

***STATE OF NEW MEXICO***

***VILLAGE OF TIJERAS***

***AUDIT REPORT***

***For the Year Ended June 30, 2008***

***(with Auditor's Report Thereon)***

***RICE & ASSOCIATES***  
***CERTIFIED PUBLIC ACCOUNTANTS***

STATE OF NEW MEXICO

VILLAGE OF TIJERAS

AUDIT REPORT

For The Year Ended June 30, 2008

(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
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STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Official Roster  
Year Ended June 30, 2008

Village Council

<u>Name</u>	<u>Title</u>
Ms. Gloria Chavez	Mayor
Ms. Ernestina King	Mayor Pro-Tem
Mr. Don Johnson	Council Person
Ms. Maxine Wilson	Council Person
Mr. Gilbert Gutierrez	Council Person
Mr. George Nuanez, Sr.	Council Person

Village Administration

Mr. Daniel Abram	Clerk/Treasurer
Ms. Joyce Sherrod	Deputy Clerk
Ms. Kathy Solomon	Business Manager

# *Rice and Associates, C.P.A.*

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

## INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Honorable Mayor and Village Council  
Village of Tijeras  
Tijeras, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Tijeras, as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's non-major governmental funds and enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the Village of Tijeras's management. 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 the 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village of Tijeras's internal control over financial reporting. According, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the

Village of Tijeras, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General and Road Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund and enterprise funds of the Village of Tijeras, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparisons for the non-major governmental funds and enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2008 on our consideration of the Village of Tijeras's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Village has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of Village of Tijeras. The accompanying financial information listed as Schedule of Changes in Assets and Liabilities - All Agency Funds is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.



November 26, 2008



**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Statement of Net Assets  
June 30, 2008

Statement 1  
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash	\$ 1,489,817	\$ 32,790	\$ 1,522,607
Investments	144,072	-	144,072
Accounts receivable (net of uncollectible accounts)	134,790	2,587	137,377
Total current assets	1,768,679	35,377	1,804,056
Restricted Assets (Cash)			
Customer meter deposits	-	6,835	6,835
Total restricted assets	-	6,835	6,835
Capital Assets			
Land	408,072	98,340	506,412
Equipment and vehicles	1,237,829	-	1,237,829
Buildings and improvements	2,966,869	183,836	3,150,705
Plant/Infrastructure	1,359,959	3,643,165	5,003,124
Total capital assets	5,972,729	3,925,341	9,898,070
Less accumulated depreciation	(1,529,361)	(751,753)	(2,281,114)
Total capital assets (net of accumulated depreciation)	4,443,368	3,173,588	7,616,956
Total assets	\$ 6,212,047	\$ 3,215,800	\$ 9,427,847

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Statement of Net Assets  
June 30, 2008

Statement 1  
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable	\$ 29,408	\$ -	\$ 29,408
Customer meter deposits (restricted)	-	6,835	6,835
Total current liabilities	29,408	6,835	36,243
Net Assets			
Invested in capital assets net of related debt	4,443,368	3,173,588	7,616,956
Unrestricted	1,739,271	35,377	1,774,648
Total net assets	6,182,639	3,208,965	9,391,604
Total liabilities and net assets	\$ 6,212,047	\$ 3,215,800	\$ 9,427,847

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Statement of Activities  
Year Ended June 30, 2008

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 129,490	\$ 41,838	\$ -	\$ 239,645	\$ 151,993	\$ -	\$ 151,993
Highways and streets	400,706	-	-	437,316	36,610	-	36,610
Public safety	64,243	-	39,417	36,870	12,044	-	12,044
Culture and recreation	4,694	-	-	-	(4,694)	-	(4,694)
Health and welfare	-	-	-	-	-	-	-
Depreciation - unallocated	161,548	-	-	-	(161,548)	-	(161,548)
<b>Total governmental activities</b>	<b>760,681</b>	<b>41,838</b>	<b>39,417</b>	<b>713,831</b>	<b>34,405</b>	<b>-</b>	<b>34,405</b>
<b>Business-type activities:</b>							
Water services	132,414	35,565	-	180,000	-	83,151	83,151
<b>Total business-type activities</b>	<b>132,414</b>	<b>35,565</b>	<b>-</b>	<b>180,000</b>	<b>-</b>	<b>83,151</b>	<b>83,151</b>
<b>Total all activities</b>	<b>\$ 893,095</b>	<b>\$ 77,403</b>	<b>\$ 39,417</b>	<b>\$ 893,831</b>	<b>34,405</b>	<b>83,151</b>	<b>117,556</b>
<b>General Revenues:</b>							
Property taxes					10,018	-	10,018
Gross receipts taxes					566,812	-	566,812
Franchise taxes					37,906	-	37,906
Gasoline taxes					2,278	-	2,278
Motor vehicle taxes					86,441	-	86,441
Cigarette taxes					2,166	-	2,166
State aid not restricted to special purpose							
General					35,000	-	35,000
Investment earnings					18,269	-	18,269
Transfers					(75,979)	75,979	-
<b>Total general revenues</b>					<b>682,911</b>	<b>75,979</b>	<b>758,890</b>
Change in net assets					717,316	159,130	876,446
Net assets - beginning					5,465,323	3,049,835	8,515,158
Net assets - ending					<b>\$ 6,182,639</b>	<b>\$ 3,208,965</b>	<b>\$ 9,391,604</b>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Balance Sheet  
Governmental Funds  
June 30, 2008

Statement 3

	General Fund	Road Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash on deposit	\$ 1,216,854	\$ 231,452	\$ 41,511	\$ 1,489,817
Investments	144,072	-	-	144,072
Accounts receivable	129,053	5,672	65	134,790
Total assets	<b>\$ 1,489,979</b>	<b>\$ 237,124</b>	<b>\$ 41,576</b>	<b>\$ 1,768,679</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 29,408	\$ -	\$ -	\$ 29,408
Total liabilities	29,408	-	-	29,408
<b>FUND BALANCE</b>				
Unreserved:				
Undesignated reported in:				
General fund	1,460,571	-	-	1,460,571
Special revenue funds	-	237,124	41,576	278,700
Total fund balance	1,460,571	237,124	41,576	1,739,271
Total liabilities and fund balance	<b>\$ 1,489,979</b>	<b>\$ 237,124</b>	<b>\$ 41,576</b>	<b>\$ 1,768,679</b>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2008

Statement 4

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

Total fund balances - governmental funds		\$ 1,768,679
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds		
The cost of capital assets	5,972,729	
Accumulated depreciation	<u>(1,529,361)</u>	
		4,443,368
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:		
Accounts payable	<u>(29,408)</u>	<u>(29,408)</u>
Net assets of governmental activities		<u>\$ 6,182,639</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Governmental Funds

Statement 5

Statement of Revenues, Expenditures and Changes in Fund Balances  
For the year ended June 30, 2008

	General Fund	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 11,908	\$ -	\$ -	\$ 11,908
Franchise taxes	37,906	-	-	37,906
Gross receipts taxes	183,004	54,576	-	237,580
Gas taxes	-	2,278	-	2,278
MVD taxes	86,441	-	-	86,441
Charges for services	-	-	-	-
Licenses and permits	2,955	-	-	2,955
Local sources	38,883	-	-	38,883
State sources	448,337	263,624	76,287	788,248
Federal sources	-	-	-	-
State shared taxes	330,631	-	767	331,398
Earnings from investments	18,269	-	-	18,269
<b>Total revenues</b>	<u>1,158,334</u>	<u>320,478</u>	<u>77,054</u>	<u>1,555,866</u>
<b>EXPENDITURES</b>				
Current:				
General government	131,132	-	-	131,132
Highways and streets	7,602	393,104	-	400,706
Public safety	20,239	-	44,004	64,243
Health & welfare	-	-	-	-
Culture and recreation	4,694	-	-	4,694
Capital outlay	802,679	-	36,870	839,549
<b>Total expenditures</b>	<u>966,346</u>	<u>393,104</u>	<u>80,874</u>	<u>1,440,324</u>
<b>Excess (deficiency) revenues over expenditures</b>	191,988	(72,626)	(3,820)	115,542
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	-	-
Operating transfers out	(75,979)	-	-	(75,979)
	<u>(75,979)</u>	<u>-</u>	<u>-</u>	<u>(75,979)</u>
<b>Net change in fund balances</b>	116,009	(72,626)	(3,820)	39,563
<b>Fund balance beginning of year</b>	<u>1,344,562</u>	<u>309,750</u>	<u>45,396</u>	<u>1,699,708</u>
<b>Fund balance end of year</b>	<u>\$ 1,460,571</u>	<u>\$ 237,124</u>	<u>\$ 41,576</u>	<u>\$ 1,739,271</u>

See accompanying notes to financial statements.

## STATE OF NEW MEXICO

Statement 6

## VILLAGE OF TIJERAS

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, 2008

Net change in fund balances - total governmental funds \$ 39,563

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, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation expense in the period.

Capital outlays	839,549	
Depreciation expense	<u>(161,548)</u>	

Excess of capital outlay over depreciation expense		<u>678,001</u>
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In the Statement of Activities, certain operating expenses are measured by the amount 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). The (increases) decreases in the liabilities for the year were:

Compensated absences payable		1,642
Deferred portion of property taxes receivable		<u>(1,890)</u>

Change in net assets of governmental activities		<u>\$ 717,316</u>
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See accompanying notes to financial statements.



STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
General Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 9,595	\$ 9,595	\$ 11,908	\$ 2,313
Franchise taxes	36,000	36,000	37,906	1,906
Gross receipts taxes	170,000	170,000	183,004	13,004
MVD taxes	56,000	56,000	91,191	35,191
Charges for services	700	700	-	(700)
Licenses and permits	1,750	1,750	2,955	1,205
Local sources	3,200	3,200	36,994	33,794
State sources	385,000	385,000	369,208	(15,792)
Federal sources	-	-	-	-
State shared taxes	400,100	400,100	399,513	(587)
Earnings from investments	20,000	20,000	18,269	(1,731)
<b>Total revenues</b>	<b><u>\$ 1,082,345</u></b>	<b><u>\$ 1,082,345</u></b>	<b><u>\$ 1,150,948</u></b>	<b><u>\$ 68,603</u></b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	\$ 342,818	\$ 342,818	\$ 187,510	\$ 155,308
Highways and streets	18,600	18,600	7,602	10,998
Public safety	62,516	62,516	20,239	42,277
Health and welfare	-	-	-	-
Culture and recreation	5,650	5,650	4,694	956
Capital outlay	825,000	825,000	802,679	22,321
<b>Total expenditures</b>	<b><u>\$ 1,254,584</u></b>	<b><u>\$ 1,254,584</u></b>	<b><u>\$ 1,022,724</u></b>	<b><u>\$ 231,860</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	\$ -	\$ -	\$ 35,357	\$ 35,357
Operating transfers out	(9,080)	(9,080)	(75,979)	(66,899)
<b>Total other financing sources</b>	<b><u>\$ (9,080)</u></b>	<b><u>\$ (9,080)</u></b>	<b><u>\$ (40,622)</u></b>	<b><u>\$ (31,542)</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 181,319</u></b>	<b><u>\$ 181,319</u></b>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF TIJERAS  
 Road Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Gross receipts taxes	\$ 70,000	\$ 70,000	\$ 61,001	\$ (8,999)
Gas taxes	6,500	6,500	5,004	(1,496)
State sources	<u>195,290</u>	<u>195,290</u>	<u>263,624</u>	<u>68,334</u>
Total revenues	<u>\$ 271,790</u>	<u>\$ 271,790</u>	<u>\$ 329,629</u>	<u>\$ 57,839</u>
<b>EXPENDITURES</b>				
Public safety	\$ 290,040	\$ 290,040	\$ 393,104	\$ (103,064)
Total expenditures	<u>\$ 290,040</u>	<u>\$ 290,040</u>	<u>\$ 393,104</u>	<u>\$ (103,064)</u>
BUDGETED CASH BALANCE	<u>\$ 88,250</u>	<u>\$ 88,250</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Proprietary Funds  
Statement of Net Assets  
June 30, 2008

Statement 9

	Water Fund
<b>ASSETS</b>	
Current Assets	
Cash on deposit	\$ 32,791
Accounts receivable (net)	2,586
Total Current Assets	35,377
Non-Current Assets	
Restricted Assets (Cash)	
Customer meter deposits	6,835
Total Non-Current Assets	6,835
Capital Assets	
Land	98,340
Buildings	183,836
Plant/infrastructure	3,643,165
Accumulated depreciation	(751,753)
Total Capital Assets	3,173,588
Total Assets	\$ 3,215,800
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ -
Customer meter deposits payable from Restricted Assets	6,835
Total Current Liabilities	6,835
<b>NET ASSETS</b>	
Invested in Capital Assets	3,173,588
Unrestricted	35,377
Total Net Assets	3,208,965
Total Liabilities and Net Assets	\$ 3,215,800

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF TIJERAS  
 Proprietary Funds  
 Statement of Revenues, Expenses and Changes in Fund Net Assets  
 For the Year Ended June 30, 2008

	<u>Water Fund</u>
OPERATING REVENUES	
Sales and services	\$ <u>35,565</u>
Total operating revenue	<u>35,565</u>
OPERATING EXPENSES	
Maintenance and operations	13,870
Depreciation	<u>118,544</u>
Total operating expenses	<u>132,414</u>
Operating income (loss)	<u>(96,849)</u>
NON-OPERATING REVENUE (EXPENSE)	
Transfer in	75,979
State grant	<u>180,000</u>
Total Non-Operating Revenue (Expense)	<u>255,979</u>
Change in Net Assets	159,130
Total net assets, beginning of year	<u>3,049,835</u>
Total net assets, end of year	<u><u>\$ 3,208,965</u></u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2008

	Water Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 33,647
Repayment of temporary transfer	(35,356)
Cash payments to employees and to suppliers for goods and services	(13,870)
Net cash provided by operating activities	(15,579)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of capital assets	(255,979)
Net cash provided (used) by capital and related financing activities	(255,979)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Investment income	180,000
Operating transfers from other funds	75,979
Net cash provided by non-capital financing activities	255,979
Net increase (decrease) in cash	(15,579)
Cash, beginning of year	48,370
Cash, end of year	\$ 32,791
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ (96,849)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	118,544
Changes in assets and liabilities:	
(Increase) decrease in receivables	(321)
Increase decrease in deferred revenue	(35,356)
Due to other funds	(1,597)
Net cash provided (used) by operating activities	\$ (15,579)

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Statement of Fiduciary  
Assets and Liabilities - Agency Funds  
June 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 62,390
Total Assets	<u>\$ 62,390</u>
LIABILITIES	
Deposits held for others	\$ 62,390
Total Liabilities	<u>\$ 62,390</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Notes to Financial Statements  
Year Ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Tijeras is incorporated under Section 3 New Mexico State Statutes Annotated 1978 Compilation operating under a Mayor-Council form of government and provides the following services as authorized: public safety (police and fire), highways and streets, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. The Village also serves as a local office for the State Motor Vehicle Division.

The financial statements of the Village of Tijeras have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to 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. Based upon the application of these criteria, the Village had no component units.

Notes to Financial Statements (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which is normally 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 activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. 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 30 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 judgements, are recorded only when payment is due.



Notes to Financial Statements (continued)

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.

The government 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.

The Road Fund accounts for revenues received from the levy of a tax per gallon of gasoline purchased within Village boundaries, pursuant to the County and Municipal Gasoline Tax Act, NMSA 7-21-1. Expenditures from this fund may be used for bridge and road projects on transit routes; for purchasing, maintaining or operating transit facilities; for operating a transit authority; for operating a vehicle omissions inspection program; or for road, street or highway construction, repair or maintenance on transit routes. Financing is also provided by grants from the New Mexico State Highway and Transportation Department.

The Village reports the following major proprietary fund:

The Water Fund is used to account for activities of the Village's water operations.

Additionally, the Village reports the following fund types:

Fiduciary Funds - Agency Funds

Agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the district holds for other in an agency capacity.

The Village also reports additional Government funds as non-major. They include:

Notes to Financial Statements (continued)

Special Revenue Funds - these funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues. Program revenues include: 1) charges for services to taxpayers or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions and 3) program specific capital grants and contributions including special assessments.

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund is charged to customers for sales and services. The enterprise fund also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Notes to Financial Statements (continued)

D. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Village Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments. The original budget that was adopted in July, 1998 was amended during the fiscal year in a legally permissible manner.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Project Funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year end.
6. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principals. Throughout the year the accounting records are maintained on the Non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for General and Special Revenue Funds in this report are on the Non-GAAP budgetary basis and actual (cash basis). The budget of the Enterprise Fund is adopted on a Non-GAAP cash basis.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest bearing accounts with local financial institutions and the State Treasurer Pool.

Notes to Financial Statements (continued)

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Village. The pledged securities remain in the name of the financial institution.

F. Inventories

The cost of inventories are recorded as expenditures when purchased rather than when consumed.

G. Capital Assets

Capital assets, which include property, plant, 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. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated Capital Assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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.

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Public domain infrastructure	40
Vehicles	10-15
Equipment	10-15
Furniture and fixtures	3-10

## Notes to Financial Statements (continued)

The Village does not capitalize computer software or software developed for internal use (if applicable) unless it exceeds the \$5,000 threshold.

### H. Compensated Absences

It is the policy of the Village of Tijeras to permit certain employees to accumulate a limited amount of earned but unused vacation, which will not be paid to employees upon separation from the Village's service. All vacation earned must be taken before year end or it is lost. There is no leave balance as of the end of the fiscal year.

Sick pay does not vest and is recorded as an expenditure when it is paid.

### I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change. The Village designates the portion of the year-end fund balance, not otherwise designated or reserved, for subsequent years' expenditures. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

### J. Restricted Assets

Certain long-term assets in the proprietary funds are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purpose such as "deposits held in trust for others".

### K. Net Assets

The governmental activities and business-type activities financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt - This category reflects the portion of net assets that are associates with capital assets less outstanding capital asset related debt.

Restricted net assets - This category reflects the portion of net assets that have third party limitation on their use.

Unrestricted net assets - This category reflects net assets of the Village not restricted for any project or other purposes.

Notes to Financial Statements (continued)

L. 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.

M. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for these risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the current fiscal year.

2. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semi-annual installments by November 10 and April 10 of the subsequent year. Taxes are collected on behalf of the Village by the County Treasurer, and are remitted to the Village in the month following collection. Because the Treasurer for the county in which the Village is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the Village.

The Village is permitted to levy taxes for general operating purposes based on taxable value for both residential and nonresidential property, taxable value being defined as one-third of the fully assessed value. In addition, the Village is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the Village.

The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues. The Village has no means of determining the amount of delinquent taxes, and no delinquent taxes are recorded on the Villages financial records.

Notes to Financial Statements (continued)

3. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Governmental Funds

During the year ended June 30, 2008, the following changes occurred in the liabilities reported in the Governmental Funds:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Compensated absences payable	\$ 1,642	\$ -	\$ 1,642	\$ -	\$ -

4. DEPOSITS HELD FOR OTHERS, ENTERPRISE FUND

Deposits in the Water Utility Enterprise Fund consist of the following:

Hydrant Meter deposits \$ 6,835

Water meter deposits are charged to new customers and consist of the following:

Residential properties	\$	30
Commercial properties	\$	60/75

5. DEPOSITORY COLLATERAL

The following is the Cash on Deposit at each financial institution.

Wells Fargo	Memorial Park	Checking	\$ 11,400
Wells Fargo	Fire Dept.	Checking	7,509
Wells Fargo	EMS	Checking	266
Wells Fargo	MVD	Checking	-
Wells Fargo	Regular	Checking	1,328
Wells Fargo	Sweep	Repurchase Agreement	1,172,788
Wells Fargo	Village	Certificate of Deposit	<u>127,511</u>
			<u>\$1,320,802</u>
Bank of the West	Village	Certificate of Deposit	<u>\$ 130,943</u>
Compass Bank	Village	Certificate of Deposit	<u>\$ 130,042</u>
Wachovia Securities	Village	Money Fund	<u>\$ 75,560</u>
Total Cash on Deposit			<u>\$1,657,347</u>

Notes to Financial Statements (continued)

Total cash per bank	\$1,657,347
Deposits in transit	-
Outstanding checks	<u>(65,515)</u>
Total per financial statements	<b><u>\$1,591,832</u></b>
Cash on deposit at June 30, 2008	\$1,657,347
Less repurchase agreement	(1,172,788)
Less F.D.I.C.	<u>(320,503)</u>
Uninsured funds	164,056
50% Collateral Requirement	82,028
Pledged Collateral	<u>729,298</u>
Excess of pledged collateral	<b><u>\$ 721,070</u></b>

The following schedule details the public money held by financial institutions and the pledged collateral provided for the Village follows:

	<u>Wells Fargo</u>	<u>Compass Bank</u>	<u>Bank of the West</u>
Cash on deposit at June 30	\$ 148,014	\$ 130,042	\$ 129,867
Less FDIC	<u>(120,503)</u>	<u>(100,000)</u>	<u>(100,000)</u>
Uninsured funds	27,511	30,042	29,867
Funds needing collateralization at 50% (required by State Law)	13,756	15,021	14,934
Pledged collateral at June 30	<u>638,241</u>	<u>48,667</u>	<u>42,390</u>
Excess of Pledged Collateral	<b><u>\$ 624,485</u></b>	<b><u>\$ 33,646</u></b>	<b><u>\$ 27,456</u></b>
Repurchase agreement	<u>\$ 1,172,788</u>	N/A	N/A
102% Collateral Requirement	1,196,245		
Pledged Collateral	<u>1,196,245</u>		
Excess of pledged collateral	<b><u>\$ -</u></b>		



Notes to Financial Statements (continued)

*Custodial Credit Risk - Deposits* - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$1,260,208 of the Village's bank balance \$1,580,711 was exposed to custodial credit risk as follows:

A.	Uninsured and Uncollateralized	\$	-
B.	Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Village's name		<u>1,260,208</u>
	Total		<u><b>\$ 1,260,208</b></u>

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the cooperative for at least one half of the amount on deposit with the institution. 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. The collateral pledged is shown as follows:

<u>Wells Fargo California</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FNCL CUSIP #31371NNV3	10-01-37	<u><b>\$ 638,241</b></u>
<u>Wells Fargo California</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FNCL CUSIP #31413TT44	11-01-37	<u><b>\$ 1,196,245</b></u>
<u>Compass Bank in Alabama</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
GNMA ARM CUSIP #36202K5R2	04-20-22	\$ 26,525
FNMA CUSIP #31388YEU2	11-01-31	22,142
		<u><b>\$ 48,667</b></u>
<u>Bank of the West</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FHLMC CUSIP #3128GKV35	04-01-11	\$ 3,432
GNMA CUSIP #36225CF68	04-20-28	38,957
		<u><b>\$ 42,390</b></u>

6. INVESTMENTS

The Village is authorized by Village Council resolution and State statute to invest in securities of the United States, its agencies or instrumentalities or in securities of the State of New Mexico, its agencies, instrumentalities, counties, municipalities or other subdivisions or by securities, including student loans, that are guaranteed by the United States or the State of New Mexico.

Notes to Financial Statements (continued)

Investments consist of GNMA 15 and 30 year single family mortgage pool securities with a total cost of \$144,072 and maturity dates ranging from October 15, 2008 to May 15, 2031; and \$75,560 in Wachovia Securities Money Fund.

The Village's investments are categorized to give an indication of the level of risk assumed by the Village at fiscal year end. The categories are described as follows:

Category 1 - Insured or registered, or securities held by the Village or in the Village's name.

Category 2 - Uninsured or unregistered, with securities held by the counter party's trust department or agent in the Village's name.

Category 3 - Uninsured or unregistered, with securities held by the counter party, or its trust department or agent but not in the Village's name.

<u>Type of Investments</u>	<u>Category</u>			<u>Market Value</u>	<u>Cost</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
GNMA Securities	\$144,072	\$ -	\$ -	\$138,604	\$144,072
Wachovia Securities Money Fund	<u>75,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>75,560</u>	<u>75,560</u>
	<b><u>\$219,632</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$214,164</u></b>	<b><u>\$219,632</u></b>

The net unrealized loss on investments is \$5,468.

7. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

<u>Revenues</u>	<u>General Fund</u>	<u>Road Fund</u>	<u>Non-Major Special Revenue Funds</u>	<u>Proprietary Fund</u>
Actual	\$1,158,334	\$ 320,478	\$ 77,054	\$ 215,565
Budget	<u>1,150,948</u>	<u>329,629</u>	<u>76,989</u>	<u>213,648</u>
Increase (decrease) in receivables	<b><u>\$ 7,386</u></b>	<b><u>\$ (9,151)</u></b>	<b><u>\$ 65</u></b>	<b><u>\$ 1,917</u></b>
<u>Expenditures</u>				
Actual	\$ 966,346	\$ 393,104	\$ 80,874	\$ 132,414
Budget	1,022,724	393,104	90,161	269,849
Depreciation	-	-	-	118,544
Purchase of Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(255,979)</u>
Increase (decrease) in payables	<b><u>\$ (56,378)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (9,287)</u></b>	<b><u>\$ -</u></b>

## Notes to Financial Statements (continued)

8. CAPITAL ASSETS

The amount of property, plant and equipment in the Governmental-Type Activities consists of the following:

	Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Land	\$ 408,072	\$ -	\$ -	\$ 408,072
Total capital assets not being depreciated	<u>408,072</u>	<u>-</u>	<u>-</u>	<u>408,072</u>
Building and improvements	2,601,506	365,363	-	2,966,869
Infrastructure	922,643	437,316	-	1,359,959
Equipment and vehicles	<u>1,200,959</u>	<u>36,870</u>	<u>-</u>	<u>1,237,829</u>
Total capital assets being depreciated	<u>4,725,108</u>	<u>839,549</u>	<u>-</u>	<u>5,564,657</u>
Less accumulated depreciation for:				
Building and improvements	(740,330)	(84,312)	-	(824,642)
Infrastructure	(32,258)	(18,520)	-	(50,778)
Equipment and vehicles	<u>(595,225)</u>	<u>(58,716)</u>	<u>-</u>	<u>(653,941)</u>
Total accumulated depreciation	<u>(1,367,813)</u>	<u>(161,548)</u>	<u>-</u>	<u>(1,529,361)</u>
Total capital assets being depreciated	<u>3,357,295</u>	<u>678,001</u>	<u>-</u>	<u>4,035,296</u>
Net capital assets	<u>\$ 3,765,367</u>	<u>\$ 678,001</u>	<u>\$ -</u>	<u>\$ 4,443,368</u>

The amount of property, plant and equipment in the Business-Type Activities consists of the following:

	Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Land	\$ 98,340	\$ -	\$ -	\$ 98,340
Total capital assets not being depreciated	<u>98,340</u>	<u>-</u>	<u>-</u>	<u>98,340</u>
Building and improvements	183,836	-	-	183,836
Infrastructure	<u>3,387,186</u>	<u>255,979</u>	<u>-</u>	<u>3,643,165</u>
Total capital assets being depreciated	<u>3,571,022</u>	<u>255,979</u>	<u>-</u>	<u>3,827,001</u>
Less accumulated depreciation for:				
Building and improvements	(76,160)	(6,128)	-	(82,288)
Infrastructure	<u>(557,049)</u>	<u>(112,416)</u>	<u>-</u>	<u>(669,465)</u>
Total accumulated depreciation	<u>(633,209)</u>	<u>(118,544)</u>	<u>-</u>	<u>(751,753)</u>
Total capital assets being depreciated	<u>2,937,813</u>	<u>137,435</u>	<u>-</u>	<u>3,075,248</u>
Net capital assets	<u>\$ 3,036,153</u>	<u>\$ 137,435</u>	<u>\$ -</u>	<u>\$ 3,173,588</u>

Notes to Financial Statements (continued)

9. ACCOUNTS RECEIVABLES

Receivables as of June 30, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables from customers	\$ -	\$ 2,587
Less allowance for uncollectible accounts	<u>-</u>	<u>-</u>
Subtotal	-	2,587
Gross receipts taxes receivable	50,921	-
Franchise taxes receivable	4,675	-
Cigarette taxes receivable	65	-
Intergovernmental	<u>79,129</u>	<u>-</u>
 Total	 <u>\$ 134,790</u>	 <u>\$ 2,587</u>

10. RETIREMENT PLAN

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

*Funding Policy.* Plan members are required to contribute 7% of their gross salary. The Village of Tijeras is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the Village of Tijeras are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The Village of Tijeras's contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were \$11,775, \$10,943 and \$12,004 respectively equal to the amount of the required contributions for the year.

Notes to Financial Statements (continued)

11. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

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

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

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

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorized 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 fo the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

Notes to Financial Statements (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 employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65 of their salary.

Employers joining the program after 01/01/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Village of Tijeras contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$2,201, \$1,927 and \$2,281, respectively, which equal the required contributions for each year.

12. MOTOR VEHICLE DEPARTMENT

The Village offers services to residents for motor vehicle licenses, license plates, etc. These revenues are remitted daily to the State of New Mexico. These amounts received and remitted have not been included in the financial statements contained herein.

13. TRANSFERS

The composition of interfund transfers for Governmental Activities during the year ended June 30, 2008 are as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Total</u>
<u>\$ (75,979)</u>	<u>\$ 75,979</u>	<u>\$ -0-</u>

Transfer from General Fund to Water Fund for Capital expenses.

14. EXPENDITURES IN EXCESS OF BUDGET

Actual expenditures exceeded budgeted expenditures in the following funds:

EMS Fund                      \$1,858

NON-MAJOR FUNDS

**NON-MAJOR  
SPECIAL REVENUE FUNDS**

**FIRE FUND** - Authorized by State Statute 599-15-1 to 599-15-18, to account for operations of the fire department. Financing is provided by the state fire allotment and miscellaneous revenue.

**EMS (EMERGENCY MEDICAL SERVICES) FUND** - Authorized by State Statute 24-10A-1 to 24-10A-10, to account for operations of the paramedic unit. Financing is provided by the EMS grant.

**RECREATION FUND** - Authorized by State Statute 7-12-15, to account for the operations and maintenance of parks and other recreation type activities. Financing is provided by cigarette tax.



STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Non-Major Governmental Funds  
Combining Balance Sheet  
June 30, 2008

Statement A-1

	Fire Fund	EMS Fund	Recreation Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash on deposit	\$ 7,508	\$ 266	\$ 33,737	\$ 41,511
Accounts receivable	-	-	65	65
<b>Total assets</b>	<b><u>\$ 7,508</u></b>	<b><u>\$ 266</u></b>	<b><u>\$ 33,802</u></b>	<b><u>\$ 41,576</u></b>
<b>FUND BALANCE</b>				
Unreserved:				
Undesignated for subsequent year's expenditures	7,508	266	33,802	41,576
<b>Total fund balance</b>	<b><u>\$ 7,508</u></b>	<b><u>\$ 266</u></b>	<b><u>\$ 33,802</u></b>	<b><u>\$ 41,576</u></b>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Non-Major Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the year ended June 30, 2008

Statement A-2

	Fire Fund	EMS Fund	Recreation Fund	Total Governmental Funds
<b>REVENUES</b>				
State sources	\$ 68,882	\$ 7,405	\$ -	\$ 76,287
State shared taxes	-	-	767	767
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b>68,882</b>	<b>7,405</b>	<b>767</b>	<b>77,054</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Highways & streets	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	30,319	13,685	-	44,004
Capital outlay	36,870	-	-	36,870
<b>Total expenditures</b>	<b>67,189</b>	<b>13,685</b>	<b>-</b>	<b>80,874</b>
Net change in fund balances	1,693	(6,280)	767	(3,820)
Fund balance beginning of year	5,815	6,546	33,035	45,396
<b>Fund balance end of year</b>	<b>\$ 7,508</b>	<b>\$ 266</b>	<b>\$ 33,802</b>	<b>\$ 41,576</b>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF TIJERAS  
 Non-Major Special Revenue Fund - Fire Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 61,667	\$ 61,667	\$ 68,882	\$ 7,215
Total revenues	<u>\$ 61,667</u>	<u>\$ 61,667</u>	<u>\$ 68,882</u>	<u>\$ 7,215</u>
EXPENDITURES				
Public safety	\$ 76,235	\$ 76,235	\$ 76,016	\$ 219
Total expenditures	<u>\$ 76,235</u>	<u>\$ 76,235</u>	<u>\$ 76,016</u>	<u>\$ 219</u>
BUDGETED CASH BALANCE	<u>\$ 14,568</u>	<u>\$ 14,568</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF TIJERAS  
 Non-Major Special Revenue Fund - EMS Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ 7,419	\$ 7,419	\$ 7,405	\$ (14)
Total revenues	<u>\$ 7,419</u>	<u>\$ 7,419</u>	<u>\$ 7,405</u>	<u>\$ (14)</u>
<b>EXPENDITURES</b>				
Public safety	\$ 12,287	\$ 12,287	\$ 14,145	\$ (1,858)
Total expenditures	<u>\$ 12,287</u>	<u>\$ 12,287</u>	<u>\$ 14,145</u>	<u>\$ (1,858)</u>
BUDGETED CASH BALANCE	<u>\$ 4,868</u>	<u>\$ 4,868</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF TIJERAS  
 Non-Major Special Revenue Fund - Recreation Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State shared taxes	\$ 100	\$ 100	\$ 702	\$ 602
Total revenues	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 702</u>	<u>\$ 602</u>
<b>EXPENDITURES</b>				
Culture and recreation	\$ 4,100	\$ 4,100	-	\$ 4,100
Total expenditures	<u>\$ 4,100</u>	<u>\$ 4,100</u>	<u>\$ -</u>	<u>\$ 4,100</u>
BUDGETED CASH BALANCE	<u>\$ 4,000</u>	<u>\$ 4,000</u>		

See accompanying notes to financial statements.

PROPRIETARY FUND DETAIL

**PROPRIETARY FUNDS BUDGETS**

**WATER FUND** - To account for the provision of water services to the residents of Tijeras, New Mexico. All activities necessary to provide these services are accounted for in this fund.

STATE OF NEW MEXICO  
 VILLAGE OF TIJERAS  
 Proprietary Funds  
 Water Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and services	\$ 31,500	\$ 31,500	\$ 33,648	\$ 2,148
State sources	<u>299,285</u>	<u>299,285</u>	<u>180,000</u>	<u>(119,285)</u>
<b>Total revenues</b>	<b><u>\$ 330,785</u></b>	<b><u>\$ 330,785</u></b>	<b><u>\$ 213,648</u></b>	<b><u>\$ (117,137)</u></b>
<b>EXPENDITURES</b>				
Maintenance and operations	\$ 96,200	\$ 96,200	\$ 13,870	\$ 82,330
Capital outlay	<u>299,285</u>	<u>299,285</u>	<u>255,979</u>	<u>43,306</u>
<b>Total expenditures</b>	<b><u>\$ 395,485</u></b>	<b><u>\$ 395,485</u></b>	<b><u>\$ 269,849</u></b>	<b><u>\$ 125,636</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	\$ 9,080	\$ 9,080	\$ 75,979	\$ 66,899
Transfer out	<u>-</u>	<u>-</u>	<u>(35,357)</u>	<u>(35,357)</u>
<b>Total other financing sources (uses)</b>	<b><u>\$ 9,080</u></b>	<b><u>\$ 9,080</u></b>	<b><u>\$ 40,622</u></b>	<b><u>\$ 31,542</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 55,620</u></b>	<b><u>\$ 55,620</u></b>		

See accompanying notes to financial statements.



**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Schedule of Changes in Assets  
and Liabilities - All Agency Funds  
Year Ended June 30, 2008

	Balances June 30, 2007	Additions	Deletions	Balances June 30, 2008
<b>ASSETS</b>				
Cash of deposit	\$ (115)	\$ 365,758	\$ 303,253	\$ 62,390
Total assets	<u>\$ (115)</u>	<u>\$ 365,758</u>	<u>\$ 303,253</u>	<u>\$ 62,390</u>
<b>LIABILITIES</b>				
Deposits held for others	\$ -	\$ -	\$ -	\$ -
Motor Vehicle Department	(115)	167,758	167,643	-
Friends of Tijeras Pueblo	-	198,000	135,610	62,390
Total liabilities	<u>\$ (115)</u>	<u>\$ 365,758</u>	<u>\$ 303,253</u>	<u>\$ 62,390</u>

See accompanying notes to financial statements.

# *Rice and Associates, C.P.A.*

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

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Honorable Mayor and Village Council  
Village of Tijeras  
Tijeras, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General Fund and Road Fund of the Village of Tijeras, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 26, 2008. We also have audited the financial statements of each of the Village of Tijeras's non-major governmental funds and proprietary funds and budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying Status of Comments to be significant deficiencies in internal control over

financial reporting. Those significant deficiencies are described as Capital Asset Listing (08-01), Depreciation of Capital Assets (08-02), Water Service Rates (08-04), Posting of Gross Receipts Taxes to the Road Fund (08-08), Incomplete General Ledger (08-21) and Financial Statement Preparation (07-06).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Status of Comments as 1099 Forms Not Prepared (08-12), Payments to Board Members (08-13), Purchase Orders Required (08-14), Sealed Bids (08-18), Unbudgeted Transfers (08-19), Budgeted Overruns (06-05) and Procurement Code Violation (07-05).

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings Depreciation Policy (08-03), Bank Reconciliations (08-05), Receipt Books (08-06), Department of Finance and Administration Quarterly Report Incorrect (08-07), Benefits for New Employees (08-09), Water Meter Deposits (08-10), Water Meter Deposit Bank Account (08-11), Village Credit Card (08-15), Credit Card Purchases (08-16), Change Orders (08-17), Sweep Account Authorization (08-20).

The Village of Tijeras's responses to the findings identified in our audit are described in the accompanying Status of Comments and Responses. We did not audit the Village of Tijeras's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Management, the Mayor, the Village Council, the Office of the State Auditor, the New Mexico State Legislature and the New Mexico Department of Finance and Administration and is not intended to be used by anyone other than these specified parties.



November 26, 2008

## **STATUS OF COMMENTS**

### **Prior Year Audit Findings**

1. Submission of Audit Report (06-01) - Resolved.
2. Volunteer Firefighters Paid as Contractors (06-02) - Resolved.
3. Budget Overruns (06-05) - Repeated.
4. Untimely Deposits (07-01) - Resolved.
5. Budget Adjustment Request (07-02) - Resolved.
6. New Hire Reporting (07-03) - Resolved.
7. Capital Asset Disposal Notification (07-04) - Resolved.
8. Procurement Code Violation (07-05) - Repeated.
9. Financial Statement Preparation (07-06) - Repeated.

### **Current Year Audit Findings**

1. Capital Asset Listing (08-01)
2. Depreciation of Capital Assets (08-02)
3. Depreciation Policy (08-03)
4. Water Services Rates (08-04)
5. Bank Reconciliations (08-05)
6. Receipt Books (08-06)
7. Department of Finance and Administration Quarterly Report Incorrect (08-07)
8. Posting of Gross Receipts Taxes to the Road Fund (08-08)
9. Benefits for New Employees (08-09)
10. Water Meter Deposits (08-10)
11. Water Meter Deposit Bank Account (08-11)
12. 1099 Forms Not Prepared (08-12)
13. Payments to Board Members (08-13)
14. Purchase Orders Required (08-14)
15. Village Credit Card (08-15)
16. Credit Card Purchases (08-16)
17. Change Orders (08-17)
18. Sealed Bids (08-18)
19. Unbudgeted Transfers (08-19)
20. Sweep Account Authorization (08-20)
21. Incomplete General Ledger (08-21)

Budget Overruns

(06-05)

CONDITION	The Village had a budget overrun in the EMS Fund in the amount of \$1,858.
CRITERIA	According to Department of Finance and Administration regulations, all expenditures may not exceed approved budgets.
CAUSE	Budgetary adjustments did not occur to correct budget deficits.
EFFECT	The Department of Finance and Administration regulation has not been adhered to.
RECOMMENDATION	Financial statements should be reviewed periodically for possible overruns and request the appropriate budgetary increases before expenditures exceed budget.
RESPONSE	Management will review financial statements by fund periodically to detect possible overruns and request appropriate budget increases prior to exceeding budget.

Three Quotes Not Obtained

(07-05)

CONDITION	The Village purchased a Defibrillator for \$5,520. The minutes provide names of other entities that quotes were obtained from but not the bid amounts. Actual documents showing the quotes from each entity were not kept on file.
CRITERIA	Three written quotations should be received and kept on file for all small purchases exceeding \$5,000, but not exceeding \$20,000, according to 1.4.1.51 NMAC.
CAUSE	It is unclear why management of the Village did not keep on file the five quotations.
EFFECT	Management did not comply with 1.4.1.51 NMAC.
RECOMMENDATION	Current management should ensure that policies are in place so the procurement procedures are followed.
RESPONSE	Management will maintain a running file to maintain quotes for purchases over \$5,000. The Village's current policy is adequate to comply with the 1.4.1.51 NMAC.

Preparation of Financial Statements

(07-06)

CONDITION	The Village of Tijeras does not prepare its own financial statements.
CRITERIA	SAS 112 implies that the Village of Tijeras should have sufficient expertise in selecting and applying accounting principles in conformity with generally accepted accounting principles.
CAUSE	The Village does not maintain an adequate general ledger system.
EFFECT	The Village cannot prepare their own financial statements on a GAAP basis.
RECOMMENDATION	The Village should maintain an adequate general ledger system so financial statements can be prepared.
RESPONSE	Management will endeavor to manage an accounting system adequate to produce its own financial statements.



Capital Asset Listing  
(08-01)

CONDITION	A complete capital asset listing including current year additions and deletions was not available.
CRITERIA	A complete capital asset listing including current year additions and deletions should be maintained at all times. This is to comply with 1 NMAC 1.2.1.8, NMAC 6.20.2.22 and 12-6-10 NMSA 1978.
CAUSE	The current management has worked on compiling a listing, however, it is still not complete. Management has not given this procedure adequate time to ensure it is completed accurately and timely.
EFFECT	The capital asset records and financial statements could be overstated/understated by not following State Statute.
RECOMMENDATION	The Village should continue to reconcile all capital assets to the prior years audit reports and bring it current.
RESPONSE	Management will conduct an inventory of its capital assets in 2009 and bring the list current.

Depreciation of Capital Assets

(08-02)

CONDITION	The Village has not successfully managed to depreciate their capital assets.
CRITERIA	In accordance with GASB 34 all capital assets must be depreciated in accordance with the entity's policy approved by the Village Board.
CAUSE	The Village involved can only provide estimates of depreciation to be charged due to the lack of a depreciation policy.
EFFECT	The financial statements could be misstated.
RECOMMENDATION	The Village needs to approve a depreciation policy so Management can accurately implement that policy.
RESPONSE	Management will bring the depreciation schedule current and continue to keep it current each year.

Depreciation Policy  
(08-03)

CONDITION	The Village has not approved a depreciation policy so depreciation can be charged to capital assets.
CRITERIA	The Village needs a depreciation policy so capital assets can be depreciated correctly. This is due to the implementation of GASB 34.
CAUSE	The Village Board has not approved a policy for management to follow.
EFFECT	Depreciation may be charged incorrectly because no set policy is in place.
RECOMMENDATION	The Village Board should approve a policy as soon as possible. Management should then implement that policy as soon as possible.
RESPONSE	The Governing Body will adopt a depreciation policy for Management to implement.

Water Service Rates  
(08-04)

CONDITION	The Village Board has not changed water services rates since July, 1994.
CRITERIA	Water usage rates should be changed periodically for inflation, increases in water users (population) and other infrastructure expansion reasons.
CAUSE	The Village Board has not been diligent in keeping charges in relation to the current economic climate of the Village and the State.
EFFECT	User charges are not enough to keep up with expenses incurred in providing water to Village residents. Also, when applying for grants or loans to improve water infrastructure the Village may be turned down or not allowed to obtain these funds due to the fact that the Village does not have enough resources to maintain the improvements in the future.
RECOMMENDATION	The Village Board should increase the water rates as soon as possible.
RESPONSE	The Governing Body will review water usage rates in 2009, adjust according to inflation and other factors, and adopt a policy that requires annual review of water rates by the Governing Body.

Bank Reconciliations

(08-05)

CONDITION	Management of the Village is not adequately reconciling the numerous funds housed in one bank account. The bank has \$1,200 more than the total of all funds reported on the Department of Finance and Administration Quarterly Report.
CRITERIA	The bank account should be reconciled each month upon receiving the bank statement. Any differences need to be investigated and adjusted immediately.
CAUSE	The Village does not have a true working general ledger system.
EFFECT	Cash in the DFA report was understated by \$1,200.
RECOMMENDATION	Management of the Village should be trained on the business software package immediately. This will then provide a working general ledger system and computer generated bank reconciliations.
RESPONSE	Management will maintain an accounting system adequate to produce computer generated bank reconciliations.

Receipt Books  
(08-06)

CONDITION	The Village does not use receipt books to record all revenues received. Sometimes they are posted by journal entry and sometimes by deposit method.
CRITERIA	According to the Department of Finance and Administration, all revenues received must be "receipted" in a receipt book that is pre-numbered and used in sequence.
CAUSE	Management was not aware of this requirement.
EFFECT	DFA regulations are not being adhered to.
RECOMMENDATION	Management should implement procedures to ensure receipt books are used for all revenues received.
RESPONSE	Management will maintain paper receipts in duplicate for all revenues.

Department of Finance and Administration Quarterly Report  
Incorrect  
(08-07)

CONDITION	The June 30, 2008 DFA quarterly report is missing the Memorial Park bank transactions and balance.
CRITERIA	The DFA quarterly reports are a culmination of all transactions and balances of all funds and bank accounts of the Village.
CAUSE	Management was not diligent in ensuring all transactions were included on the DFA quarterly report.
EFFECT	The DFA quarterly report is not correct. It is understated by the balances and transaction of the Memorial Park bank account.
RECOMMENDATION	Village management should ensure that all required information is included in the DFA quarterly reports.
RESPONSE	Management will assure that DFA receives all required information in the quarterly reports.

Posting of Gross Receipts  
(08-08)

CONDITION	Village management is posting 9 ½% of the total Gross Receipts taxes received by the State.
CRITERIA	According to the Taxation and Revenue Gross Receipts Tax Rate Schedule the first 1/4% of Municipal Gross Receipts is dedicated to the Road Fund. Based on this information the Road Fund would be receiving more monies than what management is currently posting.
CAUSE	Management was not aware of this dedication to the Road Fund.
EFFECT	The Road Fund revenues are being grossly understated.
RECOMMENDATION	Management should change how the gross receipts taxes received are pro rated between funds.
RESPONSE	The Governing Body will review how gross receipts taxes are pro-rated between funds and amend the rates according to up-to-date factors.



Benefits for New Employees

(08-09)

CONDITION	The Internal Revenue Service has determined that the volunteer firefighters of the Village are to be paid as employees. The Village however has not determined what benefits these new employees are entitled to. Nor have they been deducted and paid.
CRITERIA	All full time employees are subject to and required to contribute to PERA. They are also allowed certain medical insurance benefits.
CAUSE	Management of the Village did not ensure that when these individuals started received paychecks as employees that all benefits were also provided.
EFFECT	The Village is now possibly liable for the benefit payment on behalf of the employees.
RECOMMENDATION	Management should resolve this situation as soon as possible.
RESPONSE	In December, 2008 the Governing Body will review the current policy and payment structure for the Village of Tijeras Fire Department and determine eligibility for benefits, including PERA.

Water Meter Deposits  
(08-10)

CONDITION	The Village is not reconciling their monthly water meter deposits to the amount in the accounts each month.
CRITERIA	The monthly meter deposit lists should be reconciled and agreed to the reconciled bank account each month.
CAUSE	Management was not aware of this requirement.
EFFECT	Available resources could not be budgeted for and used in the Water Fund.
RECOMMENDATION	Management should designate an employee to perform this duty each month, identify differences and resolve those differences.
RESPONSE	The Village Finance Director will reconcile water meter deposits on a monthly basis and resolve differences identified.

Water Meter Deposit Bank Account  
(08-11)

CONDITION	Village management does not have a separate bank account that is kept to keep all restricted cash for water deposits.
CRITERIA	A separate bank account should be opened and all water meter deposits should be kept as they are restricted monies.
CAUSE	Management was not aware of this requirement.
EFFECT	These monies are incorrectly budgeted for in the Water fund to be spent. These funds are actually to be kept in a fiduciary capacity.
RECOMMENDATION	The Village Board should authorize management to open a new bank account and transfer these funds as soon as possible.
RESPONSE	Management will request of the Governing Body that a trust fund account be set up with the bank for water meter deposits.

1099 Forms Not Prepared  
(08-12)

CONDITION	There were no clear procedures for Village management to obtain W-9 forms and to determine which entities or individuals needed to receive an IRS 1099 Form.
CRITERIA	According to IRS regulations any entity paid over \$600 (that is not paid through payroll) is required to have a 1099 form prepared and a copy sent to the IRS.
CAUSE	Management of the Village did not ensure that a review of all payments made was done so that all entities requiring a 1099 form were included.
EFFECT	IRS regulations were not followed. The IRS could assess a \$50 penalty per 1099 form not prepared. These penalties are not budgeted for.
RECOMMENDATION	Management should implement a review process at the end of each calendar year to ensure that all entities requiring a 1099 form actually receive one.
RESPONSE	Annually, management will review all entities paid by the Village and confirm that those paid over \$600 have provided W-9 forms and have been issued 1099 forms.

Payments to Board Members  
(08-13)

CONDITION	Management of the Village paid the five Board Members and the Fire Chief on a 1099 Form.
CRITERIA	IRC 3401 (c) states that an officer, employee, or elected official of a State or local government is an employee for income tax withholding purposes.
CAUSE	Management was not correctly withholding on payments made to these employees.
EFFECT	The Village is not only subject to pay the employers portion of the taxes but the employees portion as well.
RECOMMENDATION	Management of the Village should start paying these individuals as employees as soon possible.
RESPONSE	Management will immediately begin paying Planning and Zoning Commissioners and the Fire Chief as employees.

Purchase Orders Required  
(08-14)

CONDITION	Twenty five out of twenty five paid invoices chosen had purchase orders dated after the invoice.
CRITERIA	According to the Department of Finance and Administration regulations purchase orders are to be used as part of the internal control process. They are used to ensure the purchase has been authorized, cash and budget authorized, cash and budget are available and the correct fund and line item have been charged.
CAUSE	Management of the Village is not ensuring that this internal control procedure is being done.
EFFECT	Department of Finance and Administration regulations have not been followed.
RECOMMENDATION	The Village should start dating purchase orders before the item is purchased/ordered.
RESPONSE	Management will produce Purchase Orders dated before purchases are made.

Village Credit Card  
(08-15)

CONDITION	The Village is using a credit card for purchases.
CRITERIA	According to Sections 6-5-9.1 NMSA 1978 entities cannot obtain and use credit cards except for gasoline credit cards used solely for the operation of official vehicles, telephone credit cards and procurement cards.
CAUSE	Management was unaware of this regulation.
EFFECT	The Village is not complying with regulation 6-5-9.1 NMSA 1978.
RECOMMENDATION	The Village should discontinue the use of the credit card and obtain a procurement card through the Department of Finance and Administration.
RESPONSE	The Mayor will discontinue use of and close the current credit card account and destroy the card immediately. Management will seek to attain a Purchase Card through DFA and an issuing bank.

Credit Card Purchases  
(08-16)

CONDITION	Village employees used the Village credit card to purchase personal items while attending a conference out of State.
CRITERIA	Personal purchases are not allowed to be paid by the Village according to Department of Finance and Administration regulations.
CAUSE	Management did not ensure personal purchases were not made on the Village credit card.
EFFECT	The Village could have been responsible for up to \$1,206 in personal purchases. This amount was paid back by the individuals. However, if the Village had paid for these amounts they would have violated the anti-donation clause and procurement policies.
RECOMMENDATION	The Village should no longer allow personal purchases of goods and/or services.
RESPONSE	The Village will discontinue personal purchases and/or require reimbursement to the Village of personal purchases on the day of the purchase.



Change Orders  
(08-17)

CONDITION	The Village approved \$11,302 in change orders for the Village Hall Phase II project. They also approved \$71,656 in change orders for the road improvement project. The Board however did not ensure or verify that there was any revenue resources to pay for these change orders.
CRITERIA	All expenditures of the Village must be budgeted and within the budget show a revenue resource that will pay for these expenditures.
CAUSE	Neither Management or the Board developed a plan to ensure there was a budget or revenues to pay for these change orders.
EFFECT	The General Fund paid for (Capital) expenditures that were not included in the Original budget.
RECOMMENDATION	Management and the Board should only approve change orders when they can verify a revenue resource exists.
RESPONSE	The Governing Body will adopt a policy pertaining to the approval of Change Orders requiring the prior identification of revenue to support the change.

Sealed Bids  
(08-18)

CONDITION	The Village had over \$400,000 in road improvements however no bids could be provided for this project.
CRITERIA	To comply with DFA procurement regulations three sealed bids are to be obtained for purchases over \$30,000.
CAUSE	It is unclear as to why the Village did not obtain three sealed bids.
EFFECT	The Village did not comply with procurement policies.
RECOMMENDATION	The Village should implement policies to ensure that all procurements are done within the prescribed DFA guidelines.
RESPONSE	The Governing Body will adopt a policy that requires a formal bidding process with sealed bids for procurements of over \$30,000.

Unbudgeted Transfer  
(08-19)

CONDITION	The Village made a transfer between funds without DFA approval or budget authority.
CRITERIA	All transfers between funds must have budget approval from DFA.
CAUSE	Management did not obtain budget approval from DFA.
EFFECT	Budget authority was not obtained so DFA regulations were not followed.
RECOMMENDATION	Management should obtain budget approval for all transfers before they are made.
RESPONSE	Management will attain approval from the Governing Body and DFA for transfers between funds and budget adjustment by fund before the transfer or adjustment is made.

Sweep Account Authorization  
(08-20)

CONDITION	Management of the Village invested in a Sweep account during the year. There was no clear authorization provided as to who allowed this investment.
CRITERIA	According to 3-12-3 NMSA 1978 the Board has the duty to "manage and control the finances...belonging to the municipality". Thus, it is their duty to approve the investing of any bank accounts.
CAUSE	It is unclear why management did not obtain Board approval before the cash was invested.
EFFECT	Assets are not being properly safeguarded.
RECOMMENDATION	The Board should make the employees of the Village aware of the Boards responsibilities and implement policies and ensure they are followed.
RESPONSE	The Governing Body will ensure that management has clear direction and approval when cash reserves are to be invested.

Incomplete General Ledger  
(08-21)

CONDITION	A complete general ledger of any kind prepared by the Village or the consultant was not available.
CRITERIA	To comply with 6-6-3 NMSA 1978 all transactions of the Village should be posted to the books of record.
CAUSE	Management of the Village did not utilize the accounting software adequately so a general ledger could be prepared/provided.
EFFECT	The Village is unable to maintain adequate control over its assets, liabilities, fund balance, revenues or expenditures for any of its funds.
RECOMMENDATION	Village management should obtain an accounting software that can be used adequately or have the current Village staff trained on how to use the current software. In doing this a complete general ledger could be prepared.
RESPONSE	Management will maintain an accounting system adequate to produce its own financial statements, bank reconciliations and a complete general ledger.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2008 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 112.

EXIT CONFERENCE

An exit conference was held on November 24, 2008. In attendance were Ms. Gloria J. Chavez, Mayor, Ms. Tina King, Councilor, Mr. Daniel Abram, Clerk-Treasurer, Ms. Joyce Sherrod, Deputy Clerk, Ms. Kathy Solomon, Bookkeeper and Ms. Pamela A. Rice, CPA, Contract Auditor.