

***STATE OF NEW MEXICO***

***VILLAGE OF TIJERAS***

***AUDIT REPORT***

***For the Year Ended June 30, 2010***

***(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, 2010

(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, 2010

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. Felix Garcia	Council Person

Village Administration

Mr. Daniel Abram	Clerk/Treasurer
Ms. Joyce Sherrod	Deputy Clerk
Ms. Kathy Solomon	Finance 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, and the budgetary comparison for the General and Road Funds of the Village of Tijeras, as of and for the year ended June 30, 2010, 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 and enterprise funds and the budgetary comparisons for the major enterprise fund and all non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010 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, 2010, 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 of the Village of Tijeras, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major enterprise fund and all non-major governmental 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 March 21, 2011 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.

*Rick Associates, CPA*

March 21, 2011

**FINANCIAL STATEMENTS**



STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Statement of Net Assets  
June 30, 2010

Statement 1  
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 1,770,830	\$ 68,989	\$ 1,839,819
Investments	95,575	-	95,575
Accounts receivable (net of uncollectible accounts)	<u>155,472</u>	<u>5,539</u>	<u>161,011</u>
Total current assets	<u>2,021,877</u>	<u>74,528</u>	<u>2,096,405</u>
<b>Restricted Assets (Cash)</b>			
Customer meter deposits	<u>-</u>	<u>3,135</u>	<u>3,135</u>
Total restricted assets	<u>-</u>	<u>3,135</u>	<u>3,135</u>
<b>Capital Assets</b>			
Land	689,261	98,340	787,601
Equipment	297,986	-	297,986
Vehicles	908,431	-	908,431
Buildings and improvements	4,294,440	183,836	4,478,276
Plant/Infrastructure	<u>2,060,955</u>	<u>4,448,944</u>	<u>6,509,899</u>
Total capital assets	<u>8,251,073</u>	<u>4,731,120</u>	<u>12,982,193</u>
Less accumulated depreciation	(1,961,392)	(1,095,651)	(3,057,043)
Total capital assets (net of accumulated depreciation)	<u>6,289,681</u>	<u>3,635,469</u>	<u>9,925,150</u>
Total assets	<u>\$ 8,311,558</u>	<u>\$ 3,713,132</u>	<u>\$ 12,024,690</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Statement of Net Assets  
June 30, 2010

Statement 1  
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable	\$ 3,843	\$ 3,716	\$ 7,559
Customer meter deposits (restricted)	<u>-</u>	<u>3,135</u>	<u>3,135</u>
Total current liabilities	<u>3,843</u>	<u>6,851</u>	<u>10,694</u>
Net Assets			
Invested in capital assets	6,289,681	3,635,469	9,925,150
Unrestricted	<u>2,018,034</u>	<u>70,812</u>	<u>2,088,846</u>
Total net assets	<u>8,307,715</u>	<u>3,706,281</u>	<u>12,013,996</u>
Total liabilities and net assets	<u><u>\$ 8,311,558</u></u>	<u><u>\$ 3,713,132</u></u>	<u><u>\$ 12,024,690</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Statement of Activities  
Year Ended June 30, 2010

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>							
Governmental activities:							
General government	\$ 659,416	\$ 8,364	\$ 2,330	\$ 452,785	\$ (195,937)	\$ -	\$ (195,937)
Highways and streets	6,410	-	557,342	-	550,932	-	550,932
Public safety	128,053	-	90,729	-	(37,324)	-	(37,324)
Culture and recreation	27,597	-	-	-	(27,597)	-	(27,597)
Depreciation - unallocated	280,821	-	-	-	(280,821)	-	(280,821)
Total governmental activities	<u>1,102,297</u>	<u>8,364</u>	<u>650,401</u>	<u>452,785</u>	<u>9,253</u>	<u>-</u>	<u>9,253</u>
Business-type activities:							
Water services	282,497	55,541	20,309	548,812	-	342,165	342,165
Total business-type activities	<u>282,497</u>	<u>55,541</u>	<u>20,309</u>	<u>548,812</u>	<u>-</u>	<u>342,165</u>	<u>342,165</u>
Total all activities	<u>\$ 1,384,794</u>	<u>\$ 63,905</u>	<u>\$ 670,710</u>	<u>\$ 1,001,597</u>	<u>9,253</u>	<u>342,165</u>	<u>351,418</u>
General Revenues:							
Property taxes					12,217	-	12,217
Franchise taxes					37,238	-	37,238
Gross receipts taxes					1,010,891	-	1,010,891
Gasoline taxes					26,805	-	26,805
Motor vehicle taxes					82,938	-	82,938
Cigarette taxes					2,556	-	2,556
State aid not restricted to special purpose							
General					35,000	-	35,000
Investment earnings					18,926	-	18,926
Transfers					-	-	-
Total general revenues					<u>1,226,571</u>	<u>-</u>	<u>1,226,571</u>
Change in net assets					1,235,824	342,165	1,577,989
Net assets - beginning of year					<u>7,071,891</u>	<u>3,364,116</u>	<u>10,436,007</u>
Net assets - end of year					<u>\$ 8,307,715</u>	<u>\$ 3,706,281</u>	<u>\$ 12,013,996</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Balance Sheet  
Governmental Funds  
June 30, 2010

Statement 3

	General Fund	Road Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash on deposit	\$ 1,367,772	\$ 381,432	\$ 21,626	\$ 1,770,830
Investments	95,575	-	-	95,575
Accounts receivable	145,821	9,651	-	155,472
	<u>145,821</u>	<u>9,651</u>	<u>-</u>	<u>155,472</u>
Total assets	<u><u>\$ 1,609,168</u></u>	<u><u>\$ 391,083</u></u>	<u><u>\$ 21,626</u></u>	<u><u>\$ 2,021,877</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,843	\$ -	\$ -	\$ 3,843
	<u>3,843</u>	<u>-</u>	<u>-</u>	<u>3,843</u>
Total liabilities	<u>3,843</u>	<u>-</u>	<u>-</u>	<u>3,843</u>
<b>FUND BALANCE</b>				
Unreserved:				
Undesignated reported in:				
General fund	1,605,325	-	-	1,605,325
Special revenue funds	-	391,083	21,626	412,709
	<u>-</u>	<u>391,083</u>	<u>21,626</u>	<u>412,709</u>
Total fund balance	<u>1,605,325</u>	<u>391,083</u>	<u>21,626</u>	<u>2,018,034</u>
Total liabilities and fund balance	<u><u>\$ 1,609,168</u></u>	<u><u>\$ 391,083</u></u>	<u><u>\$ 21,626</u></u>	<u><u>\$ 2,021,877</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2010

Statement 4

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

Total fund balances - governmental funds		\$ 2,018,034
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	8,251,073	
Accumulated depreciation	<u>(1,961,392)</u>	
		<u>6,289,681</u>
Net assets of governmental activities		<u>\$ 8,307,715</u>

The accompanying notes are an integral part of these 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, 2010

	General Fund	Road Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 12,217	\$ -	\$ -	\$ 12,217
Franchise taxes	37,238	-	-	37,238
Gross receipts taxes	297,371	111,739	-	409,110
Gas taxes	-	26,805	-	26,805
MVD taxes	82,938	-	-	82,938
Cigarette tax	1,730	-	826	2,556
Charges for services	4,724	-	-	4,724
Licenses and permits	3,640	-	-	3,640
Local sources	2,330	-	-	2,330
State sources	379,229	557,342	90,729	1,027,300
Federal sources	108,556	-	-	108,556
State shared taxes	601,781	-	-	601,781
Earnings from investments	18,926	-	-	18,926
<b>Total revenues</b>	<b>1,550,680</b>	<b>695,886</b>	<b>91,555</b>	<b>2,338,121</b>
<b>EXPENDITURES</b>				
Current:				
General government	659,414	-	-	659,414
Highways and streets	6,410	-	-	6,410
Public safety	39,240	-	88,813	128,053
Health & welfare	-	-	-	-
Culture and recreation	27,597	-	-	27,597
Capital outlay	669,361	627,338	21,083	1,317,782
<b>Total expenditures</b>	<b>1,402,022</b>	<b>627,338</b>	<b>109,896</b>	<b>2,139,256</b>
Excess (deficiency) revenues over expenditures	148,658	68,548	(18,341)	198,865
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	19,225	-	-	19,225
Operating transfers out	-	-	(19,225)	(19,225)
	19,225	-	(19,225)	-
Net change in fund balances	167,883	68,548	(37,566)	198,865
Fund balance beginning of year	1,437,442	322,535	59,192	1,819,169
Fund balance end of year	<u>\$ 1,605,325</u>	<u>\$ 391,083</u>	<u>\$ 21,626</u>	<u>\$ 2,018,034</u>

The accompanying notes are an integral part of these financial statements.

## 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, 2010

Net change in fund balances - total governmental funds	\$	198,865
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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	1,317,780	
Depreciation expense	<u>(280,821)</u>	

Excess of capital outlay over depreciation expense		<u>1,036,959</u>
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Change in net assets of governmental activities	\$	<u><u>1,235,824</u></u>
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The accompanying notes are an integral part of these 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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 11,350	\$ 11,350	\$ 12,182	\$ 832
Franchise taxes	36,000	36,000	39,463	3,463
Gross receipts taxes	210,000	210,000	357,677	147,677
MVD taxes	71,200	71,200	83,630	12,430
Cigarette tax	1,000	1,000	1,712	712
Charges for services	2,400	2,400	4,724	2,324
Licenses and permits	1,750	1,750	3,640	1,890
Local sources	3,250	3,250	2,330	(920)
State sources	371,500	371,500	335,015	(36,485)
Federal sources	98,000	98,000	69,428	(28,572)
State shared taxes	588,000	588,000	601,781	13,781
Earnings from investments	20,000	20,000	18,926	(1,074)
<b>Total revenues</b>	<b><u>\$ 1,414,450</u></b>	<b><u>\$ 1,414,450</u></b>	<b><u>\$ 1,530,508</u></b>	<b><u>\$ 116,058</u></b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	\$ 880,393	\$ 880,393	\$ 655,570	\$ 224,823
Highways and streets	10,150	10,150	6,410	3,740
Public safety	45,643	45,643	39,240	6,403
Health and welfare	-	-	-	-
Culture and recreation	40,000	40,000	27,597	12,403
Capital outlay	434,500	434,500	669,361	(234,861)
<b>Total expenditures</b>	<b><u>\$ 1,410,686</u></b>	<b><u>\$ 1,410,686</u></b>	<b><u>\$ 1,398,178</u></b>	<b><u>\$ 12,508</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	\$ -	\$ 19,225	\$ 19,225	\$ -
Operating transfers out	-	-	-	-
<b>Total other financing sources</b>	<b><u>\$ -</u></b>	<b><u>\$ 19,225</u></b>	<b><u>\$ 19,225</u></b>	<b><u>\$ -</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		

The accompanying notes are an integral part of these financial statements.



STATE OF NEW MEXICO  
 VILLAGE OF TIJERAS  
 Special Revenue - Road Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Gross receipts taxes	\$ 60,000	\$ 60,000	\$ 119,226	\$ 59,226
Gas taxes	25,000	25,000	25,772	772
State sources	<u>799,338</u>	<u>799,338</u>	<u>557,342</u>	<u>(241,996)</u>
Total revenues	<u><b>\$ 884,338</b></u>	<u><b>\$ 884,338</b></u>	<u><b>\$ 702,340</b></u>	<u><b>\$ (181,998)</b></u>
<b>EXPENDITURES</b>				
Public safety	\$ 1,190,767	\$ 1,190,767	\$ 627,338	\$ 563,429
Total expenditures	<u><b>\$ 1,190,767</b></u>	<u><b>\$ 1,190,767</b></u>	<u><b>\$ 627,338</b></u>	<u><b>\$ 563,429</b></u>
<b>BUDGETED CASH BALANCE</b>	<u><b>\$ 306,429</b></u>	<u><b>\$ 306,429</b></u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Proprietary Funds  
Statement of Net Assets  
June 30, 2010

Statement 9

	Water Fund
<b>ASSETS</b>	
Current Assets	
Cash on deposit	\$ 68,989
Accounts receivable (net)	5,539
Total Current Assets	74,528
Non-Current Assets	
Restricted Assets (Cash)	
Customer meter deposits	3,135
Total Non-Current Assets	3,135
Capital Assets	
Land	98,340
Buildings	183,836
Plant/infrastructure	4,448,944
Accumulated depreciation	(1,095,651)
Total Capital Assets	3,635,469
Total Assets	\$ 3,713,132
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 3,716
Customer meter deposits payable from Restricted Assets	3,135
Total Current Liabilities	6,851
<b>NET ASSETS</b>	
Invested in Capital Assets	3,635,469
Unrestricted	70,812
Total Net Assets	3,706,281
Total Liabilities and Net Assets	\$ 3,713,132

The accompanying notes are an integral part of these 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, 2010

	<u>Water Fund</u>
OPERATING REVENUES	
Sales and services	\$ 55,541
Total operating revenue	<u>55,541</u>
OPERATING EXPENSES	
Maintenance and operations	65,486
Depreciation	<u>217,011</u>
Total operating expenses	<u>282,497</u>
Operating income (loss)	<u>(226,956)</u>
NON-OPERATING REVENUE (EXPENSE)	
State grant	548,812
Federal grants	<u>20,309</u>
Total Non-Operating Revenue (Expense)	<u>569,121</u>
Change in Net Assets	342,165
Total net assets, beginning of year	<u>3,364,116</u>
Total net assets, end of year	<u><u>\$ 3,706,281</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF TIJERAS  
 Proprietary Funds  
 Statement of Cash Flows  
 For the Year Ended June 30, 2010

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 76,934
Cash payments to employees and to suppliers for goods and services	(61,770)
Net cash provided by operating activities	15,164
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(548,811)
Net cash provided (used) by capital and related financing activities	(548,811)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State grants	544,120
Federal grants	25,000
Operating transfers to other funds	-
Net cash provided by non-capital financing activities	569,120
Net increase (decrease) in cash	35,473
Cash, beginning of year	33,516
Cash, end of year	\$ 68,989
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (226,956)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	217,011
Changes in assets and liabilities:	
(Increase) decrease in receivables	40,930
Increase (decrease) in payables	(15,821)
Net cash provided (used) by operating activities	\$ 15,164

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Notes to Financial Statements  
Year Ended June 30, 2010

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 (Special Revenue 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.

Notes to Financial Statements (continued)

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

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, 2010, the following changes occurred in the liabilities reported in the Governmental Funds:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Compensated absences payable	\$ -	\$ -	\$ -	\$ -	\$ -

4. DEPOSITS HELD FOR OTHERS, ENTERPRISE FUND

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

Hydrant Meter deposits \$ 3,135

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	Regular	Savings	\$ 251,413
Wells Fargo	Memorial Park	Checking	820
Wells Fargo	Fire Dept.	Checking	17,890
Wells Fargo	EMS	Checking	4,336
Wells Fargo	Regular	Checking	953,527
Wells Fargo	Water Meter		
	Deposit	Checking	3,135
Wells Fargo	CDBG	Checking	69,529
Wells Fargo	Village	Certificate of Deposit	<u>131,153</u>
			<u>\$1,431,803</u>
Bank of the West	Village	Certificate of Deposit	<u>\$ 136,468</u>
Compass Bank	Village	Certificate of Deposit	<u>\$ 136,314</u>
Wachovia Securities	Village	Money Fund	<u>\$ 147,581</u>
Total Cash on Deposit			<u>\$1,852,166</u>

Notes to Financial Statements (continued)

Total cash per bank	\$1,852,166
Deposits in transit	-
Outstanding checks	<u>(9,212)</u>
Total per financial statements	<u><b>\$1,842,954</b></u>
Cash on deposit at June 30, 2008	\$1,852,166
Less F.D.I.C.	<u>920,363</u>
Uninsured funds	931,803
50% Collateral Requirement	465,902
Pledged Collateral	<u>1,143,993</u>
Excess of pledged collateral	<u><b>\$ 678,091</b></u>

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	\$ 1,431,803	\$ 136,314	\$ 136,468
Less FDIC	<u>(500,000)</u>	<u>(136,314)</u>	<u>(136,468)</u>
Uninsured funds	931,803	-	-
Funds needing collateralization at 50% (required by State Law)	465,902	-	-
Pledged collateral at June 30	<u>1,143,993</u>	<u>-</u>	<u>-</u>
Excess of Pledged Collateral	<u><b>\$ 678,091</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>

*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, 2010, \$931,803 of the Village's bank balance \$1,852,166 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>931,803</u>
	Total	<u><b>\$ 931,803</b></u>

Notes to Financial Statements (continued)

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>
FNMA CUSIP #31371KWJ6	12-01-32	\$ 72,687
FNMA CUSIP #31410MYF1	07-01-36	727,972
FNMA CUSIP #31410V6PO	02-01-37	164,597
FNMA CUSIP #31414TBF7	05-01-38	151,627
FNMA CUSIP #31415TP20	08-01-38	<u>27,110</u>
		<u><b>\$ 1,143,993</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.

Investments consist of GNMA 15 and 30 year single family mortgage pool securities with a total cost of \$95,575 and maturity dates ranging from October 15, 2008 to May 15, 2031; and \$95,575 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 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Market Value</u>	<u>Cost</u>
GNMA Securities	\$ 95,575	\$ -	\$ -	\$ 92,964	\$ 95,575
Wachovia Securities Money Fund	<u>147,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>147,581</u>	<u>147,581</u>
	<u><b>\$243,156</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$240,545</b></u>	<u><b>\$243,156</b></u>

The net unrealized loss on investments is \$2,611.

Notes to Financial Statements (continued)

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	\$1,550,680	\$ 695,886	\$ 91,555	\$ 624,662
Budget	<u>1,530,508</u>	<u>702,340</u>	<u>91,589</u>	<u>665,592</u>
Increase (decrease) in receivables	<u>\$ 20,172</u>	<u>\$ (6,454)</u>	<u>\$ (34)</u>	<u>\$ (40,930)</u>
<u>Expenditures</u>				
Actual	\$1,402,022	\$ 627,338	\$ 109,896	\$ 282,497
Budget	1,398,178	627,338	109,896	610,581
Depreciation	-	-	-	(217,011)
Purchase of Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>529,274</u>
Increase (decrease) in payables	<u>\$ 3,844</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,821)</u>

8. CAPITAL ASSETS

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

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Land	\$ 585,048	\$ 104,213	\$ -	\$ -	\$ 689,261
Total capital assets not being depreciated	<u>585,048</u>	<u>104,213</u>	<u>-</u>	<u>-</u>	<u>689,261</u>
Building and improvements	3,750,219	544,221	-	-	4,294,440
Equipment	-	-	297,986	-	297,986
Vehicles	1,181,108	25,309	(297,986)	-	908,431
Infrastructure	<u>1,416,918</u>	<u>644,037</u>	<u>-</u>	<u>-</u>	<u>2,060,955</u>
Total capital assets being depreciated	<u>6,348,245</u>	<u>1,213,567</u>	<u>-</u>	<u>-</u>	<u>7,561,812</u>
Less accumulated depreciation for:					
Building and improvements	(916,993)	(142,082)	-	-	(1,059,075)
Equipment	-	(31,643)	(155,488)	-	(187,131)
Vehicles	(644,439)	(55,572)	155,488	-	(544,523)
Infrastructure	<u>(119,139)</u>	<u>(51,524)</u>	<u>-</u>	<u>-</u>	<u>(170,663)</u>
Total accumulated depreciation	<u>(1,680,571)</u>	<u>(280,821)</u>	<u>-</u>	<u>-</u>	<u>(1,961,392)</u>
Total capital assets being depreciated	<u>4,667,674</u>	<u>932,746</u>	<u>-</u>	<u>-</u>	<u>5,600,420</u>
Net capital assets	<u>\$ 5,252,722</u>	<u>\$ 1,036,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,289,681</u>



Notes to Financial Statements (continued)

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

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
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>3,900,133</u>	<u>548,812</u>	<u>-</u>	<u>4,448,945</u>
Total capital assets being depreciated	<u>4,083,969</u>	<u>548,812</u>	<u>-</u>	<u>4,632,781</u>
Less accumulated depreciation for:				
Building and improvements	(88,415)	(6,127)	-	(94,542)
Infrastructure	<u>(790,225)</u>	<u>(210,883)</u>	<u>-</u>	<u>(1,001,108)</u>
Total accumulated depreciation	<u>(878,640)</u>	<u>(217,010)</u>	<u>-</u>	<u>(1,095,650)</u>
Total capital assets being depreciated	<u>3,205,329</u>	<u>331,802</u>	<u>-</u>	<u>3,537,131</u>
Net capital assets	<u>\$ 3,303,669</u>	<u>\$ 331,802</u>	<u>\$ -</u>	<u>\$ 3,635,471</u>

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	\$ -	\$ 5,539
Less allowance for uncollectible accounts	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>5,539</u>
Gross receipts taxes receivable	58,566	-
Franchise taxes receivable	2,942	-
Cigarette taxes receivable	85	-
Gasoline taxes receivable	3,176	-
MVD receivable	7,107	-
Property taxes receivable	255	-
Intergovernmental	<u>83,341</u>	<u>-</u>
Total	<u>\$ 155,472</u>	<u>\$ 5,539</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, 2010, 2009 and 2008 were \$17,430, \$15,694 and \$11,775 respectively equal to the amount of the required contributions for the year.

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.

Notes to Financial Statements (continued)

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 for the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The 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, 2010, 2009 and 2008 were \$3,229, \$2,903 and \$2,201, 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.

Notes to Financial Statements (continued)

13. TRANSFERS

The composition of interfund transfers for Governmental Activities during the year ended June 30, 2010 are as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Total</u>
<u>\$ (19,225)</u>	<u>\$ 19,225</u>	<u>\$ -0-</u>

Transfer from Recreation Fund to General Fund to close the Recreation Fund.

14. BUDGET VIOLATIONS

The Special Revenue Recreation Fund had a budget overrun of \$300.

**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, 2010

Statement A-1

	Fire Fund	EMS Fund	Recreation Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash on deposit	\$ 17,778	\$ 3,848	\$ -	\$ 21,626
Accounts receivable	-	-	-	-
Total assets	<b>\$ 17,778</b>	<b>\$ 3,848</b>	<b>\$ -</b>	<b>\$ 21,626</b>
<b>FUND BALANCE</b>				
Unreserved:				
Undesignated for subsequent year's expenditures	\$ 17,778	\$ 3,848	\$ -	\$ 21,626
Total fund balance	<b>\$ 17,778</b>	<b>\$ 3,848</b>	<b>\$ -</b>	<b>\$ 21,626</b>

The accompanying notes are an integral part of these 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, 2010

Statement A-2

	Fire Fund	EMS Fund	Recreation Fund	Total Governmental Funds
<b>REVENUES</b>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	81,526	9,203	-	90,729
Cigarette taxes	-	-	826	826
Earnings from investments	-	-	-	-
Total revenues	81,526	9,203	826	91,555
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Highways & streets	-	-	-	-
Public safety	82,532	6,281	-	88,813
Culture and recreation	-	-	-	-
Capital outlay	4,383	-	16,700	21,083
Total expenditures	86,915	6,281	16,700	109,896
Excess (deficiency) revenues over expenditures	(5,389)	2,922	(15,874)	(18,341)
Other financing uses				
Transfer out	-	-	(19,225)	(19,225)
Total other financing (uses)	-	2,922	(19,225)	(19,225)
Net change in fund balances	(5,389)	2,922	(35,099)	(37,566)
Fund balance beginning of year	23,167	926	35,099	59,192
Fund balance end of year	\$ 17,778	\$ 3,848	\$ -	\$ 21,626

The accompanying notes are an integral part of these 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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 81,526	\$ 81,526	\$ 81,526	\$ -
Total revenues	<u>\$ 81,526</u>	<u>\$ 81,526</u>	<u>\$ 81,526</u>	<u>\$ -</u>
EXPENDITURES				
Public safety	\$ 104,692	\$ 104,692	\$ 86,915	\$ 17,777
Total expenditures	<u>\$ 104,692</u>	<u>\$ 104,692</u>	<u>\$ 86,915</u>	<u>\$ 17,777</u>
BUDGETED CASH BALANCE	<u>\$ 23,166</u>	<u>\$ 23,166</u>		

The accompanying notes are an integral part of these 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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 8,065	\$ 8,065	\$ 9,203	\$ 1,138
Total revenues	<u>\$ 8,065</u>	<u>\$ 8,065</u>	<u>\$ 9,203</u>	<u>\$ 1,138</u>
EXPENDITURES				
Public safety	\$ 9,011	\$ 9,011	\$ 6,281	\$ 2,730
Total expenditures	<u>\$ 9,011</u>	<u>\$ 9,011</u>	<u>\$ 6,281</u>	<u>\$ 2,730</u>
BUDGETED CASH BALANCE	<u>\$ 946</u>	<u>\$ 946</u>		

The accompanying notes are an integral part of these 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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State shared taxes	\$ 500	\$ 500	\$ 860	\$ (360)
Total revenues	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 860</u>	<u>\$ (360)</u>
<b>EXPENDITURES</b>				
Culture and recreation	\$ 16,400	\$ 16,400	\$ 16,700	\$ (300)
Total expenditures	<u>\$ 16,400</u>	<u>\$ 16,400</u>	<u>\$ 16,700</u>	<u>\$ (300)</u>
BUDGETED CASH BALANCE	<u>\$ 15,900</u>	<u>\$ 15,900</u>		
<b>REVENUES</b>				
Budgetary basis			\$ 860	
(Decrease) in receivables			(34)	
Modified accrual basis			<u>\$ 826</u>	

The accompanying notes are an integral part of these 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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and services	\$ 30,000	\$ 30,000	\$ 53,712	\$ 23,712
State sources	600,000	600,000	586,880	(13,120)
Federal sources	<u>212,000</u>	<u>212,000</u>	<u>25,000</u>	<u>(187,000)</u>
Total revenues	<u>\$ 842,000</u>	<u>\$ 842,000</u>	<u>\$ 665,592</u>	<u>\$ (176,408)</u>
<b>EXPENDITURES</b>				
Maintenance and operations	\$ 121,200	\$ 121,200	\$ 61,770	\$ 59,430
Capital outlay	<u>787,000</u>	<u>787,000</u>	<u>548,811</u>	<u>238,189</u>
Total expenditures	<u>\$ 908,200</u>	<u>\$ 908,200</u>	<u>\$ 610,581</u>	<u>\$ 297,619</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	\$ -	\$ -	\$ -	\$ -
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 66,200</u>	<u>\$ 66,200</u>		

The accompanying notes are an integral part of these financial statements.

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

AUDITING  
BOOKKEEPING  
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CERTIFIED PUBLIC ACCOUNTANTS  
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Albuquerque, NM 87112

TAX PLANNING  
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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 and Road Funds of the Village of Tijeras, as of and for the year ended June 30, 2010, and have issued our report thereon dated March 21, 2011. We also have audited the financial statements of each of the Village's non-major governmental funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010. 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 of Corona'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 of Corona'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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Status of Comments and Responses that we consider to be a significant deficiency in internal control over financial reporting. It is listed as Financial Statement Preparation (07-06) and Incomplete General Ledger (08-21). A significant deficiency is a deficiency, or a 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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Tijeras'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 noncompliance or other matters that are required to be reported under Government Auditing Standards which is described in the accompanying Status of Comments and Responses as Late Audit Report (09-01) Ordinance for Mayor/Board Members Payments (10-01), Budget Adjustments Not Received (10-03), Payments to Mayor and Board Members (10-04), "Guest" Purchases (105) and Budget Overrun (10-06).

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 Status of Comments as finding Bank Reconciliations (08-05) and Employee Benefits Not Posted Correctly (10-02).

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 Office of the State Auditor, the New Mexico State Legislature, applicable federal grantors and the New Mexico Department of Finance and Administration and is not intended to be used by anyone other than these specified parties.



March 21, 2011



## **STATUS OF COMMENTS**

### **Prior Year Audit Findings**

1. Procurement Code Violation (07-05) - Resolved.
2. Financial Statement Preparation (07-06) - Repeated.
3. Bank Reconciliations (08-05) - Repeated.
4. Receipt Books (08-06) - Resolved.
5. Department of Finance and Administration Quarterly Report Incorrect (08-07) - Resolved.
6. Purchase Orders Required (08-14) - Resolved.
7. Village Credit Card (08-15) - Resolved.
8. Unbudgeted Transfer (08-19) - Resolved.
9. Incomplete General Ledger (08-21) - Resolved.
10. Late Audit Report (09-01) - Repeated.

### **Current Year Audit Findings**

1. Employee Benefits Not Posted Correctly (10-01)
2. Ordinance For Mayor/Council Members Payments (10-02)
3. Budget Adjustments Not Reviewed (10-03)
4. Payments to Mayor and Council Members (10-04)
5. "Guest" Purchases (10-05)
6. Budget Overrun (10-06)

Financial Statement Preparation  
(07-06)

CONDITION	The Village of Tijeras does not prepare its own financial statements.
CRITERIA	SAS 115 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	The Village of Tijeras will continue to work toward being able to prepare its own financial statements.

Bank Reconciliations  
(08-05)

CONDITION	Management of the Village is not adequately reconciling the numerous funds housed in one bank account.
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 could be understated/overstated in any given fund.
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	Village management will continue to work with a consultant to gain the expertise needed to prepare the general ledger and reconcile the bank statements.

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	Village management will continue to work with a consultant to gain the expertise needed to prepare the general ledger.

Late Audit Report  
(09-01)

CONDITION	The audit report for the Village was not submitted by the required deadline of December 1, 2010.
CRITERIA	All audit reports should be submitted to the State Auditors Office by the required due date according to the State auditors Rule 2.2.2.9 A(1){d}.
CAUSE	The Village implemented a new accounting software during the year. Because of that the Village could not provide complete financial statements in time for the audit report to be submitted to the State Auditors Office by the required deadline.
EFFECT	State Auditor Rule 2.2.2.9 A(1){d} was not followed.
RECOMMENDATION	The Village now has adequate Capital Asset and Depreciation records so there should be no problem with the 2010 audit being submitted timely.
RESPONSE	Every effort will be made to have the financial statements prepared in time to submit the audit report by December 1, 2011.

Employee Benefits Not Posted Correctly  
(10-01)

CONDITION	The payroll portion of the accounting software was not set-up (initially) correctly. Employee benefits were being posted twice to the general ledger. Thus, overstating expenditures.
CRITERIA	All transactions posted to the books of record should be complete, accurate and timely.
CAUSE	This situation was discovered during the audit. It is unclear as to why this situation occurred.
EFFECT	Payroll expenditures could have been overstated.
RECOMMENDATION	Management should have this corrected as soon as possible.
RESPONSE	The issue of employee benefits not posted correctly has been corrected.

Ordinance for Mayor/Council Members Payments  
(10-02)

CONDITION	The Village does not have an Ordinance (or resolution) stating how much the Mayor and Council Members are allowed to be paid.
CRITERIA	The Council of the Village should have passed an Ordinance specifying how much the Mayor and each Council Member will be paid.
CAUSE	Management did not ensure this Ordinance was prepared, approved and included as part of the personnel policies.
EFFECT	Management can only rely on the final approved budget for the amount that can be paid to the Mayor and each Council Member.
RECOMMENDATION	Management needs to prepare an Ordinance and have it approved by the Council as soon as possible. These amounts cannot exceed current amounts budgeted so as not to violate NM Compilation Commission Sec. 27. A new Ordinance can be adopted in the next election year.
RESPONSE	An ordinance will be prepared immediately to comply with the above recommendations.

Budget Adjustments Not Reviewed

(10-03)

CONDITION	An employee has not been assigned to reviewing the budget including the annual salary portion of the budget.
CRITERIA	According to department of Finance and Administration Regulations the approved budget should be reviewed periodically to ensure that budget adjustments are requested and approved when necessary.
CAUSE	A change in management occurred during the year. Also, this task was never specifically given to a particular employee. This task has been given to the new Village Clerk.
EFFECT	Budgets for certain salaries were exceeded without a budget adjustment request/approval.
RECOMMENDATION	The new Village Clerk should continue to review the budget to ensure budgeted salaries are not exceeded.
RESPONSE	The Village Clerk will review the budget on a monthly basis to ensure that budgeted amounts are not exceeded.



Payments to Mayor and Council Members  
(10-04)

CONDITION	The Mayor and Mayor Pro-Tem received compensation beyond the amount budgeted for the year. The rest of the Council Members did not receive the total compensation budgeted for during the fiscal year. Compensation is budgeted and paid on an estimated 48 meeting attendance basis.
CRITERIA	According to the New Mexico Compilation Commission Sec. 27 "No law shall be enacted giving any extra compensation to any public officer, servant, agent or contractor after services are rendered or contract made; nor shall the compensation of any officer be increased or diminished during his term of office."
CAUSE	Management did not ensure that payments made to elected officials followed all applicable laws of the State of New Mexico.
EFFECT	Sec. 27 of the New Mexico Compilation Commission was not followed.
RECOMMENDATION	Payments made to the Mayor and Council should be reviewed periodically to ensure they comply with all applicable laws and regulations.
RESPONSE	Payments made to the Mayor and Council will be reviewed monthly to ensure that they comply with all applicable laws and regulations.

"Guest" Purchases  
(10-05)

CONDITION	Over \$1,087 in purchases were made for "guests". These purchases were made before the "guest" reimbursed the Village.
CRITERIA	All necessary procurements of goods and services should be for the Village and its employees, not "guests".
CAUSE	Management is instructed to make these payments. No one in management is ensuring that these payments not be made, or that they are at least paid by someone other than the Village.
EFFECT	The anti-donation clause may not be followed. The Village may be making payments for individuals that are not employees or elected officials of the Village.
RECOMMENDATION	The new Village Clerk should ensure none of these types of payments are made in the future.
RESPONSE	The new Village Clerk will ensure that none of these types of payments will be made in the future.

Budget Overruns  
(10-06)

CONDITION	The Village had a budget overrun in the Recreation Fund in the amount of \$300.
CRITERIA	According to Section 6-6-6 through 6-6-11 NMSA 1978 Compilation "prohibits local governments from making expenditures in excess of the approved budget".
CAUSE	A budgetary adjustment did not occur to correct the budget deficit.
EFFECT	The Village did not comply with the Section 6-6-6 through 6-6-11 NMSA 1978 Compilation.
RECOMMENDATION	Financial statements should be reviewed periodically for possible overruns and request the appropriate budgetary increases before expenditures exceed budget.
RESPONSE	A regular budget review will be conducted to prevent budget overruns.

## FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2010 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 115.

## EXIT CONFERENCE

An exit conference was held on March 21, 2011. In attendance were Ms. Gloria J. Chavez, Mayor, Ms. Ernestina King, Mayor Pro-Tem, Ms. Louise Marquez, Clerk-Treasurer, Ms. Kathy Solomon, Bookkeeper, Ms. Lillian Apodaca, Attorney and Ms. Pamela A. Rice, CPA, Contract Auditor.