>	<u>Other Major Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 9,367	\$ -	\$ -	\$ 9,367
Other Taxes	838,905	-	13,508	852,413
Intergovernmental	-	-	-	-
Miscellaneous	-	80,473	56,156	136,629
Receivables, Net	<u>\$ 848,272</u>	<u>\$ 80,473</u>	<u>\$ 69,664</u>	<u>\$ 998,409</u>

The Town deems the above receivables fully collectable.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 4. Receivables (Continued)

Business-Type Activities:

Proprietary fund receivables as of June 30, 2018 are as follows:

	Utilities
Taxes	\$ 37,677
Customer Receivables	1,084,797
Allowance for Doubtful Accounts	(690,236)
Receivables, Net	\$ 432,238

The business-type activities accounts receivable are net of an estimated allowance for uncollectible accounts of \$690,236.

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, 2018 is as follows:

	Due From Other Funds	Due To Other Funds
Governmental Funds:		
General Fund	\$ 6,412,233	\$ 6,188,257
Gas Tax Fund	1,030,674	57,342
Capital Projects Fund	-	1,469,551
Debt Service Fund	-	1,075,573
Fire Fund	46,173	36,969
Police Community Events	3,249	-
Corrections Fund	192,207	2,090
Traffic Safety Fund	1,447	-
School Resources	46,451	-
Bullet Proof Vest Grant	1,510	-
Safer Grant	-	41,815
GO Bond Library	3,807	-
State Grant Library	865	865
Library County Bond	5,339	-
Lodgers' Tax Fund	299,583	10,788
Brew Festival Fund	18,655	-
Santa Ana	2,632	90
Total Governmental Funds	8,064,825	8,883,340
Proprietary Funds:		
Campground Fund	219,559	2,680
Water and Sewer Fund	4,978,008	6,315,128
Total Proprietary Funds	5,197,567	6,317,808
Grand Total	\$ 13,262,392	\$ 15,201,148

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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6. Transfers

Transfers are amounts transferred internally among funds as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 2,151
Debt Service Fund	56,251	-
Fire Fund	-	54,100
Total	<u>\$ 56,251</u>	<u>\$ 56,251</u>

NOTE 7. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows. Land and construction in progress are not subject to depreciation.

Governmental Activities:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers / Adjustments</u>	<u>Balance June 30, 2018</u>
Capital Assets Not Being Depreciated:					
Land	\$ 6,624,814	\$ -	\$ -	\$ -	\$ 6,624,814
Construction in Progress	269,188	119,523	-	(313,543)	75,168
Works of Art	92,000	-	-	-	92,000
Total Capital Assets Not Being Depreciated	<u>6,986,002</u>	<u>119,523</u>	<u>-</u>	<u>(313,543)</u>	<u>6,791,982</u>
Capital Assets Being Depreciated:					
Buildings and Improvements	8,082,558	220,594	-	313,543	8,616,695
Other Improvements	1,108,814	33,044	-	-	1,141,858
Infrastructure	10,367,203	165,366	-	-	10,532,569
Vehicles, furniture, and Equipment	2,617,151	273,485	23,500	-	2,867,136
Total Capital Assets Being Depreciated	<u>22,175,726</u>	<u>692,489</u>	<u>23,500</u>	<u>313,543</u>	<u>23,158,258</u>
Total Capital Assets	<u>29,161,728</u>	<u>812,012</u>	<u>23,500</u>	<u>-</u>	<u>29,950,240</u>
Accumulated Depreciation:					
Buildings and Improvements	3,825,289	200,679	-	-	4,025,968
Other Improvements	338,283	26,073	-	-	364,356
Infrastructure	4,264,674	207,346	-	-	4,472,020
Vehicles, furniture, and Equipment	1,607,882	204,599	23,500	-	1,788,981
Total Accumulated Depreciation	<u>10,036,128</u>	<u>638,697</u>	<u>23,500</u>	<u>-</u>	<u>10,651,325</u>
Capital Assets, Net	<u>\$ 19,125,600</u>	<u>\$ 173,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,298,915</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7. Capital Assets (Continued)

The Town recorded \$638,697 in depreciation expense related to governmental activities for the year ended June 30, 2018. Depreciation expense is allocated as follows:

<u>Function</u>	<u>Amount</u>
General	\$ 174,770
Public Safety	157,365
Culture and Recreation	86,034
Health and Welfare	-
Public Works	<u>220,528</u>
Total	<u>\$ 638,697</u>

Business-Type Activities:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers /</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital Assets Not Being Depreciated:					
Land	\$ 377,428	\$ -	\$ -	\$ -	\$ 377,428
Construction in Progress	-	211,261	-	-	211,261
Works of Art	-	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>377,428</u>	<u>211,261</u>	<u>-</u>	<u>-</u>	<u>588,689</u>
Capital Assets Being Depreciated:					
Buildings and Improvements	104,409	-	-	-	104,409
Infrastructure	17,352,276	136,553	-	-	17,488,829
Vehicles, furniture, and Equipment	1,049,814	127,557	-	-	1,177,371
Total Capital Assets Being Depreciated	<u>18,506,499</u>	<u>264,110</u>	<u>-</u>	<u>-</u>	<u>18,770,609</u>
Total Capital Assets	<u>18,883,927</u>	<u>475,371</u>	<u>-</u>	<u>-</u>	<u>19,359,298</u>
Accumulated Depreciation:					
Buildings and Improvements	49,055	5,088	-	-	54,143
Infrastructure	5,636,686	518,204	-	-	6,154,890
Vehicles, furniture, and Equipment	754,042	64,085	-	-	818,127
Total Accumulated Depreciation	<u>6,439,783</u>	<u>587,377</u>	<u>-</u>	<u>-</u>	<u>7,027,160</u>
Capital Assets, Net	<u>\$ 12,444,144</u>	<u>\$ (112,006)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,332,138</u>

The Town recorded \$587,377 in depreciation expense related to business-type activities for the year ended June 30, 2018.

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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8. Long-term Debt

Governmental Activities:

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the government wide Statement of Net Position:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Loans Payable	\$ 234,225	\$ -	\$ 52,045	\$ 182,180	\$ 44,395
Loans Payable #4	223,547	-	223,547	-	-
Revenue Bonds Payable	2,390,000	-	2,390,000	-	-
Vectra - GRT Bonds Series 2017	<u>-</u>	<u>2,680,000</u>	<u>450,000</u>	<u>2,230,000</u>	<u>870,000</u>
Subtotal	2,847,772	2,680,000	3,115,592	2,412,180	914,395
Compensated Absences	<u>174,290</u>	<u>194,376</u>	<u>183,082</u>	<u>185,584</u>	<u>185,584</u>
Total Long-Term Debt	<u>\$ 3,022,062</u>	<u>\$ 2,874,376</u>	<u>\$ 3,298,674</u>	<u>\$ 2,597,764</u>	<u>\$ 1,099,979</u>

Interest expense paid on long-term debt for governmental activities totaled \$134,885 for the year ended June 30, 2018.

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 loans as of June 30, 2018, including interest payments, are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 44,395	\$ 3,600	\$ 47,995
2020	45,045	2,894	47,939
2021	45,920	2,064	47,984
2022	46,820	1,096	47,916
2023	-	-	-
2024-2028	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 182,180</u>	<u>\$ 9,654</u>	<u>\$ 191,834</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.

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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8. Long-term Debt (Continued)

The 2017 governmental activity Gross Receipts Tax Refunding Revenue Bonds will be repaid by the Revenue Bond Debt Service Fund and the 2017 Joint Utility System Refunding Revenue Bonds will be repaid by the Water and Sewer Utility Fund.

Intra-entity Debt Holding:

The Town used to purchase and hold \$1,503,345 of its own State-Shared Gross Receipts Tax Revenue Bonds, Series 2008. The Town refinanced the bonds with Gross Receipts Tax Refunding Revenue Bonds, Series 2017.

The Town has pledged future state-shared gross receipts tax revenues to repay Gross Receipts Tax Refunding Revenue Bonds, Series 2017, of \$2,360,000 as of June 30, 2018. 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 \$2.8 million. The current total gross receipts tax revenues were \$6 million and the total principal and interest paid on the bonds was \$486,316 or 8% of gross revenues.

<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	6/1/2019	2.750-4.625%	\$ -
Vectra - GRT Bonds SERIES 2017	\$ 2,680,000	6/1/2021	1.61%	\$ 2,230,000

The annual requirements to amortize the Bonds as of June 30, 2018, including interest payments, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 870,000	\$ 35,903	\$ 905,903
2020	890,000	21,896	911,896
2021	470,000	7,567	477,567
2022	-	-	-
2023	-	-	-
Total	<u>\$ 2,230,000</u>	<u>\$ 65,366</u>	<u>\$ 2,295,366</u>

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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8. Long-term Debt (Continued)

Business-Type Activities:

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the proprietary Statement of Net Position:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Loans Payable #5	\$ 2,089,233	\$ -	\$ 2,089,233	\$ -	\$ -
Revenue Bonds Payable	5,645,000	-	5,645,000	-	-
BBVA - GRT Bonds Series 2017	-	6,954,334	630,686	6,323,648	589,384
Subtotal	7,734,233	6,954,334	8,364,919	6,323,648	589,384
Compensated Absences	50,397	40,859	41,037	50,219	50,219
Total Long-Term Debt	\$ 7,784,630	\$ 6,995,193	\$ 8,405,956	\$ 6,373,867	\$ 639,603

Interest expense paid on long-term debt for business-type activities totaled \$177,739 for the year ended June 30, 2018.

Revenue Bonds

On November 8, 1977, the Town entered into a bond agreement for the Joint Water and Sewer Extension. On July 28, 2017, the Town refinanced the bond and the loans the Town received for the design and construction of an arsenic removal system with a Joint Utility System Refunding Revenue Bonds, Series 2017. The Bonds are equitably and ratably secured by a lien on the Net Revenues derived from the Joint Utility System.

Series	Original Issue	Final Maturity	Interest Rate	Outstanding
Water & Sewer Improvement Bond	\$ 8,775,000	6/1/2007	4.00-4.20%	\$ -
BBVA - GRT Bonds SERIES 2017	\$ 6,954,334	6/1/2028	2.19%	\$ 6,323,648

The annual requirements to amortize the Bonds as of June 30, 2018, including interest payments, are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 589,684	\$ 138,488	\$ 728,172
2020	604,341	125,574	729,915
2021	618,469	112,339	730,808
2022	632,058	98,794	730,852
2023	645,094	84,952	730,046
2024-2028	3,234,002	206,734	3,440,736
Total	\$ 6,323,648	\$ 766,881	\$ 7,090,529

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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9. 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, 2018, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against Town of Bernalillo. New Mexico Self-Insurer's Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and prior fiscal year.

NOTE 10. Operating Leases

The Town has several operating leases as of June 30, 2018. Lease payments for the year ending June 30, 2018 were \$29,572. Future minimum payment under these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2019	\$ 22,724
2020	-
2021	-
2022	-
2023	-
Total	<u>\$ 22,724</u>

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TOWN OF BERNALILLO
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FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 11. 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.

Contributions: The contribution requirements of defined benefit plan members and the Town 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 FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 22 of the PERA FY17 annual audit report at:

https://www.saonm.org/media/audits/366-B-_NM_PERA_Schedule_of_Employer_Allocation_FY2017.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 \$556,138 and employer paid member benefits that were “picked up” by the employer were \$330,410 for the year ended June 30, 2018.

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, 2017.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 11. PERA Pension Plan (Continued)

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2016. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017. 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, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 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, 2018, the Town reported a liability of \$3,293,680 for its proportionate share of the net pension liability. At June 30, 2017, the Town's proportion was .2397 percent, which was an increase of .0066 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Town recognized PERA Fund Municipal General Division pension expense of \$474,552. At June 30, 2018, the Town reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 129,419	\$ 168,692
Changes of assumptions	151,888	34,036
Net difference between projected and actual earnings on pension plan investments	270,227	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	140,767	-
The Town's contributions subsequent to the measurement date	218,882	-
Total	\$ 911,183	\$ 202,728

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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 11. PERA Pension Plan (Continued)

\$218,882 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	\$ 169,421
2019	336,275
2020	62,848
2021	(78,971)
2022	-
Thereafter	-
Total	<u>\$ 489,573</u>

For PERA Fund Division Municipal Police Division, at June 30, 2018, the Town reported a liability of \$3,016,721 for its proportionate share of the net pension liability. At June 30, 2018, the Town's proportion was .5430 percent, which was a decrease of .0069 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Town recognized PERA Fund Division Municipal Police Members pension expense of \$439,309. At June 30, 2018, 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	\$ 183,220	\$ 563,644
Changes of assumptions	179,485	70,149
Net difference between projected and actual earnings on pension plan investments	242,956	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	147,178	27,192
The Town's contributions subsequent to the measurement date	233,043	-
Total	<u>\$ 985,882</u>	<u>\$ 660,985</u>

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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 11. PERA Pension Plan (Continued)

\$233,043 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	\$ 56,847
2019	198,906
2020	(92,863)
2021	(71,036)
2022	-
Thereafter	-
Total	<u>\$ 91,854</u>

For PERA Fund Division Municipal Fire Division, at June 30, 2018, the Town reported a liability of \$1,800,539 for its proportionate share of the net pension liability. At June 30, 2017, the Town's proportion was .3147 percent, which was increase of .0297 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Town recognized PERA Fund Division Municipal Fire Members pension expense of \$324,381. At June 30, 2018, 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	\$ 58,792	\$ 225,457
Changes of assumptions	71,182	11,289
Net difference between projected and actual earnings on pension plan investments	67,590	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	242,333	-
The Town's contributions subsequent to the measurement date	<u>104,213</u>	<u>-</u>
Total	<u>\$ 544,110</u>	<u>\$ 236,746</u>

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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 11. PERA Pension Plan (Continued)

\$104,213 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	\$ 124,039
2019	105,419
2020	(6,832)
2021	(19,475)
2022	-
Thereafter	-
Total	<u>\$ 203,151</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, 2017 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, 2017 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, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2017
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	4 Year Smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.51% annual rate
Projected benefit payment	100 years
Payroll growth	2.75% to 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% to 2.75% annual rate
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.

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
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 11. 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 rate of 7.25% for the first 9 years (selected period) and 7.75% for all other years (ultimate). The equivalent blended rate is 7.48% and will be used to measure the total pension liability. 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 GASB 67. Therefore, the 7.48% assumed long-term expected rate of return on pension plan

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 (6.51%) or one percentage point higher (8.51%) than the single discount rate.

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TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 11. PERA Pension Plan (Continued)

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
The Town's proportionate share of the net pension liability	\$ 5,162,285	\$ 3,293,680	\$ 1,739,676
<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
The Town's proportionate share of the net pension liability	\$ 4,810,833	\$ 3,016,721	\$ 1,544,386
<u>PERA Fund Division Municipal Fire</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
The Town's proportionate share of the net pension liability	\$ 2,413,188	\$ 1,800,539	\$ 1,295,660

Payables to the pension plan. The Town included a payable related to PERA contribution at June 30, 2018 of \$0.

NOTE 12. 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.

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NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (Continued)

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.

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

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

The Town's contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$38,345, \$78,791, and \$72,393, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
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NOTE 13. Postemployment Benefits Other Than Pensions

General Information

Plan description: Employees of the Town are provided with Postemployment Benefits Other Than Pensions (OPEB) through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits provided: The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms: At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	\$ 51,208
Inactive and eligible for deferred benefits	11,478
Current Active Members	<u>97,349</u>
	<u>\$ 160,035</u>
Active membership	
State general	\$ 19,593
State police and corrections	1,886
Municipal General	21,004
Municipal Police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>\$ 97,349</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 13. Postemployment Benefits Other Than Pensions (continued)

Contributions: Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Town were \$10,775 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Town reported a liability of \$584,133 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Town's proportion was 0.01289 percent.

For the year ended June 30, 2018, the Town recognized OPEB expense of \$12,448. At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ -	\$ 166,059
Changes of Assumptions	-	756,572
Difference between actual and projected earnings on OPEB plan investments	-	62,251
Contributions made after the measurement date	38,345	-
Total	<u>\$ 38,345</u>	<u>\$ 984,882</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 13. Postemployment Benefits Other Than Pensions (continued)

Deferred outflows of resources totaling \$38,345 represent the Town's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30,		
2019	\$	(209,393)
2020		(209,393)
2021		(209,393)
2022		(209,393)
2023		<u>(147,310)</u>
Total	\$	<u>(984,882)</u>

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.5% for ERB
Projected payroll increases	3.5%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 year for Non-Medicare medicl plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs.
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females)

Rate of Return: The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 13. Postemployment Benefits Other Than Pensions (continued)

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Rate of Return</u>
U.S core fixed income	20%	4.1%
U.S equity - large cap	20%	9.1%
Non U.S. - emerging markets	15%	12.2%
Non U.S - developed equities	12%	9.8%
Private equity	10%	13.8%
Credit and structured finance	10%	7.3%
Real estate	5%	6.9%
Absolute return	5%	6.1%
U.S equity - small / mid cap	3%	9.1%

Discount Rate: The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

<u>1% Decrease (2.81%)</u>	<u>Current Discount (3.81%)</u>	<u>1% Increase (4.81%)</u>
\$ 5,248,941	\$ 4,327,295	\$ 3,604,180

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$ 3,680,662	\$ 4,327,295	\$ 4,831,508

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 13. Postemployment Benefits Other Than Pensions (continued)

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability. At June 30, 2018, the Town reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

NOTE 14. 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 15. 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 9*.

NOTE 16. 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 fund reflected a deficit fund balance as of June 30, 2018:

- Capital Projects Fund: \$343,888

B. Deficit net position of proprietary funds. There were no proprietary funds with deficit net position at June 30, 2018.

C. Designated cash appropriations. There were no funds that had designated cash appropriations in excess of available balances for the year ended June 30, 2018.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 17. 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:

Agency number for Agency making the disclosure (Abating Agency)	6014
Abating Agency Name	Town of Bernalillo
Abating Agency Type	Municipality
Tax Abatement Agreement Name	Industrial Revenue Bond Agreement
Name of agency affected by abatement agreement (Affected Agency)	Sandoval County
Agency number of Affected Agency	5025
Agency type of Affected Agency	County
Recipient(s) of tax abatement	MCT Industries
Tax abatement program (name and brief description)	Industrial Revenue Bond
Specific Tax(es) Being Abated	Ad Valorem Taxes
Authority under which abated tax would have been paid to Affected Agency	NMSA 1978 Section 7-38-17
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	\$ 3,010
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	NA
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	NA

NOTE 18. Subsequent Events

The Town of Bernalillo has evaluated subsequent events through December 17, 2018, which is the date of the financial statements. There were no significant events to report.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 19. Restatement

During fiscal year 2018, the Town implemented GASB No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which resulted in a (\$5,140,137) restatement. The remaining sum of the restatement (\$1,152,737) was due to adjustments made by the Town which were recommended by their consultant to correct their fund balances. As of June 30, 2018, the governmental activities and business-type activities net position was restated by (\$6,441,627) and \$148,753, respectively.

NOTE 20. Memorandum of Agreement

Santa Ana MOA:

Purpose: To provide animal control services to the Pueblo of Santa Ana

Participants: Town of Bernalillo and Pueblo of Santa Ana

Responsible Party for Operation and Audit: Town of Bernalillo

Beginning and Ending Date of Agreement: February 1, 2018 and renewed in six month additional terms until thirty day written notice to terminate the agreement by the Pueblo of Santa Ana.

Total Estimated Amount of Project and Actual Amount Contributed: \$600 monthly.

NOTE 21. 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 22. Actual Expenditures Exceeded Budgeted Expenditures

Actual expenditures exceeded budgeted expenditures in the following funds:

Fund	Description	Over Budget
105	Fire Fund	\$ (23,203)
115	Correction Fund	\$ (1,219)

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* 2018**

MUNICIPAL GENERAL FUND

	<u>2018</u>	<u>2017</u>
Town's proportion of the net pension liability	0.2397%	0.2331%
Town's proportionate share of the net pension liability	\$ 3,293,680	\$ 3,724,154
Town's covered-employee payroll	\$ 1,816,445	\$ 1,730,460
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.33%	215.21%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%
	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.2260%	0.2112%
Town's proportionate share of the net pension liability	\$ 2,304,266	\$ 1,647,587
Town's covered-employee payroll	\$ 1,580,583	\$ 1,544,042
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	145.79%	106.71%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

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

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* 2018**

MUNICIPAL POLICE FUND

	<u>2018</u>	<u>2017</u>
Town's proportion of the net pension liability	0.5430%	0.5499%
Town's proportionate share of the net pension liability	\$ 3,016,721	\$ 4,057,326
Town's covered-employee payroll	\$ 1,233,033	\$ 1,170,976
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	244.66%	346.49%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%
	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.4978%	0.4815%
Town's proportionate share of the net pension liability	\$ 2,393,701	\$ 1,569,638
Town's covered-employee payroll	\$ 1,205,335	\$ 1,017,658
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	198.59%	154.24%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

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

**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* 2018**

MUNICIPAL FIRE FUND

	<u>2018</u>	<u>2017</u>
Town's proportion of the net pension liability	0.3147%	0.2850%
Town's proportionate share of the net pension liability	\$ 1,800,539	\$ 1,901,240
Town's covered-employee payroll	\$ 481,348	\$ 395,496
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	374.06%	480.72%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%
	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.2601%	0.2151%
Town's proportionate share of the net pension liability	\$ 1,342,423	\$ 897,826
Town's covered-employee payroll	\$ 329,907	\$ 296,368
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	406.91%	302.94%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

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

**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* 2018**

MUNICIPAL GENERAL FUND

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 218,882	\$ 208,520
Contributions in relation to the contractually required contribution	<u>218,882</u>	<u>208,520</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,816,445	\$ 1,730,460
Contributions as a percentage of covered-employee payroll	12.05%	12.05%
	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 353,102	\$ 343,992
Contributions in relation to the contractually required contribution	<u>352,824</u>	<u>343,992</u>
Contribution deficiency (excess)	<u>\$ 278</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,580,583	\$ 1,544,042
Contributions as a percentage of covered-employee payroll	22.32%	22.28%

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

**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* 2018**

MUNICIPAL POLICE FUND

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 233,043	\$ 221,314
Contributions in relation to the contractually required contribution	<u>233,043</u>	<u>221,314</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,233,033	\$ 1,170,976
Contributions as a percentage of covered-employee payroll	18.90%	18.90%
	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 327,972	\$ 276,631
Contributions in relation to the contractually required contribution	<u>297,132</u>	<u>276,631</u>
Contribution deficiency (excess)	<u>\$ 30,840</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,205,335	\$ 1,017,658
Contributions as a percentage of covered-employee payroll	24.65%	27.18%

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

**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* 2018**

MUNICIPAL FIRE FUND

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 104,213	\$ 85,625
Contributions in relation to the contractually required contribution	<u>104,213</u>	<u>85,625</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 481,348	\$ 395,496
Contributions as a percentage of covered-employee payroll	21.65%	21.65%
	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 99,731	\$ 120,720
Contributions in relation to the contractually required contribution	<u>99,731</u>	<u>120,720</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 329,907	\$ 296,368
Contributions as a percentage of covered-employee payroll	30.23%	40.73%

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
Required Supplementary Information
SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018*</u>
Town's proportion of the net OPEB liability	0.09549%
Town's proportionate share of the net OPEB liability	\$ 4,327,295
Town covered employee payroll	\$ 1,917,303
Employer's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	225.70%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

*This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the Town will present information for available years.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
Required Supplementary Information
SCHEDULE OF TOWN'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

	2018*
Contractually required contribution	\$ 38,345
Less: Contributions in relation to the contractually required contributions	38,345
	\$ -
Town's covered employee payroll	\$ 1,917,303
Contributions as a percentage of covered employee payroll	2.00%

*This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the Town will present information for available years.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

Changes of benefit terms.

The Public Employees Retirement Association's (PERA) COLA and retirement eligibility benefits changes in recent years are described in *Note 1* of PERA's CAFR. <https://www.saonm.org>.

The Retiree Health Care Authority (RHCA) COLA and age eligibility benefits changes in recent years are described in the Notes to the RHCA FY18 audit available at <http://saonm.org/> using the Audit Search function for agency 343.

Assumptions.

The Public Employees Retirement Association (PERA) of New Mexico's Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>.

The Retiree Health Care Authority (RHCA) of New Mexico Biennial Actuarial Valuation as of June 30, 2017 report is available at <http://saonm.org/> using the Audit Search function for agency 343.

NON-MAJOR GOVERNMENTAL FUNDS

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018**

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.

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.

POLICE COMMUNITY EVENTS GRANT – these are donations from the various business and community members to fund events the Police Department sponsor. Such events include Cops in the Parks and Christmas presents for children in need of the community.

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.

SAFER GRANT – grant that will pay for salaries and benefits for an additional four firemen. The first two years the town will match 25% of the salaries and benefits, the third year the town will match 65% of the salaries and benefits. On the fourth year, the town will retain these firemen on their permanent roster for a year.

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.

SANTA ANA M.O.A. LIBRARY – Santa Ana Pueblo will pay the town \$600 per month to provide Animal Control service to the pueblo.

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, 2018**

	Special Revenue Fund			
	Fire Protection Fund	Local Corrections Fund	Law Enforcement Protection Fund	Police Community Events
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Restricted Cash	3,813	-	-	-
Investments	-	-	-	-
Accounts Receivable:				
Property Taxes	-	-	-	-
Other Taxes	-	-	-	-
Due From Other Governments	-	-	-	-
Miscellaneous	-	-	-	-
Due From Other Funds	46,173	192,207	-	3,249
TOTAL ASSETS	<u>\$ 49,986</u>	<u>\$ 192,207</u>	<u>\$ -</u>	<u>\$ 3,249</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Salaries	-	-	-	-
Other Liabilities	-	-	-	-
Due To Other Funds	36,969	2,090	-	-
TOTAL LIABILITIES	<u>36,969</u>	<u>2,090</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	13,017	190,117	-	3,249
Restricted - Minimum Fund Balance	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>13,017</u>	<u>190,117</u>	<u>-</u>	<u>3,249</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 49,986</u>	<u>\$ 192,207</u>	<u>\$ -</u>	<u>\$ 3,249</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
(continued)
JUNE 30, 2018**

	Special Revenue Fund			
	Traffic Safety	School Resources	Bullet Proof Vest Grant	Safer Grant
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Restricted Cash	-	-	-	-
Investments	-	-	-	-
Accounts Receivable:				
Property Taxes	-	-	-	-
Other Taxes	-	-	-	-
Due From Other Governments	-	-	-	-
Miscellaneous	4,644	-	-	51,512
Due From Other Funds	1,447	46,451	1,510	-
TOTAL ASSETS	<u>\$ 6,091</u>	<u>\$ 46,451</u>	<u>\$ 1,510</u>	<u>\$ 51,512</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Salaries	-	-	-	-
Other Liabilities	-	-	-	-
Due To Other Funds	-	-	-	41,815
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,815</u>
FUND BALANCES				
Restricted	-	-	-	-
Restricted - Minimum Fund Balance	-	-	-	-
Assigned	6,091	46,451	1,510	9,697
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>6,091</u>	<u>46,451</u>	<u>1,510</u>	<u>9,697</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,091</u>	<u>\$ 46,451</u>	<u>\$ 1,510</u>	<u>\$ 51,512</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
(continued)
JUNE 30, 2018**

	Special Revenue Fund			
	GO Bond Library	State Grant Library	Library County Bond	Santa Ana M.O.A.
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Restricted Cash	-	-	-	-
Investments	-	-	-	-
Accounts Receivable:				
Property Taxes	-	-	-	-
Other Taxes	-	-	-	-
Due From Other Governments	-	-	-	-
Miscellaneous	-	-	-	-
Due From Other Funds	3,807	865	5,339	2,632
TOTAL ASSETS	<u>\$ 3,807</u>	<u>\$ 865</u>	<u>\$ 5,339</u>	<u>\$ 2,632</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Salaries	-	-	-	-
Other Liabilities	-	-	-	-
Due To Other Funds	-	865	-	90
TOTAL LIABILITIES	<u>-</u>	<u>865</u>	<u>-</u>	<u>90</u>
FUND BALANCES				
Restricted	-	-	-	-
Restricted - Minimum Fund Balance	-	-	-	-
Assigned	3,807	-	5,339	2,542
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>3,807</u>	<u>-</u>	<u>5,339</u>	<u>2,542</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,807</u>	<u>\$ 865</u>	<u>\$ 5,339</u>	<u>\$ 2,632</u>

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
(continued)
JUNE 30, 2018**

	<u>Special Revenue Fund</u>			
	<u>Lodgers</u>			
	<u>Tax Fund</u>	<u>Brew Festival Fund</u>	<u>Rescue Fund</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 6,838	\$ -	\$ 6,838
Restricted Cash	-	-	-	3,813
Investments	-	-	-	-
Accounts Receivable:				
Property Taxes	-	-	-	-
Other Taxes	13,508	-	-	13,508
Due From Other Gov.	-	-	-	-
Miscellaneous	-	-	-	56,156
Due From Other Funds	299,583	18,655	-	621,918
TOTAL ASSETS	<u>\$ 313,091</u>	<u>\$ 25,493</u>	<u>\$ -</u>	<u>\$ 702,233</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Salaries	-	-	-	-
Other Liabilities	-	-	-	-
Due To Other Funds	10,788	-	-	92,617
TOTAL LIABILITIES	<u>10,788</u>	<u>-</u>	<u>-</u>	<u>92,617</u>
FUND BALANCES				
Restricted	302,303	25,493	-	534,179
Restricted - Minimum Fund Balance	-	-	-	-
Assigned	-	-	-	75,437
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>302,303</u>	<u>25,493</u>	<u>-</u>	<u>609,616</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 313,091</u>	<u>\$ 25,493</u>	<u>\$ -</u>	<u>\$ 702,233</u>

**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, 2018**

	Special Revenue Fund			
	Fire Protection Fund	Local Corrections Fund	Law Enforcement Protection Fund	Police Community Events
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	250,203	-	33,200	-
Licenses and Fees	-	17,308	-	-
Charges for Services	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	7,100
TOTAL REVENUES	<u>250,203</u>	<u>17,308</u>	<u>33,200</u>	<u>7,100</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	195,660	26,219	33,200	3,851
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
TOTAL EXPENDITURES	<u>195,660</u>	<u>26,219</u>	<u>33,200</u>	<u>3,851</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>54,543</u>	<u>(8,911)</u>	<u>-</u>	<u>3,249</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(54,100)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(54,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	443	(8,911)	-	3,249
FUND BALANCE, BEGINNING RESTATEMENT	12,574	199,028	(39,726)	-
	-	-	39,726	-
FUND BALANCE AS RESTATED	<u>12,574</u>	<u>199,028</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 13,017</u>	<u>\$ 190,117</u>	<u>\$ -</u>	<u>\$ 3,249</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, 2018**

	Special Revenue Fund			
	Traffic Safety	School Resources	Bullet Proof Vest Grant	Safer Grant
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	25,467	62,214	378	68,683
Licenses and Fees	-	-	-	-
Charges for Services	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>25,467</u>	<u>62,214</u>	<u>378</u>	<u>68,683</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	27,022	-	378	58,986
Culture and Recreation	-	47,232	-	-
Health and Welfare	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
TOTAL EXPENDITURES	<u>27,022</u>	<u>47,232</u>	<u>378</u>	<u>58,986</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,555)</u>	<u>14,982</u>	<u>-</u>	<u>9,697</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,555)	14,982	-	9,697
FUND BALANCE, BEGINNING RESTATEMENT	7,646	31,469	1,510	-
FUND BALANCE AS RESTATED	<u>7,646</u>	<u>31,469</u>	<u>1,510</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,091</u>	<u>\$ 46,451</u>	<u>\$ 1,510</u>	<u>\$ 9,697</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, 2018**

	Special Revenue Fund			
	GO Bond Library	State Grant Library	Library County Bond	Santa Ana M.O.A.
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	4,724	7,598	42,591	-
Licenses and Fees	-	-	-	-
Charges for Services	-	-	-	4,200
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>4,724</u>	<u>7,598</u>	<u>42,591</u>	<u>4,200</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	1,658
Culture and Recreation	4,399	7,598	42,415	-
Health and Welfare	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
TOTAL EXPENDITURES	<u>4,399</u>	<u>7,598</u>	<u>42,415</u>	<u>1,658</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>325</u>	<u>-</u>	<u>176</u>	<u>2,542</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	325	-	176	2,542
FUND BALANCE, BEGINNING RESTATEMENT	3,482	-	5,163	-
FUND BALANCE AS RESTATED	<u>3,482</u>	<u>-</u>	<u>5,163</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,807</u>	<u>\$ -</u>	<u>\$ 5,339</u>	<u>\$ 2,542</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, 2018**

	Special Revenue Fund			Total
	Lodgers Tax Fund	Brew Festival Fund	Rescue Fund	
REVENUES				
Property Taxes	\$ 136,812	\$ -	\$ -	\$ 136,812
Gross Receipts Taxes	-	-	-	-
Other Taxes	-	-	-	-
State Grants	-	-	9,443	504,501
Licenses and Fees	-	4,720	-	22,028
Charges for Services	-	22,294	-	26,494
Investment Income	-	-	-	-
Miscellaneous	-	-	-	7,100
TOTAL REVENUES	<u>136,812</u>	<u>27,014</u>	<u>9,443</u>	<u>696,935</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	9,443	356,417
Culture and Recreation	-	66,744	-	168,388
Health and Welfare	-	-	-	-
Public Works	184,039	-	-	184,039
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
TOTAL EXPENDITURES	<u>184,039</u>	<u>66,744</u>	<u>9,443</u>	<u>708,844</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(47,227)</u>	<u>(39,730)</u>	<u>-</u>	<u>(11,909)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	(54,100)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,100)</u>
NET CHANGE IN FUND BALANCES	(47,227)	(39,730)	-	(66,009)
FUND BALANCE, BEGINNING	349,530	65,223	(746,629)	(110,730)
RESTATEMENT	-	-	746,629	786,355
FUND BALANCE AS RESTATED	<u>349,530</u>	<u>65,223</u>	<u>-</u>	<u>675,625</u>
FUND BALANCE, END OF YEAR	<u>\$ 302,303</u>	<u>\$ 25,493</u>	<u>\$ -</u>	<u>\$ 609,616</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, 2018**

For Accounts Held With	Description	Fair Market Value	Maturity Date	Name and Location of Safekeeper
US Bank	Letter of Credit	\$ 9,500,000	N/A	Federal Home Loan of Cincinnati
US Bank	Letter of Credit	<u>1,000,000</u>	N/A	Federal Home Loan of Cincinnati
		<u>\$ 10,500,000</u>		

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2018**

<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	\$ 6,257,802	\$ (285,211)	\$ 5,972,591
Court Cash Bonds Non interest-Bearing	Checking	28,119	-	28,119
Wine Festival Non interest-Bearing	Checking	6,838	-	6,838
MVD	Checking	4,089	-	4,089
Police Department	Checking	6,811	-	6,811
Bond (savings)	Savings	1,045,190	-	1,045,190
General Debt Service	Investment	1,365,057	-	1,365,057
Debt Service - Investment	Investment	938,731	-	938,731
Permit-Free Checking	Checking	245,351	-	245,351
Prices Water Rights	Savings	7,820	-	7,820
CDBG	Checking	100	-	100
General Fund Savings	Savings	608,045	-	608,045
New Bond Savings	Savings	1,400	-	1,400
NMFA	Loan	-	-	-
NMFA	Loan	3,813	-	3,813
NMFA	Loan	871	-	871
Total		<u>\$ 10,520,037</u>	<u>\$ (285,211)</u>	<u>\$ 10,234,826</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
FIDUCIARY FUNDS
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS
JUNE 30, 2018**

<u>MVD Fund</u>				
ASSETS	Beginning Balance	Debits	Credits	Ending Balance
Cash and Cash Equivalents	\$ 3,119	\$ 318,656	\$ 316,286	\$ 5,489
TOTAL ASSETS	\$ 3,119	\$ 318,656	\$ 316,286	\$ 5,489
LIABILITIES				
Deposits Held for Others	\$ 3,119	\$ 318,656	\$ 316,286	\$ 5,489
TOTAL LIABILITIES	\$ 3,119	\$ 318,656	\$ 316,286	\$ 5,489
<u>Police Dept.</u>				
ASSETS	Beginning Balance	Debits	Credits	Ending Balance
Cash and Cash Equivalents	\$ -	\$ 6,811	\$ -	\$ 6,811
TOTAL ASSETS	\$ -	\$ 6,811	\$ -	\$ 6,811
LIABILITIES				
Deposits Held for Others	\$ -	\$ 6,811	\$ -	\$ 6,811
TOTAL LIABILITIES	\$ -	\$ 6,811	\$ -	\$ 6,811
<u>Total</u>				
ASSETS	Beginning Balance	Debits	Credits	Ending Balance
Cash and Cash Equivalents	\$ 3,119	\$ 325,467	\$ 316,286	\$ 12,300
TOTAL ASSETS	\$ 3,119	\$ 325,467	\$ 316,286	\$ 12,300
LIABILITIES				
Deposits Held for Others	\$ 3,119	\$ 325,467	\$ 316,286	\$ 12,300
TOTAL LIABILITIES	\$ 3,119	\$ 325,467	\$ 316,286	\$ 12,300

See Independent Auditors' Report

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 special revenue fund of the Town of Bernalillo (the "Town"), as of and for the year ended June 30, 2018, 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 17, 2018.

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. 2006-008, 2007-002, 2018-001 and 2018-002.

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 item 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 17, 2018

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I - CURRENT YEAR FINDINGS

2006-008 – Reconciliation Bank Accounts – Material Weakness (Modified and Repeated)

Condition: During the audit we observed that the Town has thirteen (13) bank accounts, however, the Town does not reconcile all bank accounts. They currently only reconcile their Bank Account for General Pooled Cash.

Management's Progress: No significant progress has been made with respect to this finding.

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

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

Cause: The Town was unaware that their accounting software is able to be used to reconcile multiple bank accounts.

Auditors' Recommendation: The Town should develop and enforce a policy that requires each bank account to be reconciled within the accounting software every month.

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 balanced on a monthly basis.

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. This practice will continue and the policy and procedure will be developed and included in the Finance Department's procedures.

Timeline: The Town has every intention of seeing that these recommendations are implemented by June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

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

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 reconciling all major accounts.

Management’s Progress: The Town continues to work with an independent contractor, addressing this issue. They are consistently clearing up findings and moving in the right direction.

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 has been moving to resolve findings and issues from prior years and can only work on a few a year so they have not addressed all of them.

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 at the end of the fiscal year, June 30, 2019.

Responsible Party: Treasurer and Finance Staff. Procedures will be written that include controls for GAAP to be included in the Finance Department’s procedures manual. This will be done on a monthly basis for the end of the month procedures.

Timeline: The Town has every intention of seeing that these recommendations are implemented by June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

- Capital Projects Fund: \$343,888

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. This finding is expected to be corrected by June 30, 2019.

Responsible Party: Treasurer and Finance Staff. Moving forward the Town will create a policy to record all reimbursements as Accounts Receivable, this will allow the Town to keep track of any outstanding reimbursements.

Timeline: The Town has every intention of seeing that these recommendations are implemented by June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

2017-001 – Actual Expenditures exceed budgeted expenditures – Other Noncompliance (Repeated & Modified)

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

- Fire Fund: \$23,203
- Correction Fund: \$1,219

Management's Progress: The Town has consistently overlooked funds with actual expenditures exceeding budgeted expenditures. They will need to incorporate processes in which they monitor the budget more closely.

Criteria: Per State Auditor Rule 2018 - 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 adjusted 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 over expenditures, the Town did receive sufficient revenues in this fund to cover the over expenditure.

Responsible Party: Treasurer and Finance Staff. The Finance Department will give Department Supervisors, their financial statements on a monthly statements. This will allow the departments to make budget adjustments and be aware of their budget limits. A procedure will be developed to be included in the Finance Department procedure manual.

Timeline: The Town has every intention of seeing that this recommendation is implemented by June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

2018-001 – Utility Billing – Material Weakness

Condition: During our test work over utility billing we noted eight (8) out of twenty (20) instances in which residential customers were not billed in accordance with the rate established in *Ordinance 290* approved by Council on August 11, 2015.

Management's Progress: New finding in FY2018.

Criteria: The Water Use and Water Rate *Ordinance 290* of the Town of Bernalillo, dated August 11, 2015, specifies the base rate and scales to be charged to residential customers.

Effect: The Town has consistently overbilled residential customers since November 2015 billing cycle.

Cause: Management had not updated the approved rates in its billing system to reflect *Ordinance 290*.

Auditors' Recommendation: We recommend that management update rates in their billing system and monitor the rates are properly calculated and charged to customers.

Management's Response: *Ordinance 290* will be reviewed by the Town Clerk and Town Council to determine if its needs to be modified, to be clearly more understandable. If rates need to be adjusted in the billing system, they will be changed.

Responsible Party: Town Clerk with the Town Council will review the *Ordinance*. Once the *Ordinance* has been review, the Treasurer and Utility Clerk will work with our billing software to review the rates in the system to determine the rates are correct.

Timeline: The Town has every intention of seeing that these recommendations are implemented by June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

2018-002 – Interfund Receivables / Payables are Unreconciled – Material Weakness

Condition: During the performance of our audit, we noted that interfund receivables and payables do not balance and have not been reconciled for several years. Some interfund receivables have credit balances and some interfund payables have debit balances.

Management's Progress: New finding in FY2018.

Criteria: Generally Accepted Accounting Principles (GAAP) dictates that all accounts should be reconciled timely. Furthermore, asset accounts should have debit balances and liability accounts should have credit balances.

Effect: The Town's financial statements are materially misstated.

Cause: It appears that these balances have been incorrect for years. Management has not gotten to working on this issue yet.

Auditors' Recommendation: We recommend that the Town reconciles their interfund receivables and payables. We also recommend that the Town monitor those interfund receivables and payables to make sure that they balance. If money needs to be transferred between funds, we recommend the Town make those transfers promptly.

Management's Response: The Town has contracted with Independent Contractor to correct this finding.

Responsible Party: The Treasurer and the Independent contractor will work on getting the Interfund Receivables and Payables reconciled.

Timeline: The Town has every intention of seeing that these recommendations are implemented by June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II - STATUS OF PRIOR YEAR AUDIT FINDINGS

<u>Finding Number</u>	<u>Description</u>	<u>Title</u>	<u>Status</u>
2006-003	Accounts Receivable Records and Procedures	Material Weakness	Resolved
2006-008	Reconciliation and Recording of Bank Accounts	Material Weakness	Repeated & Modified
2007-002	Internal Control over Financial Reporting	Material Weakness	Repeated & Modified
2007-003	Year-End Cutoff	Material Weakness	Resolved
2008-006	Fund Balance Deficits	Significant Deficiency	Repeated & Modified
2016-002	Per Diem and Mileage Act	Other - Noncompliance	Resolved
2017-001	Actual Expenditures Exceeded Budget	Other - Noncompliance	Repeated & Modified

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2018**

An exit conference was held on December 17, 2018 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

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.