

STATE OF NEW MEXICO
TOWN OF BERNALILLO

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

FOR THE YEAR ENDED JUNE 30, 2019



**STATE OF NEW MEXICO
TOWN OF BERNALILLO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

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**STATE OF NEW MEXICO
TOWN OF BERNALILLO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

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STATE OF NEW MEXICO
TOWN OF BERNALILLO
OFFICIAL ROSTER
AS OF JUNE 30, 2019

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
Terri Gray.....Town Treasurer / Finance Director



Independent Auditors' Report

Honorable Brian S. Colón, Esq.
New Mexico State Auditor
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 comparison for the general fund of the Town of Bernalillo (the "Town"), New Mexico, as of and for the year ended June 30, 2019, 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 unmodified and qualified audit opinions.

Basis for Qualified Opinion on Gross Receipts Taxes Payable Presented in the Business-Type Activities and the Water & Sewer Fund

The Town lacks the adequate internal controls over the gross receipts taxes (GRT) payable balance in the business-type activities and the Water & Sewer Fund. As such, we have been precluded from gaining sufficient audit evidence as to whether the GRT payable balance of the business-type activities and the Water & Sewer Fund of the Town is fairly presented. The adjustment amount to fairly state the GRT payable balance of the business-type activities and the Water & Sewer Fund has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "*Basis for Qualified Opinion on Gross Receipts Taxes Payable Presented in the Business-Type Activities and the Water & Sewer Fund*" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the Water & Sewer Fund as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information as of June 30, 2019, and the respective change in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary 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 and 56, the *Schedule of the Town's Contributions* on pages 55 and 57, and the notes to the required supplementary information, on page 58 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.

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements for all nonmajor funds required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying financial and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole. 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 16, 2019 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 16, 2019

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF NET POSITION
JUNE 30, 2019**

| ASSETS | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|----------------------|
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 8,102,939 | \$ 3,711,518 | \$ 11,814,457 |
| Restricted Cash | 814 | - | 814 |
| Accounts and Taxes Receivable: | | | |
| Property Taxes | 124,633 | - | 124,633 |
| Other Taxes | 1,338,217 | 71,485 | 1,409,702 |
| Intergovernmental | 306,407 | - | 306,407 |
| Other | - | - | - |
| Due From Customers, Net | - | 603,763 | 603,763 |
| Due From Other Funds | 7,623,054 | 3,993,330 | 11,616,384 |
| Prepaid Expenses | 56,412 | - | 56,412 |
| Total Current Assets | <u>17,552,476</u> | <u>8,380,096</u> | <u>25,932,572</u> |
| Noncurrent Assets: | | | |
| Capital Assets | | | |
| Capital Assets Not Being Depreciated | 10,253,738 | 588,689 | 10,842,427 |
| Capital Assets Being Depreciated | 23,512,444 | 18,978,800 | 42,491,244 |
| Less: Accumulated Depreciation | <u>(11,260,549)</u> | <u>(7,644,868)</u> | <u>(18,905,417)</u> |
| Total Noncurrent Assets | <u>22,505,633</u> | <u>11,922,621</u> | <u>34,428,254</u> |
| Deferred Outflows of Resources: | | | |
| Deferred Outflows of Resources, Pension Related | 2,777,620 | 529,071 | 3,306,691 |
| Deferred Outflows of Resources, OPEB Related | 161,633 | 30,787 | 192,420 |
| Total Deferred Outflows of Resources | <u>2,939,253</u> | <u>559,858</u> | <u>3,499,111</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u>\$ 42,997,362</u> | <u>\$ 20,862,575</u> | <u>\$ 63,859,937</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$ 493,607 | \$ 431,218 | \$ 924,825 |
| Accrued Salaries and Benefits | 203,806 | 2,238 | 206,044 |
| Customer Deposits Payable | - | 328,821 | 328,821 |
| Due to Other Funds | 8,101,208 | 3,515,176 | 11,616,384 |
| Other Liabilities | - | 13,648 | 13,648 |
| Accrued Interest | 2,447 | 9,999 | 12,446 |
| Accrued Compensated Absences | 178,295 | 47,028 | 225,323 |
| Current Portion of Loans and Bonds Payable | 935,045 | 607,871 | 1,542,916 |
| Total Current Liabilities | <u>9,914,408</u> | <u>4,955,999</u> | <u>14,870,407</u> |
| Noncurrent Liabilities: | | | |
| Loans and Bonds Payable, Long-term | 562,740 | 5,200,218 | 5,762,958 |
| Net Pension Liability | 8,673,064 | 1,652,012 | 10,325,076 |
| Net OPEB Liability | 3,566,781 | 679,387 | 4,246,168 |
| Total Noncurrent Liabilities | <u>12,802,585</u> | <u>7,531,617</u> | <u>20,334,202</u> |
| TOTAL LIABILITIES | <u>22,716,993</u> | <u>12,487,616</u> | <u>35,204,609</u> |
| Deferred Inflows of Resources: | | | |
| Deferred Inflows of Resources, Pension Related | 627,699 | 119,562 | 747,261 |
| Deferred Inflows of Resources, OPEB Related | 921,591 | 175,541 | 1,097,132 |
| Total Deferred Inflows of Resources | <u>1,549,290</u> | <u>295,103</u> | <u>1,844,393</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | <u>24,266,283</u> | <u>12,782,719</u> | <u>37,049,002</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 21,007,848 | 6,114,532 | 27,122,380 |
| Restricted | 2,660,675 | - | 2,660,675 |
| Unrestricted (Deficit) | <u>(4,937,444)</u> | <u>1,965,324</u> | <u>(2,972,120)</u> |
| Total Net Position | <u>18,731,079</u> | <u>8,079,856</u> | <u>26,810,935</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 42,997,362</u> | <u>\$ 20,862,575</u> | <u>\$ 63,859,937</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, 2019**

| 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 | \$ 7,249,826 | \$ - | \$ 390,276 | \$ - | \$ (6,859,550) | \$ - | \$ (6,859,550) |
| Public Safety | 639,918 | - | 561,226 | - | (78,692) | - | (78,692) |
| Culture and Recreation | 772,793 | 31,513 | 997,298 | - | 256,018 | - | 256,018 |
| Health and Welfare | - | - | - | - | - | - | - |
| Public Works | 1,849,665 | - | 695 | 667,125 | (1,181,845) | - | (1,181,845) |
| Interest on Long-Term Debt | 41,948 | - | - | - | (41,948) | - | (41,948) |
| Total Governmental Activities | <u>10,554,150</u> | <u>31,513</u> | <u>1,949,495</u> | <u>667,125</u> | <u>(7,906,017)</u> | <u>-</u> | <u>(7,906,017)</u> |
| Business-Type Activities | | | | | | | |
| Campground | 167,948 | 201,841 | - | - | - | 33,893 | 33,893 |
| Water and Sewer | 3,366,711 | 5,055,911 | - | - | - | 1,689,200 | 1,689,200 |
| Total Business-Type Activities | <u>\$ 3,534,659</u> | <u>\$ 5,257,752</u> | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>1,723,093</u> | <u>1,723,093</u> |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes levied for general purposes | | | | | 1,014,759 | - | 1,014,759 |
| Gross Receipts Tax | | | | | 6,421,128 | 146,757 | 6,567,885 |
| Other Taxes | | | | | 644,794 | - | 644,794 |
| Interest Income/(Expense) | | | | | 74,042 | (121,630) | (47,588) |
| Licenses and Fees | | | | | 394,015 | - | 394,015 |
| Miscellaneous Income | | | | | 595,094 | 81,325 | 676,419 |
| Loss on Disposal of Land | | | | | (232,710) | - | (232,710) |
| Transfers In | | | | | 2,946,424 | 654,047 | 3,600,471 |
| Transfers Out | | | | | (2,872,299) | (728,172) | (3,600,471) |
| Subtotal, General Revenues | | | | | <u>8,985,247</u> | <u>32,327</u> | <u>9,017,574</u> |
| Change in Net Position | | | | | <u>1,079,230</u> | <u>1,755,420</u> | <u>2,834,650</u> |
| Net Position, Beginning | | | | | 16,318,940 | 4,867,897 | 21,186,837 |
| Restatement | | | | | 1,332,909 | 1,456,539 | 2,789,448 |
| Net Position, as Restated | | | | | <u>17,651,849</u> | <u>6,324,436</u> | <u>23,976,285</u> |
| Net Position, Ending | | | | | <u>\$ 18,731,079</u> | <u>\$ 8,079,856</u> | <u>\$ 26,810,935</u> |

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | General Fund | Capital Projects Fund |
|---|--------------------------|--------------------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 5,696,398 | \$ 1,045,591 |
| Restricted Cash | - | - |
| Accounts Receivable: | | |
| Property Taxes | 124,633 | - |
| Other Taxes | 1,256,771 | - |
| Due From Other Governments | 5,228 | 276,704 |
| Other | - | - |
| Due From Other Funds | 6,010,253 | - |
| Prepaid Expenses | 56,412 | - |
| TOTAL ASSETS | \$ 13,149,695 | \$ 1,322,295 |
| LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts Payable | \$ 394,346 | \$ 99,261 |
| Accrued Salaries and Benefits | 203,806 | - |
| Other Liabilities | - | - |
| Due To Other Funds | 5,180,452 | 1,804,076 |
| TOTAL LIABILITIES | 5,778,604 | 1,903,337 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable Revenue - Property Taxes | 100,974 | - |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 5,879,578 | 1,903,337 |
| FUND BALANCES | | |
| Nonspendable: | | |
| Prepaid Expenses | 56,412 | - |
| Restricted For: | | |
| Governmental Funds | - | - |
| Minimum Fund Balance | 682,967 | - |
| Unassigned | 6,530,738 | (581,042) |
| TOTAL FUND BALANCES | 7,270,117 | (581,042) |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 13,149,695 | \$ 1,322,295 |

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
JUNE 30, 2019**

| | Debt Service Fund | Other Governmental Funds | Total |
|---|----------------------------------|---|----------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,350,802 | \$ 10,148 | \$ 8,102,939 |
| Restricted Cash | - | 814 | 814 |
| Accounts Receivable: | | | |
| Property Taxes | - | - | 124,633 |
| Other Taxes | - | 81,446 | 1,338,217 |
| Due From Other Governments | - | 24,475 | 306,407 |
| Other | - | - | - |
| Due From Other Funds | - | 1,612,801 | 7,623,054 |
| Prepaid Expenses | - | - | 56,412 |
| TOTAL ASSETS | \$ 1,350,802 | \$ 1,729,684 | \$ 17,552,476 |
| LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ - | \$ - | \$ 493,607 |
| Accrued Salaries and Benefits | - | - | 203,806 |
| Other Liabilities | - | - | - |
| Due To Other Funds | 1,012,223 | 104,457 | 8,101,208 |
| TOTAL LIABILITIES | 1,012,223 | 104,457 | 8,798,621 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - Property Taxes | - | - | 100,974 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 1,012,223 | 104,457 | 8,899,595 |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid Expenses | - | - | 56,412 |
| Restricted For: | | | |
| Governmental Funds | 338,579 | 1,639,129 | 1,977,708 |
| Minimum Fund Balance | - | - | 682,967 |
| Unassigned | - | (13,902) | 5,935,794 |
| TOTAL FUND BALANCES | 338,579 | 1,625,227 | 8,652,881 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 1,350,802 | \$ 1,729,684 | \$ 17,552,476 |

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, 2019**

Total Fund Balance - Governmental Funds **\$ 8,652,881**

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 | 33,766,182 | |
| Less: Accumulated Depreciation | <u>(11,260,549)</u> | |
| Capital Assets, Net | | 22,505,633 |

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

| | | |
|-------------------|--|--------------------|
| Deferred Outflows | | 2,939,253 |
| Deferred Inflows | | <u>(1,549,290)</u> |

Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities

100,974

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 Interest Payable | (2,447) | |
| Accrued Compensated Absences | (178,295) | |
| Net Pension Liability | (8,673,064) | |
| Net OPEB Liability | (3,566,781) | |
| Long-Term Debt | <u>(1,497,785)</u> | |
| Total | | <u>(13,918,372)</u> |

Net Position of Governmental Activities **\$ 18,731,079**

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

| | General Fund | Capital Projects Fund |
|--|-------------------------|--------------------------------------|
| REVENUES | | |
| Property Taxes | \$ 781,665 | \$ - |
| Gross Receipts Taxes | 6,421,128 | - |
| Other Taxes | 254,395 | - |
| State Grants | 427,362 | 1,553,482 |
| Licenses and Fees | 381,814 | - |
| Charges for Services | 11,485 | - |
| Investment Income | 23,077 | 48,255 |
| Miscellaneous | 459,674 | 533,518 |
| TOTAL REVENUES | <u>8,760,600</u> | <u>2,135,255</u> |
| EXPENDITURES | | |
| Current | | |
| General Government | 6,064,792 | - |
| Public Safety | 10,453 | - |
| Culture and Recreation | 534,376 | - |
| Health and Welfare | - | - |
| Public Works | 1,271,203 | 25,032 |
| Capital Outlay | 326,305 | 4,089,020 |
| Debt Service Principal | - | - |
| Debt Service Interest | - | - |
| TOTAL EXPENDITURES | <u>8,207,129</u> | <u>4,114,052</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>553,471</u> | <u>(1,978,797)</u> |
| OTHER FINANCING SOURCES (USES): | | |
| Transfers in | 197,500 | 1,744,151 |
| Transfers out | (2,872,299) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(2,674,799)</u> | <u>1,744,151</u> |
| NET CHANGE IN FUND BALANCES | (2,121,328) | (234,646) |
| FUND BALANCE, BEGINNING | 6,870,503 | (343,888) |
| RESTATEMENT | 2,520,942 | (2,508) |
| FUND BALANCE AS RESTATED | <u>9,391,445</u> | <u>(346,396)</u> |
| FUND BALANCE, ENDING | <u>\$ 7,270,117</u> | <u>\$ (581,042)</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, 2019**

| | Debt Service Fund | Other Governmental Funds | Total |
|--|----------------------------------|---|---------------------|
| REVENUES | | | |
| Property Taxes | \$ - | \$ 132,120 | \$ 913,785 |
| Gross Receipts Taxes | - | - | 6,421,128 |
| Other Taxes | - | 390,399 | 644,794 |
| State Grants | - | 635,776 | 2,616,620 |
| Licenses and Fees | - | 12,201 | 394,015 |
| Charges for Services | - | 20,028 | 31,513 |
| Investment Income | 2,710 | - | 74,042 |
| Miscellaneous | - | 1,902 | 995,094 |
| TOTAL REVENUES | <u>2,710</u> | <u>1,192,426</u> | <u>12,090,991</u> |
| EXPENDITURES | | | |
| Current | | | |
| General Government | - | 156,652 | 6,221,444 |
| Public Safety | - | 431,005 | 441,458 |
| Culture and Recreation | - | 161,559 | 695,935 |
| Health and Welfare | - | - | - |
| Public Works | - | 357,928 | 1,654,163 |
| Capital Outlay | - | 77,279 | 4,492,604 |
| Debt Service Principal | 870,000 | 44,395 | 914,395 |
| Debt Service Interest | 35,560 | 3,941 | 39,501 |
| TOTAL EXPENDITURES | <u>905,560</u> | <u>1,232,759</u> | <u>14,459,500</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(902,850)</u> | <u>(40,333)</u> | <u>(2,368,509)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 951,898 | 52,875 | 2,946,424 |
| Transfers out | - | - | (2,872,299) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>951,898</u> | <u>52,875</u> | <u>74,125</u> |
| NET CHANGE IN FUND BALANCES | 49,048 | 12,542 | (2,294,384) |
| FUND BALANCE, BEGINNING RESTATEMENT | 289,531 | 1,582,948 | 8,399,094 |
| | - | 29,737 | 2,548,171 |
| FUND BALANCE AS RESTATED | <u>289,531</u> | <u>1,612,685</u> | <u>10,947,265</u> |
| FUND BALANCE, ENDING | <u>\$ 338,579</u> | <u>\$ 1,625,227</u> | <u>\$ 8,652,881</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, 2019**

Net Changes in Fund Balance - Governmental Funds \$ (2,294,384)

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 | 4,492,604 | |
| Depreciation Expense | (653,176) | |
| Loss on Disposal of Assets | (232,710) | |
| | | |
| Excess (Deficiency) of Capital Outlay over Depreciation Expense | | 3,606,718 |

Proceeds from the sale of land are reported as current financial resources in the fund financials and are reported as a reduction of an asset on the Statement of Net Position (400,000)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

| | |
|--------------------------|---------|
| Change in Property Taxes | 100,974 |
|--------------------------|---------|

Governmental funds report Town's pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

| | |
|-----------------|-----------|
| Pension Expense | (903,857) |
| OPEB Expense | 50,542 |

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):

| | |
|---|---------|
| Debt Service Principal | 914,395 |
| (Increase) Decrease in Accrued Interest Payable | (2,447) |
| (Increase) Decrease in Compensated Absences | 7,289 |
| | |

Change in Net Position of Governmental Activities **\$ 1,079,230**

**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, 2019**

| | Original Budget | Final Budget | Actual | Final Budget Favorable (Unfavorable) |
|--|---------------------|-------------------|--------------------|--|
| REVENUES | | | | |
| Property Taxes | \$ 700,000 | \$ 757,800 | \$ 757,767 | \$ (33) |
| Gross Receipts Taxes | 6,376,000 | 6,376,000 | 5,750,730 | (625,270) |
| Other Taxes | 250,000 | 221,008 | 207,512 | (13,496) |
| State Grants | 136,900 | 443,880 | 427,362 | (16,518) |
| Licenses and Fees | 414,475 | 393,606 | 370,107 | (23,499) |
| Charges for Services | 17,000 | 17,000 | 11,485 | (5,515) |
| Investment Income | 53,875 | 53,325 | 23,077 | (30,248) |
| Miscellaneous | 16,000 | 443,490 | 445,443 | 1,953 |
| TOTAL REVENUES | <u>7,964,250</u> | <u>8,706,109</u> | <u>7,993,483</u> | <u>(712,626)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | 6,498,243 | 6,553,329 | 6,084,422 | 468,907 |
| Public Safety | 24,750 | 20,438 | 10,379 | 10,059 |
| Culture and Recreation | 575,463 | 574,974 | 533,466 | 41,508 |
| Health and Welfare | - | - | - | - |
| Public Works | 1,382,677 | 1,418,099 | 1,258,286 | 159,813 |
| Capital Outlay | 299,345 | 313,345 | 309,049 | 4,296 |
| Debt Service Principal | - | - | - | - |
| Debt Service Interest | - | - | - | - |
| TOTAL EXPENDITURES | <u>8,780,478</u> | <u>8,880,185</u> | <u>8,195,602</u> | <u>684,583</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(816,228)</u> | <u>(174,076)</u> | <u>(202,119)</u> | <u>(1,397,209)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Bond Proceeds | 16,000 | 443,490 | 445,443 | 1,953 |
| Transfers in | 197,500 | 211,500 | 197,500 | (14,000) |
| Transfers out | (905,903) | (926,778) | (2,872,299) | (1,945,521) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(692,403)</u> | <u>(271,788)</u> | <u>(2,229,356)</u> | <u>\$ (1,957,568)</u> |
| NET CHANGE | <u>(1,508,631)</u> | <u>(445,864)</u> | <u>(2,431,475)</u> | |
| PRIOR YEAR CASH BALANCE BUDGETED | <u>\$ 1,508,631</u> | <u>\$ 445,864</u> | | |

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

| | |
|--|---------------------|
| Revenues, Actual on a Budget Basis | \$ 8,636,426 |
| Revenues, Actual on Modified Accrual Basis | 8,958,100 |
| Adjustments to Revenues | <u>\$ (321,674)</u> |
| Expenditures, Actual on a Budget Basis | \$ 11,067,901 |
| Expenditures, Actual on Modified Accrual Basis | 11,079,428 |
| Adjustments to Expenditures | <u>\$ (11,527)</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, 2019**

| | <u>Campground Fund</u> | <u>Water & Sewer Fund</u> | <u>Total</u> |
|--|----------------------------|-----------------------------------|----------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ - | \$ 3,711,518 | \$ 3,711,518 |
| Receivables: | | | |
| Taxes | - | 71,485 | 71,485 |
| Customers, Net | - | 603,763 | 603,763 |
| Due From Other Funds | <u>264,193</u> | <u>3,729,137</u> | <u>3,993,330</u> |
| TOTAL CURRENT ASSETS | <u>264,193</u> | <u>8,115,903</u> | <u>8,380,096</u> |
| NONCURRENT ASSETS | | | |
| Capital Assets Not Being Depreciated | - | 588,689 | 588,689 |
| Capital Assets Being Depreciated | 99,407 | 18,879,393 | 18,978,800 |
| Less: Accumulated Depreciation | <u>(38,169)</u> | <u>(7,606,699)</u> | <u>(7,644,868)</u> |
| Capital Assets, Net | <u>61,238</u> | <u>11,861,383</u> | <u>11,922,621</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred Outflows of Resources, Pension Related | 33,067 | 496,004 | 529,071 |
| Deferred Outflows of Resources, OPEB | <u>1,924</u> | <u>28,863</u> | <u>30,787</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>34,991</u> | <u>524,867</u> | <u>559,858</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u>\$ 360,422</u> | <u>\$ 20,502,153</u> | <u>\$ 20,862,575</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | \$ 4,080 | \$ 427,138 | \$ 431,218 |
| Accrued Salaries and Benefits | 66 | 2,172 | 2,238 |
| Customer Deposits Payable | 2,500 | 326,321 | 328,821 |
| Due to Other Funds | 9,480 | 3,505,696 | 3,515,176 |
| Other Accrued Liabilities | - | 13,648 | 13,648 |
| Accrued Interest | - | 9,999 | 9,999 |
| Accrued Compensated Absences | 4,078 | 42,950 | 47,028 |
| Bonds and Notes Payable, Current | <u>-</u> | <u>607,871</u> | <u>607,871</u> |
| TOTAL CURRENT LIABILITIES | <u>20,204</u> | <u>4,935,795</u> | <u>4,955,999</u> |
| NONCURRENT LIABILITIES | | | |
| Long-Term Debt | - | 5,200,218 | 5,200,218 |
| Net Pension Liability | 103,251 | 1,548,761 | 1,652,012 |
| Net OPEB Liability | <u>42,462</u> | <u>636,925</u> | <u>679,387</u> |
| TOTAL NONCURRENT LIABILITIES | <u>145,713</u> | <u>7,385,904</u> | <u>7,531,617</u> |
| TOTAL LIABILITIES | <u>165,917</u> | <u>12,321,699</u> | <u>12,487,616</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Deferred Inflows of Resources, Pension Related | 7,473 | 112,089 | 119,562 |
| Deferred Inflows of Resources OPEB | <u>10,971</u> | <u>164,570</u> | <u>175,541</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>18,444</u> | <u>276,659</u> | <u>295,103</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | <u>184,361</u> | <u>12,598,358</u> | <u>12,782,719</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 61,238 | 6,053,294 | 6,114,532 |
| Unrestricted | <u>114,823</u> | <u>1,850,501</u> | <u>1,965,324</u> |
| TOTAL NET POSITION | <u>176,061</u> | <u>7,903,795</u> | <u>8,079,856</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 360,422</u> | <u>\$ 20,502,153</u> | <u>\$ 20,862,575</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, 2019**

| | <u>Campground Fund</u> | <u>Water & Sewer Fund</u> | <u>Total</u> |
|--|----------------------------|-----------------------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for Services | \$ 201,841 | \$ 5,055,911 | \$ 5,257,752 |
| TOTAL OPERATING REVENUES | <u>201,841</u> | <u>5,055,911</u> | <u>5,257,752</u> |
| OPERATING EXPENSES | | | |
| General and Administrative | 8,683 | - | 8,683 |
| Personnel Services | 89,726 | 968,403 | 1,058,129 |
| Contractual Services | 2,979 | 751,331 | 754,310 |
| Supplies and Purchased Power | 898 | 68,888 | 69,786 |
| Maintenance and Materials | 25,409 | 482,794 | 508,203 |
| Utilities | 27,904 | 307,844 | 335,748 |
| Depreciation | 8,208 | 609,500 | 617,708 |
| Bad Debt Expense | - | - | - |
| Miscellaneous | 4,141 | 177,951 | 182,092 |
| TOTAL OPERATING EXPENSES | <u>167,948</u> | <u>3,366,711</u> | <u>3,534,659</u> |
| OPERATING INCOME (LOSS) | <u>33,893</u> | <u>1,689,200</u> | <u>1,723,093</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Taxes | - | 146,757 | 146,757 |
| Interest Income | - | 26,548 | 26,548 |
| Interest Expense | - | (148,178) | (148,178) |
| Grant Revenue | - | - | - |
| Miscellaneous Income | 3,500 | 77,825 | 81,325 |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>3,500</u> | <u>102,952</u> | <u>106,452</u> |
| EXCESS OF REVENUES OVER EXPENSES | <u>37,393</u> | <u>1,792,152</u> | <u>1,829,545</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | 654,047 | 654,047 |
| Transfers out | - | (728,172) | (728,172) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>(74,125)</u> | <u>(74,125)</u> |
| CHANGE IN NET POSITION | 37,393 | 1,718,027 | 1,755,420 |
| NET POSITION, BEGINNING | 71,460 | 4,796,437 | 4,867,897 |
| RESTATEMENT | <u>67,208</u> | <u>1,389,331</u> | <u>1,456,539</u> |
| NET POSITION, AS RESTATED | <u>138,668</u> | <u>6,185,768</u> | <u>6,324,436</u> |
| NET POSITION, ENDING | <u>\$ 176,061</u> | <u>\$ 7,903,795</u> | <u>\$ 8,079,856</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, 2019**

| | <u>Campground Fund</u> | <u>Water & Sewer Fund</u> | <u>Total</u> |
|---|----------------------------|-----------------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received From User Charges | \$ 157,207 | \$ 5,280,493 | \$ 5,437,700 |
| Cash Payments to Employees for Services | (89,726) | (968,403) | (1,058,129) |
| Cash Payments to Suppliers for Goods and Services | <u>(46,342)</u> | <u>(1,788,808)</u> | <u>(1,835,150)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>21,139</u> | <u>2,523,282</u> | <u>2,544,421</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Net Transfers | <u>-</u> | <u>(74,125)</u> | <u>(74,125)</u> |
| NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES | <u>-</u> | <u>(74,125)</u> | <u>(74,125)</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | | |
| Principal Payments on Debt | - | (589,684) | (589,684) |
| Interest Paid on Debt | - | (148,178) | (148,178) |
| Loan Proceeds | - | 74,125 | 74,125 |
| Acquisition and Construction of Capital Assets | <u>(24,639)</u> | <u>(183,552)</u> | <u>(208,191)</u> |
| NET CASH PROVIDED BY (USED IN) CAPITAL FINANCING ACTIVITIES | <u>(24,639)</u> | <u>(847,289)</u> | <u>(871,928)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Sale of Investments | - | 891,200 | 891,200 |
| Interest on Investments | <u>3,500</u> | <u>26,548</u> | <u>30,048</u> |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | <u>3,500</u> | <u>917,748</u> | <u>921,248</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>-</u> | <u>2,519,616</u> | <u>2,519,616</u> |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>-</u> | <u>1,191,902</u> | <u>1,191,902</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ -</u> | <u>\$ 3,711,518</u> | <u>\$ 3,711,518</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating Income (loss) | \$ 33,893 | \$ 1,689,200 | \$ 1,723,093 |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities | | | |
| Depreciation Expense | 8,208 | 609,500 | 617,708 |
| Changes in assets and liabilities: | | | |
| Change in receivables | - | (243,010) | (243,010) |
| Change in due to / due from | (22,677) | 354,537 | 331,860 |
| Change in accounts payable | 1,855 | 119,633 | 121,488 |
| Change in compensated absences | 885 | (4,076) | (3,191) |
| Change in accrued salaries and benefits | <u>(1,025)</u> | <u>(2,502)</u> | <u>(3,527)</u> |
| NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES | <u>\$ 21,139</u> | <u>\$ 2,523,282</u> | <u>\$ 2,544,421</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, 2019

ASSETS

| | <u>MVD Fund</u> | <u>Police Dept.</u> | <u>Total</u> |
|---------------------------|-----------------|---------------------|-----------------|
| Cash and Cash Equivalents | \$ 3,766 | \$ - | \$ 3,766 |
| TOTAL ASSETS | <u>\$ 3,766</u> | <u>\$ -</u> | <u>\$ 3,766</u> |

LIABILITIES

| | | | |
|--------------------------|-----------------|-------------|-----------------|
| Deposits Held for Others | \$ 3,766 | \$ - | \$ 3,766 |
| TOTAL LIABILITIES | <u>\$ 3,766</u> | <u>\$ -</u> | <u>\$ 3,766</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, 2019**

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, 2019**

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, 2019**

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, 2019**

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.

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, 2019**

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. The Town has no investments as of June 30, 2019.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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. The Town has no inventory as of June 30, 2019.

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, 2019**

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 Salaries and Benefits: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2019, 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 unearned/unavailable 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, 2019**

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 \$3,499,111 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 \$1,844,393 as of June 30, 2019. 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.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

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 (\$682,967) for subsequent year expenditures to maintain an adequate cash flow. The Town is in compliance with these DFA requirements.

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

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

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

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

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

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

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019 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, 2019.

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 in the *Supporting Schedules* 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, 2019, \$11,474,764, of the Town's bank balances of \$11,974,764 was exposed to custodial credit risk. \$11,474,764 was uninsured and required 50% collateral to be 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>BBVA</u> | <u>NMFA Reserves</u> | <u>Total</u> |
|-------------------------------------|---------------------|---------------------|--------------------------|---------------------|
| Amount of Deposits | \$ 9,588,374 | \$ 2,385,576 | \$ 814 | \$ 11,974,764 |
| Less: FDIC Coverage | (500,000) | (500,000) | - | (500,000) |
| Total Uninsured Public Funds | <u>9,088,374</u> | <u>1,885,576</u> | <u>814</u> | <u>11,474,764</u> |
| 50% Collateralization Requirement | <u>4,544,187</u> | <u>942,788</u> | - | <u>5,737,382</u> |
| Pledged Collateral | <u>8,000,000</u> | - | - | <u>8,000,000</u> |
| Over (Under) Collateralized | <u>\$ 3,455,813</u> | <u>\$ (942,788)</u> | <u>\$ -</u> | <u>\$ 2,262,618</u> |

As of June 30, 2019, the Town also has \$814 in NMFA reserve cash that is included as restricted cash on the Statement of Net Position that will be used for debt service in future periods.

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, 2019**

NOTE 4. Receivables

Governmental Activities:

Receivables as of June 30, 2019, are as follows:

| | <u>General Fund</u> | <u>Other Major Funds</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|-------------------------|---------------------|------------------------------|--|---------------------|
| Property Taxes | \$ 124,633 | \$ - | \$ - | \$ 124,633 |
| Other Taxes | 1,256,771 | - | 81,446 | 1,338,217 |
| Intergovernmental | 5,228 | 276,704 | 24,475 | 306,407 |
| Receivables, Net | \$ 1,386,632 | \$ 276,704 | \$ 105,921 | \$ 1,769,257 |

Management has deemed that the above governmental activities receivables are 100% collectible and therefore, has not made a provision for allowance for doubtful accounts.

Business-Type Activities:

Proprietary fund receivables as of June 30, 2019 are as follows:

| | <u>Utilities</u> |
|---------------------------------------|-------------------|
| Taxes | \$ 71,485 |
| Customer Receivables | 703,763 |
| Less: Allowance for Doubtful Accounts | (100,000) |
| Receivables, Net | \$ 675,248 |

The business-type activities accounts receivable are net of an estimated allowance for uncollectible accounts of \$100,000.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 5. Interfund Receivables, Payables, and Transfers

The Town records temporary interfund receivables and payables to enable the funds to operate until reimbursements are received. Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances of June 30, 2019 is as follows:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|---------------------------------|---------------------------------|-------------------------------|
| Governmental Funds: | | |
| General Fund | \$ 6,010,253 | \$ 5,180,452 |
| Gas Tax Fund | 1,012,999 | 41,248 |
| Capital Projects Fund | - | 1,804,076 |
| Debt Service Fund | - | 1,012,223 |
| Fire Fund | 30,567 | 12,157 |
| Police Community Events | - | 4,844 |
| Corrections Fund | 175,233 | 1,995 |
| Traffic Safety Fund | - | 13,498 |
| School Resources | 44,409 | - |
| Bullet Proof Vest Grant | 1,133 | - |
| Safer Grant | 35,590 | - |
| Library Donations | 19,793 | - |
| GO Bond Library | - | 87 |
| Rescue Fund | 157 | - |
| Library County Bond | - | 10,061 |
| Lodgers' Tax Fund | 269,732 | 20,567 |
| Brew Festival Fund | 20,645 | - |
| Santa Ana | 2,543 | - |
| Total Governmental Funds | <u>\$ 7,623,054</u> | <u>\$ 8,101,208</u> |
| Proprietary Funds: | | |
| Campground Fund | \$ 264,193 | \$ 9,480 |
| Water and Sewer Fund | <u>3,729,137</u> | <u>3,505,696</u> |
| Total Proprietary Funds | <u>3,993,330</u> | <u>3,515,176</u> |
| Grand Total | <u>\$ 11,616,384</u> | <u>\$ 11,616,384</u> |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 6. Transfers

Transfers are amounts transferred internally among funds as follows:

| <u>Governmental Activities</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|--|----------------------------|-----------------------------|
| General Fund | \$ 197,500 | \$ 2,872,299 |
| Debt Service Fund | 951,898 | - |
| Capital Projects Fund | 1,744,151 | - |
| Library Donations | 20,875 | - |
| Brew Festival | 32,000 | - |
| Total Governmental Activities | <u>\$ 2,946,424</u> | <u>\$ 2,872,299</u> |
| | | |
| <u>Business-Type Activities</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
| Campground Fund | \$ - | \$ - |
| Water & Sewer Fund | 654,047 | 728,172 |
| Total Business-Type Activities | <u>\$ 654,047</u> | <u>\$ 728,172</u> |
| | | |
| Total | <u>\$ 3,600,471</u> | <u>\$ 3,600,471</u> |

NOTE 7. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows. Land, works of art and construction in progress are not subject to depreciation.

Governmental Activities:

| | <u>Balance June 30, 2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2019</u> |
|--|---|-------------------------|-------------------------|---|
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 6,624,814 | \$ - | \$ 627,264 | \$ 5,997,550 |
| Construction in Progress | 75,168 | 4,089,020 | - | 4,164,188 |
| Works of Art | 92,000 | - | - | 92,000 |
| Total Capital Assets Not Being Depreciated | <u>6,791,982</u> | <u>4,089,020</u> | <u>627,264</u> | <u>10,253,738</u> |
| | | | | |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 8,616,695 | 83,797 | - | 8,700,492 |
| Other Improvements | 1,141,858 | - | - | 1,141,858 |
| Infrastructure | 10,532,569 | - | - | 10,532,569 |
| Vehicles, Furniture and Equipment | 2,867,136 | 319,787 | 49,398 | 3,137,525 |
| Total Capital Assets Being Depreciated | <u>23,158,258</u> | <u>403,584</u> | <u>49,398</u> | <u>23,512,444</u> |
| Total Capital Assets | <u>29,950,240</u> | <u>4,492,604</u> | <u>676,662</u> | <u>33,766,182</u> |
| | | | | |
| Accumulated Depreciation: | | | | |
| Buildings and Improvements | 4,025,968 | 203,753 | - | 4,229,721 |
| Other Improvements | 364,356 | 25,826 | - | 390,182 |
| Infrastructure | 4,472,020 | 207,346 | - | 4,679,366 |
| Vehicles, Furniture and Equipment | 1,788,981 | 216,251 | 43,952 | 1,961,280 |
| Total Accumulated Depreciation | <u>10,651,325</u> | <u>653,176</u> | <u>43,952</u> | <u>11,260,549</u> |
| Capital Assets, Net | <u>\$ 19,298,915</u> | <u>\$ 3,839,428</u> | <u>\$ 632,710</u> | <u>\$ 22,505,633</u> |

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7. Capital Assets (Continued)

The Town recorded \$653,176 in depreciation expense related to governmental activities for the year ended June 30, 2019. Depreciation expense is allocated to functions as follows:

| <u>Function</u> | <u>Amount</u> |
|------------------------|--------------------------|
| General | \$ 169,768 |
| Public Safety | 198,460 |
| Culture and Recreation | 76,858 |
| Public Works | 208,090 |
| Health and Welfare | - |
| Total | <u>\$ 653,176</u> |

Business-Type Activities:

| | <u>Balance</u> | | | <u>Balance</u> |
|--|-----------------------------|----------------------------|--------------------|-----------------------------|
| | <u>June 30, 2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2019</u> |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 377,428 | \$ - | \$ - | \$ 377,428 |
| Construction in Progress | 211,261 | - | - | 211,261 |
| Total Capital Assets Not Being Depreciated | <u>588,689</u> | <u>-</u> | <u>-</u> | <u>588,689</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 104,409 | 57,575 | - | 161,984 |
| Infrastructure | 17,488,829 | 60,570 | - | 17,549,399 |
| Vehicles, Furniture and Equipment | 1,177,371 | 90,046 | - | 1,267,417 |
| Total Capital Assets Being Depreciated | <u>18,770,609</u> | <u>208,191</u> | <u>-</u> | <u>18,978,800</u> |
| Total Capital Assets | <u>19,359,298</u> | <u>208,191</u> | <u>-</u> | <u>19,567,489</u> |
| Accumulated Depreciation: | | | | |
| Buildings and Improvements | 54,143 | 8,055 | - | 62,198 |
| Infrastructure | 6,154,890 | 556,368 | - | 6,711,258 |
| Vehicles, Furniture and Equipment | 818,127 | 53,285 | - | 871,412 |
| Total Accumulated Depreciation | <u>7,027,160</u> | <u>617,708</u> | <u>-</u> | <u>7,644,868</u> |
| Capital Assets, Net | <u>\$ 12,332,138</u> | <u>\$ (409,517)</u> | <u>\$ -</u> | <u>\$ 11,922,621</u> |

The Town recorded \$617,708 in depreciation expense related to business-type activities for the year ended June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8. Long-term Debt

Governmental Activities:

During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the government wide Statement of Net Position:

| | <u>Balance June 30, 2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2019</u> | <u>Due Within One Year</u> |
|--|----------------------------------|--------------------------|----------------------------|----------------------------------|------------------------------------|
| Loan Payable #10 | \$ 182,180 | \$ - | \$ 44,395 | \$ 137,785 | \$ 45,045 |
| GROSS RECEIPTS TAX REFUNDING BONDS, SERIES 2017 | <u>2,230,000</u> | <u>-</u> | <u>870,000</u> | <u>1,360,000</u> | <u>890,000</u> |
| Subtotal | 2,412,180 | - | 914,395 | 1,497,785 | 935,045 |
| Compensated Absences | <u>185,584</u> | <u>158,145</u> | <u>165,434</u> | <u>178,295</u> | <u>178,295</u> |
| Total Long-Term Debt | <u>\$ 2,597,764</u> | <u>\$ 158,145</u> | <u>\$ 1,079,829</u> | <u>\$ 1,676,080</u> | <u>\$ 1,113,340</u> |

Interest expense paid on long-term debt for governmental activities totaled \$41,948 for the year ended June 30, 2019.

The Town has received a loan for the purchase of fire trucks. The fire trucks will be repaid by the Fire Fund.

Revenue Bonds

Revenue bonds are issued and authorized by the governing body to provide funds to acquire and construct certain improvements for the Town and to pay the costs incurred in connection with the issuance of the bonds. The governmental activity revenue bonds are secured by a pledge of state-shared gross receipts taxes and the business-type activity revenue and refunding bonds are secured by a pledge of revenues from the water and sewer utility systems. Neither the governmental nor the business-type activity revenue and refunding bonds constitute a general obligation of the Town backed by the general taxing authority.

The 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 has pledged future state-shared gross receipts tax revenues to repay Gross Receipts Tax Refunding Revenue Bonds, Series 2017, of \$1,360,000 as of June 30, 2019. 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 \$6.4 million and the total principal and interest paid on the bonds was \$911,896.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8. Long-term Debt (Continued)

| <u>Series</u> | <u>Original Issue</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Outstanding</u> |
|--|-----------------------|-----------------------|----------------------|--------------------|
| GROSS RECEIPTS TAX REFUNDING BONDS, SERIES 2017 | \$ 2,680,000 | 6/1/2021 | 1.610% | \$ 1,360,000 |

The annual requirements to amortize the governmental activities debt as of June 30, 2019, including interest payments, are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|------------------|---------------------|
| 2020 | \$ 935,045 | \$ 24,790 | \$ 959,835 |
| 2021 | 515,920 | 9,631 | 525,551 |
| 2022 | 46,820 | 1,096 | 47,916 |
| 2023 | - | - | - |
| 2024 | - | - | - |
| Total | <u>\$ 1,497,785</u> | <u>\$ 35,517</u> | <u>\$ 1,533,302</u> |

Business-Type Activities:

During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the proprietary Statement of Net Position:

| | <u>Balance June 30, 2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2019</u> | <u>Due Within One Year</u> |
|------------------------------|----------------------------------|------------------|-------------------|----------------------------------|------------------------------------|
| NMFA 12 | \$ - | \$ 74,125 | \$ - | \$ 74,125 | \$ 3,417 |
| BBVA - GRT Bonds Series 2017 | 6,323,648 | - | 589,684 | 5,733,964 | 604,341 |
| Subtotal | 6,323,648 | 74,125 | 589,684 | 5,808,089 | 607,758 |
| Compensated Absences | 50,219 | 21,596 | 24,787 | 47,028 | 47,028 |
| Total Long-Term Debt | <u>\$ 6,373,867</u> | <u>\$ 95,721</u> | <u>\$ 614,471</u> | <u>\$ 5,855,117</u> | <u>\$ 654,786</u> |

Interest expense paid on long-term debt for business-type activities totaled \$148,178 for the year ended June 30, 2019.

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8. Long-term Debt (Continued)

| <u>Series</u> | <u>Original Issue</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Outstanding</u> |
|---|-----------------------|-----------------------|----------------------|--------------------|
| JOINT UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2017 | \$ 6,954,334 | 6/1/2028 | 2.19% | \$ 5,733,964 |

The annual requirements to amortize the business-type debt as of June 30, 2019, including interest payments, are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|-------------------|---------------------|
| 2020 | \$ 607,758 | \$ 125,972 | \$ 733,730 |
| 2021 | 622,107 | 112,516 | 734,623 |
| 2022 | 635,706 | 98,962 | 734,668 |
| 2023 | 648,751 | 85,111 | 733,862 |
| 2024 | 662,509 | 70,974 | 733,483 |
| 2025-2029 | 2,593,626 | 136,519 | 2,730,145 |
| 2030-2034 | 18,698 | 377 | 19,075 |
| 2035-2039 | 18,934 | 142 | 19,076 |
| Total | <u>\$ 5,808,089</u> | <u>\$ 630,573</u> | <u>\$ 6,438,662</u> |

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, 2019, 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10. Operating Leases

The Town has several operating leases as of June 30, 2019. Lease payments for the year ending June 30, 2019 were \$26,320. Future minimum payment under these leases are as follows:

| <u>Year Ending</u> | <u>Amount</u> |
|--------------------|------------------|
| 2020 | \$ 14,278 |
| 2021 | 19,038 |
| 2022 | 19,038 |
| 2023 | 4,759 |
| 2024 | - |
| Total | <u>\$ 57,113</u> |

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.

Benefits provided: For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2018 available at <http://s3.amazonaws.com/boardaudio/cafr/CAFR2018Final.pdf>.

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 fiscal year 2019 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA fiscal year 2018 annual audit report at <http://s3.amazonaws.com/boardaudio/cafr/CAFR2018Final.pdf>.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 11. PERA Pension Plan (Continued)

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 \$596,365 and employer paid member benefits that were “picked up” by the employer were \$338,677 for the year ended June 30, 2019.

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, 2018. 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, 2018. 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 11. PERA Pension Plan (Continued)

For PERA Fund Division Municipal General Division, at June 30, 2019, the Town reported a liability of \$3,928,528 for its proportionate share of the net pension liability. At June 30, 2019, the Town's proportion was .2464 percent, which was an increase of .0067 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized PERA Fund Municipal General Division pension expense of \$560,646 per the June 30, 2018 PERA *Schedules of Employer Allocations and Pension Amounts*. At June 30, 2019, 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 | \$ 113,543 | \$ 103,142 |
| Changes of assumptions | 356,177 | 22,588 |
| Net difference between projected and actual earnings on pension plan investments | 291,359 | - |
| Changes in proportion and differences between the Town's contributions and proportionate share of contributions | 126,863 | - |
| The Town's contributions subsequent to the measurement date | 211,885 | - |
| Total | \$ 1,099,827 | \$ 125,730 |

\$211,885 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date June 30, 2019 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended | Amount |
|-------------------|---------------|
| 2020 | \$ 484,412 |
| 2021 | 204,120 |
| 2022 | 58,856 |
| 2023 | 14,824 |
| 2024 | - |
| Total | \$ 762,212 |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 11. PERA Pension Plan (Continued)

For PERA Fund Division Municipal Police Division, at June 30, 2019, the Town reported a liability of \$3,976,470 for its proportionate share of the net pension liability. At June 30, 2019, the Town's proportion was .5828 percent, which was an increase of .0398 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized PERA Fund Division Municipal Police Members pension expense of \$561,660 per the June 30, 2018 PERA *Schedules of Employer Allocations and Pension Amounts*. At June 30, 2019, 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 | \$ 194,669 | \$ 394,171 |
| Changes of assumptions | 453,721 | 24,310 |
| Net difference between projected and actual earnings on pension plan investments | 273,638 | - |
| Changes in proportion and differences between the Town's contributions and proportionate share of contributions | 236,770 | 17,717 |
| The Town's contributions subsequent to the measurement date | 249,288 | - |
| Total | <u>\$ 1,408,086</u> | <u>\$ 436,198</u> |

\$249,288 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date June 30, 2019 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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> |
|-------------------|-------------------|
| 2020 | \$ 434,145 |
| 2021 | 125,189 |
| 2022 | 148,404 |
| 2023 | 14,862 |
| 2024 | - |
| Total | <u>\$ 722,600</u> |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 11. PERA Pension Plan (Continued)

For PERA Fund Division Municipal Fire Division, at June 30, 2019, the Town reported a liability of \$2,420,078 for its proportionate share of the net pension liability. At June 30, 2019, the Town's proportion was .3781 percent, which was an increase of .0634 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized PERA Fund Division Municipal Fire Members pension expense of \$448,434 per the June 30, 2018 PERA *Schedules of Employer Allocations and Pension Amounts*. At June 30, 2019, 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 | \$ 38,891 | \$ 176,496 |
| Changes of assumptions | 139,767 | 8,837 |
| Net difference between projected and actual earnings on pension plan investments | 84,866 | - |
| Changes in proportion and differences between the Town's contributions and proportionate share of contributions | 400,062 | - |
| The Town's contributions subsequent to the measurement date | 135,192 | - |
| Total | <u>\$ 798,778</u> | <u>\$ 185,333</u> |

\$135,192 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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> |
|-------------------|-------------------|
| 2020 | \$ 244,174 |
| 2021 | 118,097 |
| 2022 | 110,789 |
| 2023 | 5,193 |
| 2024 | - |
| Total | <u>\$ 478,253</u> |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 11. PERA Pension Plan (Continued)

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, 2018 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, 2018. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2018 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 | 7.25% annual rate |
| Projected benefit payment | 100 years |
| Payroll growth | 3.00% annual rate |
| Projected salary increases | 3.25% to 13.50% annual rate |
| Includes inflation at | 2.50% annual rate |
| Mortality assumption | The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups |

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

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------------|--------------------------|---|
| Global Equity | 43.50% | 7.48% |
| Risk Reduction & Mitigation | 21.50% | 2.37% |
| Credit Oriented Fixed Income | 15.00% | 5.47% |
| Real Assets Including Real Estate | <u>20.00%</u> | 6.48% |
| Total | <u>100.0%</u> | |

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 11. PERA Pension Plan (Continued)

Discount rate: Previously, a select and ultimate rate of return assumption had been adopted for funding purposes, but new economic assumptions were adopted for the June 30, 2018 valuations including the change to a 7.25% static rate. The discount rate used to measure the total pension liability is 7.25%. 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 Statement No. 67. Therefore, the 7.25% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate: The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Town's net pension liability in each PERA Fund Division that the Town participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

| PERA Fund Division Municipal Government | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|--------------------------------|--|--------------------------------|
| The Town's proportionate share of the net pension liability | \$ 6,053,599 | \$ 3,928,528 | \$ 2,171,818 |
| PERA Fund Division Municipal Police | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
| The Town's proportionate share of the net pension liability | \$ 6,114,178 | \$ 3,976,470 | \$ 2,233,731 |
| PERA Fund Division Municipal Fire | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
| The Town's proportionate share of the net pension liability | \$ 3,230,620 | \$ 2,420,078 | \$ 1,756,075 |

Payables to the pension plan. The Town included a payable related to PERA contribution at June 30, 2019 of \$58,337.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
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FOR THE YEAR ENDED JUNE 30, 2019**

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.

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

The Town's contributions to the RHCA for the years ended June 30, 2019, 2018 and 2017 were \$93,265, \$38,345, and \$78,791, respectively, which equal the required contributions for each year.

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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

Employees covered by benefit terms: At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

| | |
|---|-------------------|
| Plan membership | |
| Current retirees and surviving spouses | \$ 51,205 |
| Inactive and eligible for deferred benefits | 11,471 |
| Current Active Members | <u>97,349</u> |
| | <u>\$ 160,025</u> |
| | |
| Active membership | |
| State general | \$ 19,593 |
| State police and corrections | 1,886 |
| Municipal General | 17,004 |
| Municipal Police | 3,820 |
| Municipal FTRE | 2,290 |
| Educational Retirement Board | <u>48,756</u> |
| | <u>\$ 93,349</u> |

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 \$93,265 for the year ended June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

At June 30, 2019, the Town reported a liability of \$4,246,168 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2018. At June 30, 2018, the Town's proportion was 0.09765 percent.

For the year ended June 30, 2019, the Town recognized OPEB expense of \$50,542. At June 30, 2019 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 |
|---|---|---------|--|
| Difference between expected and actual experience | \$ | - | \$ 251,400 |
| Changes of Assumptions | | - | 792,741 |
| Difference between actual and projected earnings on OPEB plan investments | | - | 52,991 |
| Change in Proportion | | 99,155 | |
| Contributions made after the measurement date | | 93,265 | - |
| Total | \$ | 192,420 | \$ 1,097,132 |

Deferred outflows of resources totaling \$93,265 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, | | |
|---------------------|----|-----------|
| 2020 | \$ | (257,751) |
| 2021 | | (257,751) |
| 2022 | | (257,751) |
| 2023 | | (194,264) |
| 2024 | | (30,460) |
| Total | \$ | (997,977) |

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

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 | 2.50% for ERB members |
| Projected payroll increases | 3.50% to 12.50%, based on years of service, including inflation |
| 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.

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% | 2.1% |
| U.S equity - large cap | 20% | 7.1% |
| Non U.S. - emerging markets | 15% | 10.2% |
| Non U.S - developed equities | 12% | 7.8% |
| Private equity | 10% | 11.8% |
| Credit and structured finance | 10% | 5.3% |
| Real estate | 5% | 4.9% |
| Absolute return | 5% | 4.1% |
| U.S equity - small / mid cap | 3% | 7.1% |

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

Discount Rate. The discount rate used to measure the total OPEB liability is 4.08% as of June 30, 2018. 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, 2029. 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 (3.87%) was applied. Thus 4.08% 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 (3.08 percent) or 1- percentage point higher (5.08 percent) than the current discount rate:

| 1% Decrease (3.08%) | Current Discount (4.08%) | 1% Increase (5.08%) |
|------------------------|-----------------------------|------------------------|
| \$ 5,138,864 | \$ 4,246,168 | \$ 3,542,526 |

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:

| 1% Decrease | Current Trend Rates | 1% Increase |
|--------------|------------------------|--------------|
| \$ 3,589,501 | \$ 4,246,168 | \$ 4,761,010 |

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, 2018.

Payable Changes in the Net OPEB Liability. At June 30, 2019, the Town reported a payable of \$526 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

NOTE 13. 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14. 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 the *Risk Management* note.

NOTE 15. Deficit Fund Balances and Budget Noncompliance Issues

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

A. Deficit fund balance of individual funds. The following fund reflected a deficit fund balance as of June 30, 2019:

- Capital Projects Fund: \$581,042
- Police Community Events: \$4,844
- Traffic Safety: \$9,058

B. There were no over expenditures of budget by individual funds for the year ended June 30, 2019.

C. Designated cash appropriations. The Correction Fees Fund had designated cash appropriations in excess of available balances in the amount of \$1,995 for the year ended June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 16. 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 | \$ - |
| 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 |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 17. Restatement

Governmental Activities:

Net position was restated by a total of \$1,332,909 as of June 30, 2019 for the following:

- Gas Tax Revenue was adjusted by \$29,737
- Deferred Outflow was adjusted by \$(743,309).
- Net Pension Liability was adjusted by \$1,936,544.
- Deferred Inflow was adjusted by \$109,937.

Business-Type Activities:

Campground:

Net position was restated by a total of \$67,208 as of June 30, 2019 for the following:

- Deferred Outflow was adjusted by \$(37,151).
- Net Pension Liability was adjusted by \$96,827.
- Deferred Inflow was adjusted by \$7,532

Joint Utilities:

Net position was restated by a total of \$1,381,607 as of June 30, 2019 for the following:

- GRT Revenue was adjusted by \$12,572.
- Misc. Revenue was adjusted by \$214,550
- Deferred Outflow was adjusted by \$(706,158).
- Net Pension Liability was adjusted by \$1,839,717.
- Deferred Inflow was adjusted by \$28,650

NOTE 18. 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 19. 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 20. New Accounting Standards

The Town reviewed subsequent pronouncements to June 30, 2019 issued by GASB noting the following statements that may have a potential material effect on the Town's financial statements in subsequent periods.

GASB 82

GASB Statement No. 82, *Fiduciary Activities* (GASB 82) establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 82 is effective for periods beginning after December 15, 2018 (FY 2020).

GASB 87

GASB Statement No. 87, *Leases* (GASB 87) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 is effective for periods beginning after December 15, 2019 (FY 2021) with earlier application encouraged.

NOTE 21. Subsequent Events

The date to which events occurring after June 30, 2019, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 16, 2019 which is the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION - MUNICIPAL GENERAL,
MUNICIPAL POLICE AND MUNICIPAL FIRE
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years***

MUNICIPAL GENERAL FUND

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| Town's proportion of the net pension liability | 0.2464% | 0.2397% | 0.2331% | 0.2260% | 0.2112% |
| Town's proportionate share of the net pension liability | \$ 3,928,528 | \$ 3,293,680 | \$ 3,724,154 | \$ 2,304,266 | \$ 1,647,587 |
| Town's covered-employee payroll | \$ 1,717,359 | \$ 1,816,445 | \$ 1,730,460 | \$ 1,580,583 | \$ 1,544,042 |
| Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 228.75% | 181.33% | 215.21% | 145.79% | 106.71% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.13% | 73.74% | 69.18% | 76.99% | 81.29% |

MUNICIPAL POLICE FUND

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| Town's proportion of the net pension liability | 0.5828% | 0.5430% | 0.5499% | 0.4978% | 0.4815% |
| Town's proportionate share of the net pension liability | \$ 3,976,470 | \$ 3,016,721 | \$ 4,057,326 | \$ 2,393,701 | \$ 1,569,638 |
| Town's covered-employee payroll | \$ 1,330,175 | \$ 1,233,033 | \$ 1,170,976 | \$ 1,205,335 | \$ 1,017,658 |
| Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 298.94% | 244.66% | 346.49% | 198.59% | 154.24% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.13% | 73.74% | 69.18% | 76.99% | 81.29% |

MUNICIPAL FIRE FUND

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|-------------|
| Town's proportion of the net pension liability | 0.3781% | 0.3147% | 0.2850% | 0.2601% | 0.2151% |
| Town's proportionate share of the net pension liability | \$ 2,420,078 | \$ 1,800,539 | \$ 1,901,240 | \$ 1,342,423 | \$ 897,826 |
| Town's covered-employee payroll | \$ 617,070 | \$ 481,348 | \$ 395,496 | \$ 329,907 | \$ 296,368 |
| Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 392.19% | 374.06% | 480.72% | 406.91% | 302.94% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.13% | 73.74% | 69.18% | 76.99% | 81.29% |

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

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF TOWN'S CONTRIBUTIONS TO THE PERA FUND DIVISION -
MUNICIPAL GENERAL, MUNICIPAL POLICE
AND MUNICIPAL FIRE
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years***

MUNICIPAL GENERAL FUND

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 211,257 | \$ 218,882 | \$ 208,520 | \$ 353,102 | \$ 343,992 |
| Contributions in relation to the contractually required contribution | <u>211,885</u> | <u>218,882</u> | <u>208,520</u> | <u>352,824</u> | <u>343,992</u> |
| Contribution deficiency (excess) | <u>\$ (628)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 278</u> | <u>\$ -</u> |
| Town's covered-employee payroll | \$ 1,717,539 | \$ 1,816,445 | \$ 1,730,460 | \$ 1,580,583 | \$ 1,544,042 |
| Contributions as a percentage of covered-employee payroll | 12.34% | 12.05% | 12.05% | 22.32% | 22.28% |

MUNICIPAL POLICE FUND

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-----------------|----------------|----------------|------------------|----------------|
| Contractually required contribution | \$ 254,729 | \$ 233,043 | \$ 221,314 | \$ 327,972 | \$ 276,631 |
| Contributions in relation to the contractually required contribution | <u>249,288</u> | <u>233,043</u> | <u>221,314</u> | <u>297,132</u> | <u>276,631</u> |
| Contribution deficiency (excess) | <u>\$ 5,441</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 30,840</u> | <u>\$ -</u> |
| Town's covered-employee payroll | \$ 1,330,175 | \$ 1,233,033 | \$ 1,170,976 | \$ 1,205,335 | \$ 1,017,658 |
| Contributions as a percentage of covered-employee payroll | 18.74% | 18.90% | 18.90% | 24.65% | 27.18% |

MUNICIPAL FIRE FUND

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------|----------------|---------------|---------------|----------------|
| Contractually required contribution | \$ 135,138 | \$ 104,213 | \$ 85,625 | \$ 99,731 | \$ 120,720 |
| Contributions in relation to the contractually required contribution | <u>135,192</u> | <u>104,213</u> | <u>85,625</u> | <u>99,731</u> | <u>120,720</u> |
| Contribution deficiency (excess) | <u>\$ (54)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered-employee payroll | \$ 617,070 | \$ 481,348 | \$ 395,496 | \$ 329,907 | \$ 296,368 |
| Contributions as a percentage of covered-employee payroll | 21.91% | 21.65% | 21.65% | 30.23% | 40.73% |

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

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
Last 10 Fiscal Years***

| | <u>2019</u> | <u>2018</u> |
|--|--------------|--------------|
| Town's proportion of the net OPEB liability | 0.09765% | 0.09549% |
| Town's proportionate share of the net OPEB liability | \$ 4,246,168 | \$ 4,327,295 |
| Town covered employee payroll | \$ 4,189,787 | \$ 1,917,303 |
| Employer's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | 101.35% | 225.70% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 13.14% | 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.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF TOWN'S OPEB CONTRIBUTIONS
Last 10 Fiscal Years***

| | <u>2019</u> | <u>2018</u> |
|---|-----------------|---------------|
| Contractually required contribution | \$ 152,594 | \$ 38,345 |
| Less: Contributions in relation to the contractually required contributions | <u>150,731</u> | <u>38,345</u> |
| | <u>\$ 1,863</u> | <u>\$ -</u> |
| Town's covered employee payroll | \$ 4,189,787 | \$ 1,917,303 |
| Contributions as a percentage of covered employee payroll | 3.60% | 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, 2019**

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 FY19 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 2018 report is available at <http://www.nmpera.org/>.

The Retiree Health Care Authority (RHCA) of New Mexico Biennial Actuarial Valuation as of June 30, 2018 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, 2019**

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.

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.

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.

LIBRARY DONATIONS FUND – this is used to account for donations made to the library.

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, 2019**

| | Special Revenue Fund | | | | |
|---|----------------------------|------------------------------|----------------------------------|-------------------------------|---------------------|
| | Fire Protection Fund | Local Corrections Fund | Law Enforcement Protection | Police Community Events | Gas Tax Fund |
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted Cash | 814 | - | - | - | - |
| Accounts Receivable: | | | | | |
| Property Taxes | - | - | - | - | - |
| Other Taxes | - | - | - | - | 64,484 |
| Due From Other Governments | - | - | - | - | - |
| Other | - | - | - | - | - |
| Due From Other Funds | 30,567 | 175,233 | - | - | 1,012,999 |
| Prepaid Expenses | - | - | - | - | - |
| TOTAL ASSETS | <u>\$ 31,381</u> | <u>\$ 175,233</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,077,483</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | | |
| LIABILITIES | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accrued Salaries | - | - | - | - | - |
| Other Liabilities | - | - | - | - | - |
| Due To Other Funds | 12,157 | 1,995 | - | 4,844 | 41,248 |
| TOTAL LIABILITIES | <u>12,157</u> | <u>1,995</u> | <u>-</u> | <u>4,844</u> | <u>41,248</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Revenue - Property Taxes | - | - | - | - | - |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>12,157</u> | <u>1,995</u> | <u>-</u> | <u>4,844</u> | <u>41,248</u> |
| FUND BALANCES | | | | | |
| Restricted | 19,224 | 173,238 | - | - | 1,036,235 |
| Restricted - Minimum Fund Balance | - | - | - | - | - |
| Unassigned | - | - | - | (4,844) | - |
| TOTAL FUND BALANCES | <u>19,224</u> | <u>173,238</u> | <u>-</u> | <u>(4,844)</u> | <u>1,036,235</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 31,381</u> | <u>\$ 175,233</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,077,483</u> |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
(continued)
JUNE 30, 2019**

Special Revenue Fund

| | <u>Traffic Safety</u> | <u>School Resources</u> | <u>Bullet Proof Vest Grant</u> | <u>Safer Grant</u> | <u>Library Donation</u> |
|---|---------------------------|-----------------------------|------------------------------------|--------------------|-----------------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted Cash | - | - | - | - | - |
| Accounts Receivable: | | | | | |
| Property Taxes | - | - | - | - | - |
| Other Taxes | - | - | - | - | - |
| Due From Other Governments | 4,440 | - | 755 | - | - |
| Other | - | - | - | - | - |
| Due From Other Funds | - | 44,409 | 1,133 | 35,590 | 19,793 |
| Prepaid Expenses | - | - | - | - | - |
| TOTAL ASSETS | <u>\$ 4,440</u> | <u>\$ 44,409</u> | <u>\$ 1,888</u> | <u>\$ 35,590</u> | <u>\$ 19,793</u> |
| LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | | |
| LIABILITIES | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accrued Salaries | - | - | - | - | - |
| Other Liabilities | - | - | - | - | - |
| Due To Other Funds | 13,498 | - | - | - | - |
| TOTAL LIABILITIES | <u>13,498</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Revenue - Property Taxes | - | - | - | - | - |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>13,498</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Restricted | - | 44,409 | 1,888 | 35,590 | 19,793 |
| Restricted - Minimum Fund Balance | - | - | - | - | - |
| Unassigned | (9,058) | - | - | - | - |
| TOTAL FUND BALANCES | <u>(9,058)</u> | <u>44,409</u> | <u>1,888</u> | <u>35,590</u> | <u>19,793</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 4,440</u> | <u>\$ 44,409</u> | <u>\$ 1,888</u> | <u>\$ 35,590</u> | <u>\$ 19,793</u> |

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
(continued)
JUNE 30, 2019**

| | Special Revenue Fund | | | |
|---|----------------------|------------------------|------------------------|---------------------|
| | GO Bond Library | State Grant Library | Library County Bond | Santa Ana M.O.A. |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ - |
| Restricted Cash | - | - | - | - |
| Accounts Receivable: | | | | |
| Property Taxes | - | - | - | - |
| Other Taxes | - | - | - | - |
| Due From Other Governments | 3,880 | - | 15,400 | - |
| Other | - | - | - | - |
| Due From Other Funds | - | - | - | 2,543 |
| Prepaid Expenses | - | - | - | - |
| TOTAL ASSETS | <u>\$ 3,880</u> | <u>\$ -</u> | <u>\$ 15,400</u> | <u>\$ 2,543</u> |
| LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - |
| Accrued Salaries | - | - | - | - |
| Other Liabilities | - | - | - | - |
| Due To Other Funds | 87 | - | 10,061 | - |
| TOTAL LIABILITIES | <u>87</u> | <u>-</u> | <u>10,061</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenue - Property Taxes | - | - | - | - |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>87</u> | <u>-</u> | <u>10,061</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Restricted | 3,793 | - | 5,339 | 2,543 |
| Restricted - Minimum Fund Balance | - | - | - | - |
| Unassigned | - | - | - | - |
| TOTAL FUND BALANCES | <u>3,793</u> | <u>-</u> | <u>5,339</u> | <u>2,543</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 3,880</u> | <u>\$ -</u> | <u>\$ 15,400</u> | <u>\$ 2,543</u> |

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
(continued)
JUNE 30, 2019**

| | Special Revenue Fund | | | Total |
|---|---------------------------------|-------------------------------|------------------------|---------------------|
| | Lodgers Tax Fund | Brew Festival Fund | Rescue Fund | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ - | \$ 10,148 | \$ - | \$ 10,148 |
| Restricted Cash | - | - | - | 814 |
| Accounts Receivable: | | | | - |
| Property Taxes | - | - | - | - |
| Other Taxes | 16,962 | - | - | 81,446 |
| Due From Other Gov. | - | - | - | 24,475 |
| Other | - | - | - | - |
| Due From Other Funds | 269,732 | 20,645 | 157 | 1,612,801 |
| Prepaid Expenses | - | - | - | - |
| TOTAL ASSETS | <u>\$ 286,694</u> | <u>\$ 30,793</u> | <u>\$ 157</u> | <u>\$ 1,729,684</u> |
| LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - |
| Accrued Salaries | - | - | - | - |
| Other Liabilities | - | - | - | - |
| Due To Other Funds | <u>20,567</u> | - | - | <u>104,457</u> |
| TOTAL LIABILITIES | <u>20,567</u> | - | - | <u>104,457</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenue - Property Taxes | - | - | - | - |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>20,567</u> | - | - | <u>104,457</u> |
| FUND BALANCES | | | | |
| Restricted | 266,127 | 30,793 | 157 | 1,639,129 |
| Restricted - Minimum Fund Balance | - | - | - | - |
| Unassigned | - | - | - | (13,902) |
| TOTAL FUND BALANCES | <u>266,127</u> | <u>30,793</u> | <u>157</u> | <u>1,625,227</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 286,694</u> | <u>\$ 30,793</u> | <u>\$ 157</u> | <u>\$ 1,729,684</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, 2019**

| | Special Revenue Fund | | | | |
|--|----------------------------|------------------------------|----------------------------------|-------------------------------|---------------------|
| | Fire Protection Fund | Local Corrections Fund | Law Enforcement Protection | Police Community Events | Gas Tax Fund |
| REVENUES | | | | | |
| Property Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Gross Receipts Taxes | - | - | - | - | - |
| Other Taxes | - | - | - | - | 390,399 |
| State Grants | 255,516 | - | 33,800 | - | 695 |
| Licenses and Fees | - | 9,151 | - | - | - |
| Charges for Services | - | - | - | - | - |
| Investment Income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| TOTAL REVENUES | <u>255,516</u> | <u>9,151</u> | <u>33,800</u> | <u>-</u> | <u>391,094</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | - | - | - | - | - |
| Public Safety | 167,393 | 26,030 | 1,745 | 8,093 | - |
| Culture and Recreation | - | - | - | - | - |
| Health and Welfare | - | - | - | - | - |
| Public Works | - | - | - | - | 357,928 |
| Capital Outlay | 33,580 | - | 32,055 | - | - |
| Debt Service Principal | 44,395 | - | - | - | - |
| Debt Service Interest | 3,941 | - | - | - | - |
| TOTAL EXPENDITURES | <u>249,309</u> | <u>26,030</u> | <u>33,800</u> | <u>8,093</u> | <u>357,928</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>6,207</u> | <u>(16,879)</u> | <u>-</u> | <u>(8,093)</u> | <u>33,166</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 6,207 | (16,879) | - | (8,093) | 33,166 |
| FUND BALANCE, BEGINNING | 13,017 | 190,117 | - | 3,249 | 973,332 |
| RESTATEMENT | - | - | - | - | 29,737 |
| FUND BALANCE AS RESTATED | <u>13,017</u> | <u>190,117</u> | <u>-</u> | <u>3,249</u> | <u>1,003,069</u> |
| FUND BALANCE, ENDING | <u>\$ 19,224</u> | <u>\$ 173,238</u> | <u>\$ -</u> | <u>\$ (4,844)</u> | <u>\$ 1,036,235</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, 2019**

| | Special Revenue Fund | | | |
|--|----------------------|---------------------|----------------------------|------------------|
| | Traffic Safety | School Resources | Bullet Proof Vest Grant | Safer Grant |
| REVENUES | | | | |
| Property Taxes | \$ - | \$ - | \$ - | \$ - |
| Gross Receipts Taxes | - | - | - | - |
| Other Taxes | - | - | - | - |
| State Grants | 8,769 | 77,768 | 2,265 | 214,213 |
| Licenses and Fees | - | - | - | - |
| Charges for Services | - | - | - | - |
| Investment Income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| TOTAL REVENUES | <u>8,769</u> | <u>77,768</u> | <u>2,265</u> | <u>214,213</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | - | - | - | - |
| Public Safety | 23,918 | - | 1,887 | 188,320 |
| Culture and Recreation | - | 79,810 | - | - |
| Health and Welfare | - | - | - | - |
| Public Works | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Debt Service Principal | - | - | - | - |
| Debt Service Interest | - | - | - | - |
| TOTAL EXPENDITURES | <u>23,918</u> | <u>79,810</u> | <u>1,887</u> | <u>188,320</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(15,149)</u> | <u>(2,042)</u> | <u>378</u> | <u>25,893</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 | (15,149) | (2,042) | 378 | 25,893 |
| FUND BALANCE, BEGINNING | 6,091 | 46,451 | 1,510 | 9,697 |
| RESTATEMENT | - | - | - | - |
| FUND BALANCE AS RESTATED | <u>6,091</u> | <u>46,451</u> | <u>1,510</u> | <u>9,697</u> |
| FUND BALANCE, ENDING | <u>\$ (9,058)</u> | <u>\$ 44,409</u> | <u>\$ 1,888</u> | <u>\$ 35,590</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, 2019**

| | 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 | 10,263 | 7,510 | 15,400 | - |
| Licenses and Fees | - | - | - | - |
| Charges for Services | - | - | - | 4,200 |
| Investment Income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| TOTAL REVENUES | <u>10,263</u> | <u>7,510</u> | <u>15,400</u> | <u>4,200</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | - | - | - | - |
| Public Safety | - | - | - | 4,199 |
| Culture and Recreation | 10,277 | 7,510 | 15,400 | - |
| Health and Welfare | - | - | - | - |
| Public Works | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Debt Service Principal | - | - | - | - |
| Debt Service Interest | - | - | - | - |
| TOTAL EXPENDITURES | <u>10,277</u> | <u>7,510</u> | <u>15,400</u> | <u>4,199</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(14)</u> | <u>-</u> | <u>-</u> | <u>1</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 | (14) | - | - | 1 |
| FUND BALANCE, BEGINNING | 3,807 | - | 5,339 | 2,542 |
| RESTATEMENT | - | - | - | - |
| FUND BALANCE AS RESTATED | <u>3,807</u> | <u>-</u> | <u>5,339</u> | <u>2,542</u> |
| FUND BALANCE, ENDING | <u>\$ 3,793</u> | <u>\$ -</u> | <u>\$ 5,339</u> | <u>\$ 2,543</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, 2019**

| | Special Revenue Fund | | | Total |
|--|------------------------|-----------------------|----------------|---------------------|
| | Lodgers Tax Fund | Brew Festival Fund | Rescue Fund | |
| REVENUES | | | | |
| Property Taxes | \$ 132,120 | \$ - | \$ - | \$ 132,120 |
| Gross Receipts Taxes | - | - | - | - |
| Other Taxes | - | - | - | 390,399 |
| State Grants | - | - | 9,577 | 635,776 |
| Licenses and Fees | - | 3,050 | - | 12,201 |
| Charges for Services | - | 15,828 | - | 20,028 |
| Investment Income | - | - | - | - |
| Miscellaneous | - | 171 | - | 1,902 |
| TOTAL REVENUES | <u>132,120</u> | <u>19,049</u> | <u>9,577</u> | <u>1,192,426</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | 156,652 | - | - | 156,652 |
| Public Safety | - | - | 9,420 | 431,005 |
| Culture and Recreation | - | 45,749 | - | 161,559 |
| Health and Welfare | - | - | - | - |
| Public Works | - | - | - | 357,928 |
| Capital Outlay | 11,644 | - | - | 77,279 |
| Debt Service Principal | - | - | - | 44,395 |
| Debt Service Interest | - | - | - | 3,941 |
| TOTAL EXPENDITURES | <u>168,296</u> | <u>45,749</u> | <u>9,420</u> | <u>1,232,759</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(36,176)</u> | <u>(26,700)</u> | <u>157</u> | <u>(40,333)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | 32,000 | - | 52,875 |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>32,000</u> | <u>-</u> | <u>52,875</u> |
| NET CHANGE IN FUND BALANCES | (36,176) | 5,300 | 157 | 12,542 |
| FUND BALANCE, BEGINNING | 302,303 | 25,493 | - | 1,582,948 |
| RESTATEMENT | - | - | - | 29,737 |
| FUND BALANCE AS RESTATED | <u>302,303</u> | <u>25,493</u> | <u>-</u> | <u>1,612,685</u> |
| FUND BALANCE, ENDING | <u>\$ 266,127</u> | <u>\$ 30,793</u> | <u>\$ 157</u> | <u>\$ 1,625,227</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, 2019

| <u>For Accounts Held With</u> | <u>Description</u> | <u>Fair Market Value</u> | <u>Maturity Date</u> | <u>Name and Location of Safekeeper</u> |
|-----------------------------------|---------------------------|--|--------------------------|--|
| US Bank | Letter of Credit # 528336 | <u>\$ 8,000,000</u> <u>\$ 8,000,000</u> | N/A | Federal Home Loan Bank of Cincinnati |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2019**

| <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 | \$ 2,636,575 | \$ (155,727) | \$ 2,480,848 |
| Court Cash Bonds Non interest-Bearing | Checking | 28,119 | - | 28,119 |
| Wine Festival Non interest-Bearing | Checking | 10,148 | - | 10,148 |
| MVD | Checking | 3,200 | - | 3,200 |
| Police Department | Checking | 8,407 | - | 8,407 |
| Bond (savings) | Savings | 191 | - | 191 |
| General Debt Service | Deposits | 349,343 | - | 349,343 |
| Debt Service - Investment | Deposits | 11,094 | - | 11,094 |
| Permit-Free Checking | Checking | 305,565 | - | 305,565 |
| Prices Water Rights | Savings | 7,824 | - | 7,824 |
| CDBG | Checking | 100 | - | 100 |
| General Fund Savings | Savings | 258 | - | 258 |
| New Bond Savings | Savings | 566 | - | 566 |
| Certificates of Deposit | Deposits | 6,226,984 | - | 6,226,984 |
| BBVA | | | | |
| Certificates of Deposit | Deposits | 2,385,576 | - | 2,385,576 |
| NMFA | | | | |
| | Cash Reserve | 814 | - | 814 |
| Total | | <u>\$ 11,974,764</u> | <u>\$ (155,727)</u> | <u>\$ 11,819,037</u> |

Cash and Cash Equivalents per:

| | |
|--|----------------------|
| Statement of Net Position - Governmental Activities | \$ 8,102,939 |
| Restricted Cash | 814 |
| Statement of Fiduciary Assets and Liabilities - Agency Funds | 3,766 |
| Statement of Net Position - Business-Type Activities | <u>3,711,518</u> |
| Total | <u>\$ 11,819,037</u> |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
FIDUCIARY FUNDS
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

MVD Fund

| ASSETS | Beginning Balance | Additions | Deletions | Ending Balance |
|---------------------------|------------------------------|-------------------|-------------------|---------------------------|
| Cash and Cash Equivalents | \$ 5,489 | \$ 365,986 | \$ 367,709 | \$ 3,766 |
| TOTAL ASSETS | <u>\$ 5,489</u> | <u>\$ 365,986</u> | <u>\$ 367,709</u> | <u>\$ 3,766</u> |
| LIABILITIES | | | | |
| Deposits Held for Others | \$ 5,489 | \$ 365,986 | \$ 367,709 | \$ 3,766 |
| TOTAL LIABILITIES | <u>\$ 5,489</u> | <u>\$ 365,986</u> | <u>\$ 367,709</u> | <u>\$ 3,766</u> |

Police Dept.

| ASSETS | Beginning Balance | Additions | Deletions | Ending Balance |
|---------------------------|------------------------------|------------------|------------------|---------------------------|
| Cash and Cash Equivalents | \$ 6,811 | \$ - | \$ 6,811 | \$ - |
| TOTAL ASSETS | <u>\$ 6,811</u> | <u>\$ -</u> | <u>\$ 6,811</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| Deposits Held for Others | \$ 6,811 | \$ - | \$ 6,811 | \$ - |
| TOTAL LIABILITIES | <u>\$ 6,811</u> | <u>\$ -</u> | <u>\$ 6,811</u> | <u>\$ -</u> |

Total

| ASSETS | Beginning Balance | Additions | Deletions | Ending Balance |
|---------------------------|------------------------------|-------------------|-------------------|---------------------------|
| Cash and Cash Equivalents | \$ 12,300 | \$ 365,986 | \$ 374,520 | \$ 3,766 |
| TOTAL ASSETS | <u>\$ 12,300</u> | <u>\$ 365,986</u> | <u>\$ 374,520</u> | <u>\$ 3,766</u> |
| LIABILITIES | | | | |
| Deposits Held for Others | \$ 12,300 | \$ 365,986 | \$ 374,520 | \$ 3,766 |
| TOTAL LIABILITIES | <u>\$ 12,300</u> | <u>\$ 365,986</u> | <u>\$ 374,520</u> | <u>\$ 3,766</u> |

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 Brian S. Colón, Esq.
New Mexico State Auditor
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 comparison of the general fund of the Town of Bernalillo (the "Town"), as of and for the year ended June 30, 2019, 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 16, 2019. Our report qualifies certain opinions on such financial statements because of the matters described in the "Basis for Qualified Opinion on Gross Receipts Taxes Payable Presented in the Business-Type Activities and the Water & Sewer Fund" paragraph on our report starting on page 2.

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 responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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* as items 2018-001 and 2019-001 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of findings and responses* as items 2008-006 and 2019-002 to be significant deficiencies.

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 *NM 2019-003*.

Town's Response to Findings

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

Purpose of this Report

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

Kubiak Melton & Associates, LLC

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

Albuquerque, New Mexico
December 16, 2019

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I. SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|-----------|
| 1. Type of Auditors' Report Issued: | Qualified |
| 2. Internal Control Over Financial Reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified? | Yes |
| c. Noncompliance material to financial statements noted? | No |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II. CURRENT YEAR FINDINGS

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: \$ 581,042
- Police Community Events: \$ 4,884
- Traffic Safety: \$ 9,058

Management's Progress: The Town is reevaluating the driver for fund balance deficits so that they can avoid them in the future.

Criteria: Per the 2013 COSO Framework, management is responsible for establishing and maintaining internal controls. All Town fund annual expenditures should be limited to annual revenue sources plus fund balance in accordance with best government operating practices. The Town can also utilize approved transfers between funds to cover any shortfalls between actual expenditures and actual revenues.

Cause: Ineffective monitoring of expenditures 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 and adjust accordingly.

Management's Response: Town management recognizes the need to correct fund balances. Management agrees with the recommendation. *Timeline:* This finding is expected to be corrected by June 30, 2020.

Responsible Party: Treasurer and Finance Staff.

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II. CURRENT YEAR FINDINGS (continued)

2018-001 – Utility Billing – Material Weakness (Repeated)

Condition: During our test work over utility billing we noted fifteen (15) 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: No significant progress.

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: Review and implementation of ordinance rates will be up to date and monitored to properly calculate and charge customers.

Responsible Party: Treasurer and Finance staff

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II. CURRENT YEAR FINDINGS (continued)

2019-001 – Utility Billing Gross Receipts Tax (Material Weakness)

Condition: During the year ended June 30, 2019, the Town applied the incorrect gross receipt tax (GRT) rate to customer bills causing customers to be overcharged. The Town was charging customers 7.1875% instead of the State imposed governmental GRT rate of 5.00%. The Town has also failed to remit GRT collected to the New Mexico Taxation and Revenue Department for the excess amount collected.

Criteria: Per §7-9-4.3 NMSA 1978, the state imposes a governmental gross receipts tax of 5.00% on the receipts of New Mexico state and local governments. This includes the sale of water by a utility owned or operated by a county, municipality or other political division of the State.

Effect: The Town has overbilled customers and has accrued a GRT payable over the years. See opinions in the *Independent Auditors' Report*.

Cause: Management had not updated the approved rates in its billing system to reflect the current Governmental GRT rate of 5.00% and only remitted amounts related to the 5.00% to the state.

Auditors' Recommendation: We recommend that management update rates in their billing system and monitor the rates are properly calculated and charged to customers. Management should also work with their consultant to determine the GRT liability amount and amounts to be refunded to customers.

Management's Response: Review and implementation of governmental gross receipts tax rate will be up-to-date and monitored to properly calculate and charge customers.

Responsible Party: Treasurer and Finance staff

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II. CURRENT YEAR FINDINGS (continued)

2019-002 — Improper Year End Accruals (Significant Deficiency)

Condition: The Town did not accrue seven (7) items as accounts payable in the amount of \$129,104 that related to expenditures for fiscal year 2019.

Criteria: Per the 2013 COSO Framework, management is responsible for establishing and maintaining internal controls to ensure accurate financial reporting, which includes controls for the Town's accounts payable and expenditures.

Effect: An entry was proposed to correct the accounts payable balance at June 30, 2019. Not properly identifying cutoff related to payable balances will cause expenditures to be recorded in the improper period.

Cause: Management did not identify items that are considered to be accounts payable at year end.

Auditors' Recommendations: The Town should review disbursements subsequent to the *Statement of Net Position* date to determine in which fiscal year transactions should be reported.

Management's Response: Review of expenditures at year end will be reviewed to ensure expenses are accurately allocated in the proper period.

Responsible Party: Treasurer and Finance staff

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION III. NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS

NM 2019-003 — Cash Appropriations in Excess of Available Cash Balances (Other Noncompliance)

Condition: The Town maintained a deficit budget in excess of available cash balances in the following fund:

| Fund Description | Cash Appropriations in Excess of Available Cash Balance |
|-------------------------|--|
| Correction Fees | \$ 1,995 |

Criteria: Section 2.2.2.10. (O) (1), NMAC, states that the Town’s cash balances re-budgeted to absorb budget deficits cannot exceed the actual cash balance available at the end of the prior year.

Effect: The Town will have to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds. The Town is in violation of the above statute.

Cause: The Town did not monitor their budgets to ensure that designated cash was available in the funds with expense appropriations in excess of budget.

Auditors’ Recommendations: The budget should be reviewed to ensure all funds have adequate budget authority and cash balances for budgeted expenditures. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates.

Management’s Response: *Monitor cash balance availability to ensure budgets vs. expenditures will be conducted to ensure updates and/or adjustments are requested and completed in a timely manner.*

Responsible Party: Treasurer and Finance staff

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION IV. STATUS OF PRIOR YEAR AUDIT FINDINGS

| <u>Finding Number</u> | <u>Description</u> | <u>Title</u> | <u>Status</u> |
|----------------------------------|--|---------------------------|------------------------|
| 2006-008 | Reconciliation and Recording of Bank Accounts | Material Weakness | Resolved |
| 2007-002 | Internal Control over Financial Reporting | Material Weakness | Resolved |
| 2008-006 | Fund Balance Deficits | Significant Deficiency | Repeated & Modified |
| 2017-001 | Actual Expenditures Exceeded Budget | Other - Noncompliance | Resolved |
| 2018-001 | Utility Billing | Material Weakness | Repeated & Modified |
| 2018-002 | Interfund Receivables / Payables are Unreconciled | Material Weakness | Resolved |

**STATE OF NEW MEXICO
TOWN OF BERNALILLO
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2019**

An exit conference was held on December 16, 2019 to discuss the results of the audit. Attending were the following:

Representing the Town:

Marian A. Jaramillo, Councilwoman
Jack Torres, Mayor
Ida Fierro, Administrator / Clerk
Terri Gray, Treasurer / Finance Director
John Jennings, CPA, Consultant

Representing the Independent Auditors:

Daniel O. Trujillo, CPA, CFE, CGFM, CGMA, Audit Partner
Jose "Joe" Ortiz, Audit Manager

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.