

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
AUDIT REPORT  
For the Year Ended June 30, 2011  
(With Auditor's Report Thereon)**

**Harshwal & Company LLP  
Certified Public Accountants  
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VILLAGE OF TIJERAS  
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Year Ended June 30, 2011**

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VILLAGE OF TIJERAS  
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**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Official Roster  
Year Ended June 30, 2011**

**Village Council**

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

**Village Administration**

Ms. Louise B. Marquez	Clerk/Treasurer
Ms. Joyce Sherrod	Deputy Clerk
Ms. Kathy Solomon	Business Manager

## 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, 2011, 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, 2011 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, 2011, 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, 2011, 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 30, 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.

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.

**HARSHWAL & COMPANY LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**San Diego, California**  
**November 30, 2011**

# **FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Statement of Net Assets  
Year Ended June 30, 2011**

Statement 1  
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash	\$ 1,044,989	\$ (207,612)	\$ 837,377
Investments	237,016		237,016
Accounts receivables (net of uncollection accounts)		337,449	337,449
Total current assets	1,282,005	129,837	1,411,842
Restricted Assets (Cash) Customer meter deposits		4,935	4,935
Total Restricted Assets	—	4,935	4,935
Capital Assets			
Land	708,458	102,859	811,317
Equipment and vehicles	1,321,370	1,875	1,323,245
Buildings and improvements	4,572,492	183,836	4,756,328
Plant/ Infrastructure	2,702,304	6,162,756	8,865,060
Total capital assets	9,304,624	6,451,326	15,755,950
Less accumulated depreciation	2,095,279	2,132,282	4,227,561
Total capital assets (net of accumulated depreciation)	7,209,345	4,319,044	11,528,389
Total assets	8,491,350	4,453,816	12,945,166
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable	73,494	342,798	416,292
Customer meter deposits (restricted)		4,035	4,035
Current portion of long term debt		13,213	13,213
Total current liabilities	73,494	360,046	433,540
Noncurrent Liabilities			
Long term debt		121,935	121,935
Total Liabilities	73,494	481,981	555,475
Net Assets			
Invested in capital assets	7,210,241	4,325,637	11,535,878
Unrestricted	1,207,615	(353,802)	853,813
Total Net Assets	\$ 8,417,856	\$ 3,971,835	\$ 12,389,691

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, 2011**

Statement 2

Functions/ Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		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	\$ 362,942	\$ 18,265	\$ 35,000	\$ 328,546	\$ 18,869		\$ 18,869
Highways and streets	77,732		151,750		74,018		74,018
Public safety	446,342		95,468		(350,874)		(350,874)
Culture and recreation	25,056				(25,056)		(25,056)
Depreciation	287,877				(287,877)		(287,877)
Total government activities:	<u>1,199,949</u>	<u>18,265</u>	<u>282,218</u>	<u>328,546</u>	<u>(570,920)</u>		<u>(570,920)</u>
Business-type activities:							
Water Services	<u>228,366</u>	<u>56,773</u>		<u>1,294,638</u>		<u>\$ 1,123,045</u>	<u>1,123,045</u>
Total business-type activities	<u>228,366</u>	<u>56,773</u>		<u>1,294,638</u>		<u>1,123,045</u>	<u>1,123,045</u>
Total all activities	<u>\$ 1,428,315</u>	<u>\$ 75,038</u>	<u>\$ 282,218</u>	<u>\$ 1,623,184</u>	<u>(570,920)</u>	<u>1,123,045</u>	<u>552,125</u>
General Revenues:							
Property taxes					13,026		13,026
Franchise taxes					40,106		40,106
Gross receipts taxes					662,719		662,719
Gasoline taxes					10,258		10,258
Motor vehicle taxes					93,074		93,074
Licenses & permits					3,735		3,735
Investment earnings					7,206		7,206
Other Revenue					4,929	5,000	9,929
Total general revenues					<u>835,053</u>	<u>5,000</u>	<u>840,053</u>
Change in Net assets					264,133	1,128,045	1,392,178
Net assets - beginning					8,307,715	3,706,281	12,013,996
Prior Period Adjustment					<u>(153,992)</u>	<u>(862,491)</u>	<u>(1,016,483)</u>
Net assets - restated					<u>8,153,723</u>	<u>2,843,790</u>	<u>10,997,513</u>
Net assets - ending					<u>\$ 8,417,856</u>	<u>\$ 3,971,835</u>	<u>\$ 12,389,691</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, 2011**

Statement 3

	Major		Nonmajor	Total
	General Fund	Road Fund	Governmental Funds	Governmental Funds
<b>ASSETS</b>				
Cash on deposit	\$ 903,992	\$ 116,802	\$ 24,195	\$ 1,044,989
Investments	<u>237,016</u>	<u>          </u>	<u>          </u>	<u>237,016</u>
Total assets	<u><u>1,141,008</u></u>	<u><u>116,802</u></u>	<u><u>24,195</u></u>	<u><u>1,282,005</u></u>
<b>LIABILITIES</b>				
Accounts payable	<u>63,606</u>	<u>9,889</u>	<u>          </u>	<u>73,495</u>
Total liabilities	<u><u>63,606</u></u>	<u><u>9,889</u></u>	<u><u>          </u></u>	<u><u>73,495</u></u>
<b>FUND BALANCE</b>				
Unreserved:				
Undesignated reported in:				
General fund	1,077,402			1,077,402
Special revenue funds	<u>          </u>	<u>106,913</u>	<u>24,195</u>	<u>131,108</u>
Total fund balance	<u><u>1,077,402</u></u>	<u><u>106,913</u></u>	<u><u>24,195</u></u>	<u><u>1,208,510</u></u>
Total liabilities and fund balance	<u><u>\$ 1,141,008</u></u>	<u><u>\$ 116,802</u></u>	<u><u>\$ 24,195</u></u>	<u><u>\$ 1,282,005</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  
Year Ended June 30, 2011**

Statement 4

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

Total fund balances - governmental funds		\$ <u>1,208,510</u>
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	9,304,625	
Accumulated depreciation	<u>(2,095,279)</u>	
		<u>7,209,346</u>
Net assets of governmental activities		<u>\$ 8,417,856</u>

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

**STATE OF NEW MEXICO**  
**VILLAGE OF TIJERAS**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2011**

Statement 5

	Major		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Road Fund		
Revenues				
Taxes	\$ 13,026			\$ 13,026
Franchise taxes	40,106			40,106
Gross receipts taxes	588,825	\$ 73,894		662,719
Gas taxes		10,258		10,258
MVD taxes	93,074			93,074
Charges for services	18,265			18,265
Licenses and permits	3,735			3,735
Local sources	35,000			35,000
State sources		151,750	\$ 95,468	247,218
Federal sources	328,546			328,546
Earnings from investments	7,206			7,206
Other Revenue	4,929			4,929
	<u>1,132,712</u>	<u>235,902</u>	<u>95,468</u>	<u>1,464,082</u>
EXPENDITURES				
Current:				
General government	362,942			362,942
Highways and streets	77,732			77,732
Public safety	413,003		33,339	446,342
Culture and recreation	25,056			25,056
Capital outlay	497,302	522,818	33,430	1,053,550
	<u>1,376,035</u>	<u>522,818</u>	<u>66,769</u>	<u>1,965,622</u>
Net change in fund balances	(243,323)	(286,916)	28,699	(501,540)
Fund balance beginning of year	1,605,325	391,083	21,626	2,018,034
Prior period adjustment	(284,600)	2,746	(26,130)	(307,984)
Fund balance restated	<u>1,320,725</u>	<u>393,829</u>	<u>(4,504)</u>	<u>1,710,050</u>
Fund balance end of year	<u>\$ 1,077,402</u>	<u>\$ 106,913</u>	<u>\$ 24,195</u>	<u>\$ 1,208,510</u>

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

**STATE OF NEW MEXICO  
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, 2011**

Statement 6

Net change in fund balances - total governmental funds \$ (501,540)

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	1,053,550	
Depreciation expense	<u>(287,877)</u>	
Excess of capital outlay over depreciation expense		<u>765,673</u>
Change in net assets of governmental activities		<u><u>\$ 264,133</u></u>

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

**STATE OF NEW MEXICO**  
**VILLAGE OF TIJERAS**  
**General Fund**  
**Statement of Revenue and Expenditures -**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2011**

Statement 7

	Original Budget	Final Budget	Actual	Variable Favorable (Unfavorable)
Revenues				
Franchise taxes	\$ 36,000	\$ 36,000	\$ 40,106	\$ 4,106
Gross receipts taxes	600,000	600,000	588,825	(11,175)
MVD taxes	71,200	71,200	93,074	21,874
Other revenue	150	150	4,929	4,779
Charges for services	3,500	3,500	18,265	14,765
Licenses and permits	3,925	3,925	3,735	(190)
Local sources	35,000	35,000	35,000	
Federal sources	351,734	351,734	328,546	(23,188)
Property taxes	12,473	12,473	13,026	553
Earnings from investments	10,000	10,000	7,206	(2,794)
Total revenues	1,123,982	1,123,982	1,132,712	8,730
EXPENDITURES				
Current:				
General government	342,525	342,525	362,942	(20,417)
Highways and streets	105,390	105,390	77,732	27,658
Public safety	413,003	413,003	413,003	
Culture and recreation	101,667	101,667	25,056	76,611
Capital outlay	856,197	856,197	497,302	358,895
Total expenditures	1,818,782	1,818,782	\$ 1,376,035	\$ 442,747
BUDGETED CASH BALANCE	\$ 694,800	\$ 694,800		

The accompanying notes are an integral part of these 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, 2011**

Statement 8

	Original Budget	Final Budget	Actual	Variable Favorable (Unfavorable)
Revenues				
Gross receipts taxes	\$ 60,000	\$ 60,000	\$ 73,894	\$ 13,894
Gas taxes	24,800	24,800	10,258	(14,542)
State Sources	619,955	619,955	151,750	(468,205)
Total revenues	704,755	704,755	235,902	(468,853)
EXPENDITURES				
Capital Outlay	1,098,584	1,098,584	522,818	575,766
Total expenditures	\$ 1,098,584	\$ 1,098,584	\$ 522,818	\$ 575,766

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, 2011**

Statement 9

	Water Fund
<b>Assets</b>	
Current Assets	
Cash on deposit	\$ (207,612)
Accounts receivable (net)	<u>337,449</u>
Total Current Assets	<u>129,837</u>
Non-Current Assets	
Restricted Assets (Cash)	
Customer meter deposits	<u>4,935</u>
Total Non-Current Assets	<u>4,935</u>
Capital Assets	
Land	102,859
Buildings	183,836
Equipment and Vehicles	1,875
Plant/infrastructure	6,162,756
Accumulated depreciation	<u>(2,132,282)</u>
Total Capital Assets	<u>4,319,044</u>
Total Assets	<u><u>4,453,816</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	342,798
Customer meter deposits Payable from Restricted Assets	4,035
Current portion of long term debt	<u>13,213</u>
Total Current Liabilities	<u>360,046</u>
Noncurrent Liabilities	
Long term debt	<u>121,935</u>
Total Liabilities	<u><u>481,981</u></u>
<b>NET ASSETS</b>	
Invested in Capital Assets	4,325,637
Unrestricted	(353,802)
Total Net Assets	<u>3,971,835</u>
Total Liabilities and Net Assets	<u><u>\$ 4,453,816</u></u>

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, 2011**

Statement 10

	Water Fund
<b>OPERATING REVENUES</b>	
Sales and services	\$ 56,773
Other Revenue	<u>5,000</u>
Total operating revenue	<u><u>61,773</u></u>
<b>OPERATING EXPENSES</b>	
Depreciation	167,651
Operations & Maintenance	<u>60,715</u>
Total operating expenses	<u><u>228,366</u></u>
Operating income (loss)	<u>(166,593)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>	
Grant revenue	<u>1,294,638</u>
Total Non-Operating Revenue (Expense)	<u>1,294,638</u>
Change in Net Assets	1,128,045
Total Net Assets, beginning of year	3,706,281
Prior period adjustment	<u>(862,491)</u>
Total Net assets restated	<u>2,843,790</u>
Total Net Assets, end of year	<u><u>\$ 3,971,835</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, 2011**

Statement 11

	Water Fund
<b>CASH FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ (270,137)
Cash payments to employees and to suppliers for goods and services	<u>292,480</u>
Net cash provided by operating activities	<u>22,343</u>
<b>CASH FLOW CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of capital assets	<u>(1,713,716)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,713,716)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
State grants	1,294,638
Net change in payables	<u>120,134</u>
Net cash provided by non-capital financing activities	<u>1,414,772</u>
Net Increase (Decrease) in cash	(276,601)
Cash, beginning of year	<u>68,989</u>
Cash, end of year	<u>(207,612)</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	(166,593)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	167,651
Changes in assets and liabilities:	
(Increase) Decrease in receivables	(331,910)
(Increase) Decrease in payables	<u>353,195</u>
Net cash provided (used) by operating activities	<u><u>\$ 22,343</u></u>

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

**STATE OF NEW MEXICO**  
**VILLAGE OF TIJERAS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**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.

**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.

**STATE OF NEW MEXICO**  
**VILLAGE OF TIJERAS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

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 judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**STATE OF NEW MEXICO**  
**VILLAGE OF TIJERAS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

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 nonmajor. 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 not to follow subsequent private-sector guidance.

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

**STATE OF NEW MEXICO**  
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**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

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.

**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.

**STATE OF NEW MEXICO**  
**VILLAGE OF TIJERAS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

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.

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.

**STATE OF NEW MEXICO**  
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**For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

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:

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

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.



**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Notes to Financial Statements  
For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

**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.

**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.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Notes to Financial Statements  
For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

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.

**3. LONG-TERM DEBT - ENTERPRISE FUNDS**

During the year ended June 30, 2011, the following changes occurred:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2011	Due Within one Year
Notes Payable - NMFA	\$ 135,148	_____	_____	\$ 135,148	\$ 12,213
Total	\$ 135,148	=====	=====	\$ 135,148	\$ 12,213

The Villages has entered into a loan agreement pursuant to ordinance No. 144 dated October 22, 2010 between the Village and the New Mexico Finance Authority (NMFA). The proceeds of the note were used for Phase III Water System Improvement Schematic. Principal amount of the loan is \$ 135,148. The interest is 0.0% and administrative fee is 0.25% for NMFA. Principal payments and administrative fee payments are due June 30th of every year. The note matures in 2030. The loan is collateralized by the net system revenues of the join water and the waste water utility system.

*Note Payable to the New Mexico Finance Authority*

Year Ending June 30	Principal	Fees	Total
2012	\$ 6,615	\$ 321	\$ 6,936
2013	6,631	305	6,936
2014	6,648	288	6,936
2015	6,665	272	6,937
2016-2020	33,573	1,108	34,681
2021-2025	33,995	686	34,681
2026-2030	34,423	259	34,682
	\$ 128,550	\$ 3,238	\$ 131,789

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Notes to Financial Statements  
For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

**4. DEPOSITS HELD FOR OTHERS, ENTERPRISE FUND**

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

Hydrant Meter deposits	\$ 4,935
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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 institution. the Cash on Deposit at each financial institution.

Wells Fargo	Regular	Savings	\$ 251,972
Wells Fargo	Memorial Park	Checking	820
Wells Fargo	Fire Dept.	Checking	22,294
Wells Fargo	EMS	Checking	3,581
Wells Fargo	Regular	Checking	907,171
Wells Fargo	Water Meter Deposit	Checking	4,935
Wells Fargo	CDBG	Checking	100
Wells Fargo	Village	Certificate of Deposit	131,437
			<u>1,322,310</u>
Bank of the West	Village	Certificate of Deposit	137,703
Compass Bank	Village	Certificate of Deposit	136,314
Total Cash on Deposit			<u>1,596,327</u>
Total cash per bank			1,596,327
Deposits in transit			
Outstanding checks			<u>754,013</u>
Total per financial statements			<u>842,314</u>
Cash on deposit at June 30, 2011			1,596,327
Less F.D.I.C.			<u>524,017</u>
Uninsured funds			1,072,310
50% Collateral Requirement			536,155
Pledge Collateral			<u>109,202</u>
Excess of pledged collateral			<u>\$ (426,953)</u>

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Notes to Financial Statements  
For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

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

	Wells Fargo	Compass Bank	Bank of the West
Cash on deposit at June 30	\$ 1,322,310	\$ 136,314	\$ 137,703
Less : FDIC	<u>(250,000)</u>	<u>(136,314)</u>	<u>(137,703)</u>
Uninsured funds	<u>1,072,310</u>		
Fund needing collateralization at 50% (required by State Law)	536,155		
Pledged collateral at June 30	<u>109,202</u>		
Excess of Pledged Collateral	<u><u>\$ (426,953)</u></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, 2011, \$1,072,310 of the Village's bank balance \$1,596,327 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>\$ 1,072,310</u>
	Total	<u><u>\$ 1,072,310</u></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:

Wells Fargo California	Maturity Date	Fair Market Value
FNCL CUSIP #31414TBF7	05-01-38	<u><u>\$ 109,202</u></u>

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Notes to Financial Statements  
For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

**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 Wells Fargo Advisors. 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>1</u>	<u>Category 2</u>	<u>3</u>	<u>Market Value</u>	<u>Cost</u>
Wells Fargo Advisors	\$ <u>237,016</u>	<u>          </u>	<u>          </u>	\$ <u>236,540</u>	\$ <u>237,016</u>
Total Investments	<u>\$ 237,016</u>	<u>          </u>	<u>          </u>	<u>\$ 236,540</u>	<u>\$ 237,016</u>

The net unrealized loss on investments is \$476.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Notes to Financial Statements  
For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

**7. CAPITAL ASSETS**

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

	Balance July 01, 2010	PY Adjustments	Revised Beginning Balance	Additions	Deletions	Balance June 30, 2011
Land	\$ 689,261	\$ 0	\$ 689,262	\$ 19,196		\$ 708,458
<b>Total capital assets not being depreciated</b>	<u>689,261</u>	<u>0</u>	<u>689,262</u>	<u>19,196</u>		<u>708,458</u>
Building and improvements	4,294,440	(30,133)	4,264,307	308,185		4,572,492
Equipment & Vehicles	1,206,417	30,133	1,236,550	84,820		1,321,370
Infrastructure	<u>2,060,955</u>	<u>1</u>	<u>2,060,956</u>	<u>641,349</u>		<u>2,702,304</u>
<b>Total capital assets being depreciated</b>	<u>7,561,812</u>	<u>1</u>	<u>7,561,813</u>	<u>1,034,354</u>		<u>8,596,167</u>
<b>Less : Accumulated depreciation for :</b>						
Building and improvements	1,059,075	(167,603)	891,472	146,441		1,037,913
Equipment and vehicles	731,654	20,070	751,724	81,669		833,393
Infrastructure	<u>170,663</u>	<u>(6,457)</u>	<u>164,206</u>	<u>59,767</u>		<u>223,973</u>
Total accumulated depreciation	<u>1,961,392</u>	<u>(153,991)</u>	<u>1,807,402</u>	<u>287,878</u>		<u>2,095,279</u>
Total capital assets being depreciated, net	<u>5,600,420</u>	<u>(153,992)</u>	<u>5,754,412</u>	<u>746,476</u>		<u>6,500,888</u>
<b>Net capital assets</b>	<u>\$ 6,289,681</u>	<u>\$ (153,991)</u>	<u>\$ 6,443,673</u>	<u>\$ 765,672</u>		<u>\$ 7,209,345</u>

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Notes to Financial Statements  
For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

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

	Balance July 01, 2010	Adjustments	Beginning balance Restated	Additions	Deletions	Balance June 30, 2011
Land	\$ 98,340	\$ 3,744	\$ 102,084	\$ 775	—	\$ 102,859
<b>Total capital assets not being depreciated</b>	<u>98,340</u>	<u>3,744</u>	<u>102,084</u>	<u>775</u>	<u>—</u>	<u>102,859</u>
Equipments & vehicles		1,875	1,875			1,875
Building and improvements	183,836		183,836			183,836
Infrastructure	<u>4,448,945</u>	<u>871</u>	<u>4,449,816</u>	<u>1,712,941</u>	<u>—</u>	<u>6,162,757</u>
<b>Total capital assets being depreciated</b>	<u>4,632,781</u>	<u>2,746</u>	<u>4,635,527</u>	<u>1,712,941</u>	<u>—</u>	<u>6,348,468</u>
<b>Less: Accumulated depreciation for :</b>						
Equipment & vehicles		1,875	1,875			1,875
Building and improvements	94,542	(11,947)	82,595	5,930		88,525
Infrastructure	<u>1,001,108</u>	<u>879,053</u>	<u>1,880,161</u>	<u>161,720</u>	<u>—</u>	<u>2,041,881</u>
Total accumulated depreciation	<u>1,095,650</u>	<u>868,981</u>	<u>1,964,631</u>	<u>167,650</u>	<u>—</u>	<u>2,132,281</u>
Total capital assets being depreciated, net	<u>3,537,131</u>	<u>(866,235)</u>	<u>2,670,896</u>	<u>1,545,291</u>	<u>—</u>	<u>4,216,187</u>
<b>Net capital assets</b>	<u>\$ 3,635,471</u>	<u>\$ (862,491)</u>	<u>\$ 2,772,980</u>	<u>\$ 1,546,066</u>	<u>—</u>	<u>\$ 4,319,046</u>

**STATE OF NEW MEXICO  
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Notes to Financial Statements  
For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

**8. ACCOUNTS RECEIVABLES**

Receivables as of June 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

	Business-Type Activities
Receivables from customers	\$ 337,449
Less Allowance for uncollectible accounts	_____
Total	\$ 337,449

**9. RETIREMENT PLAN**

*Plan Description* Substantially all of Village of Tijeras's fulltime 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, 2011, 2010 and 2009 were \$19,815, \$17,430 and \$15,694 respectively equal to the amount of the required contributions for the year.



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**VILLAGE OF TIJERAS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

**10. 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 01, 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 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 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**Notes to Financial Statements (continued)**

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, 2011, 2010 and 2009 were \$4,698, \$3,229 and \$2,903 respectively, which equal the required contributions for each year.

**11. 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.

**12. RESTATEMENT - STATEMENT OF ACTIVITIES**

In the Statement of Activities there is a restatement from the prior years audit for \$(1,016,483) in Capital Assets that are included.

**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, 2011**

Statement A-1

	Fire Fund	EMS Fund	Total Other Governmental Funds
<b>ASSETS</b>			
Cash on deposit	\$ 22,284	\$ 1,911	\$ 24,195
Accounts receivable			
Total assets	22,284	1,911	24,195
<b>FUND BALANCE</b>			
Unreserved:			
Undesignated for subsequent year's expenditures	22,284	1,911	24,195
Total fund balance	\$ 22,284	\$ 1,911	\$ 24,195

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, 2011**

Statement A-2

	Fire Fund	EMS Fund	Total Other Governmental Funds
<b>REVENUES</b>			
State Sources	\$ 79,468	\$ 16,000	\$ 95,468
Cigarette taxes			
Earning from investments			
Total revenues	79,468	16,000	95,468
<b>EXPENDITURES</b>			
Current:			
General government			
Highways & streets			
Public safety	20,030	13,309	33,339
Culture and recreation			
Capital outlay	28,801	4,629	33,430
Total expenditures	48,831	17,938	66,769
Net change in fund balances	30,637	(1,938)	28,699
Fund balance beginning of year	17,778	3,848	21,626
Prior period adjustment	(26,130)		(26,130)
Fund balance restated	(8,352)	3,848	(4,504)
Fund balance end of year	\$ 22,285	\$ 1,910	\$ 24,195

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

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Non-Major Special Reenue Fund - Fire Fund  
Statement of Revenues and Expenditures-  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Statement A-3 Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ 79,468	\$ 79,468	\$ 79,468	
Total revenues	79,468	79,468	79,468	
<b>EXPENDITURES</b>				
Public safety	97,246	97,246	20,030	\$ 77,216
Depreciation and amortization			1,188	(1,188)
Capital Outlay			28,801	(28,801)
Total expenditures	97,246	97,246	\$ 50,019	\$ 47,227
<b>BUDGETED CASH BALANCE</b>	\$ 17,778	\$ 17,778		

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, 2011**

Statement A-4

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ 8,065	\$ 8,065	\$ 16,000	\$ 7,935
Total revenues	<u>8,065</u>	<u>8,065</u>	<u>16,000</u>	<u>7,935</u>
<b>EXPENDITURES</b>				
Public safety	11,913	11,913	13,309	(1,396)
Capital Outlay	<u>          </u>	<u>          </u>	<u>4,628</u>	<u>(4,628)</u>
Total expenditures	<u>11,913</u>	<u>11,913</u>	<u>\$ 17,937</u>	<u>\$ (6,024)</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 3,848</u>	<u>\$ 3,848</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, 2011**

	Original Budget	Final Budget	Actual	Statement B-1 Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and services	\$ 68,000	\$ 68,000	\$ 56,773	\$ (11,227)
Federal sources	2,490,547	2,490,547	1,294,638	(1,195,909)
Other Revenues	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Total revenues	<u>2,490,547</u>	<u>2,558,547</u>	<u>1,356,411</u>	<u>(1,202,136)</u>
<b>EXPENDITURES</b>				
Maintenance and operations	21,600	21,600	60,715	(39,115)
Capital outlay	2,495,797	2,495,797	1,713,069	782,728
Depreciation and amortization	<u>167,651</u>	<u>167,651</u>	<u>167,651</u>	<u>(167,651)</u>
Total expenditures	<u>2,495,797</u>	<u>2,517,397</u>	<u>\$ 1,941,435</u>	<u>\$ 575,962</u>
BUDGETED CASH BALANCE	<u>\$ 5,250</u>	<u>\$ (41,150)</u>		

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

**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

<b>Federal Grantor / Pass- Through Grantor / <u>Program or Cluster Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Pass-through Grantor/Contract Number</u></b>	<b><u>Expenditures</u></b>
<b>U.S. Environmental Protection Agency</b> Village of Tijeras Water System Improvements	66.202	XP966718010	\$ 225,900
<b>U.S. Department of HUD</b> Community Planning & Development Tijeras Senior Center	14.251	BO85PNM0432	<u>98,000</u>
<b>Total expenditures of federal awards</b>			<b><u>\$ 323,900</u></b>

**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 June 30, 2011, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. 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, 2011. 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 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 Late Audit Report (09-01), Ordinance for Mayor/Board Members Payments (10-02), Budget Adjustments Not Reviewed (10-03), Payments to Mayor and Board Members (10-04), 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 findings Bank Reconciliations and Maintenance of one bank account for general and business fund (08-05).

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.

**HARSHWAL & COMPANY LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**San Diego, California**  
**November 30, 2011**

**STATUS OF COMMENTS**  
**Prior Year Audit Findings**

The following summarizes the prior year audit findings:

1. Financial Statement Preparation (07-06) - Repeat and modified.
2. Bank Reconciliations (08-05) - Repeated and modified.
3. Incomplete General Ledger (08-21) - Repeated.
4. Late Audit Report (09-01)
5. Employee Benefits Not Posted Correctly (10-01) - Resolved
6. Ordinance for Mayor/ Council Members Payments (10-02) - Repeated
7. Budget Adjustments Not Reviewed (10-03) - Repeated
8. Payments to Mayor and Council Members (10-04) - Repeated
9. "Guest Purchases" (10-05) - Resolved
10. Budget Overruns (10-06) - Repeated and modified



**Financial Statement Preparation**  
**(07-06)**

CONDITION	The Village of Tijeras does not have a personnel with the ability to prepare or take responsibility for the audited 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. The personnel responsible for accounting and reporting function lacks the skills and knowledge to apply GAAP in recording the entity's financial transaction or preparing its financial statements.
CAUSE	The Village does not maintain an adequate general ledger system.
EFFECT	The Village does not have the staff with capabilities to prepare or take responsibility for the financial statements on a GAAP basis. The financial statements were prepared by the auditors.
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 towards being able to prepare its own financial statements.

**Bank Reconciliations and Maintenance of one bank account for general and business fund**  
**(08-05)**

CONDITION	Management of the Village reconciles the numerous funds housed in one bank account.
CRITERIA	The bank account for different funds should be different and each fund be separately reconciled each month upon receiving the bank statement. Any differences need to be investigated and adjusted immediately. The operations of each fund shall be accounted and identified for individually therefore separate banks accounts are required.
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. Village should also maintain separate bank accounts for Business Fund and General Fund. Village should create a new bank account for the Business Fund operations.
RESPONSE	The Village's management continues 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	Village does not have adequate internal controls designed to provide for the complete preparation of the general ledger. A complete general ledger prepared by the Village or the consultant was not available.
CRITERIA	An accounting system should provide timely and accurate information for management. Village's internal control system should be designed to provide a complete general ledger. To comply with 6-6-3 NMSA 1978 all transactions of the Village should be posted to the general ledger.
CAUSE	Management of the Village did not utilize the accounting software adequately so a complete general ledger could be prepared/provided.
EFFECT	The Village is unable to maintain adequate internal control over its assets, liabilities, fund balance, revenues or expenditures for any of its funds.
RECOMMENDATION	We recommend that the Village management should train the staff to strengthen their skills in the current accounting software. Once a comprehensive knowledge and understanding is gained on the accounting software through training, a complete general ledger can be prepared.
RESPONSE	The Village's management will continue to work with the consultant to prepare the general ledger completely.

**Late Audit Report**  
**(09-01)**

CONDITION	The June 30, 2010 audit report for the Village was not submitted by the required deadline of December 01, 2010. The audit report was submitted to the Office of the State Auditors on March 21, 2011.
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 the new accounting software implemented so there should be no problem with the 2011 audit being submitted timely.
RESPONSE	The audit report for Fiscal Year 2011 is being submitted on time

**Ordinance for Mayor/Council Member Payments**  
**(10-02)**

CONDITION	The Village does not have an Ordinance (or resolution) pertaining to the compensation for Mayor and Council Members. There is no document that provides the legal authority for the Village to limit the salary paid to the Mayor and Council Members.
CRITERIA	The Council of the Village should have passed an Ordinance specifying how much the Mayor and each Council Members will be paid to prevent exceeding the final approved budget.
CAUSE	Management failed to prepare, approve and include the Ordinance 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. It is essential to obtain an Ordinance to ensure that the compensation to Mayor and Council Members does not exceed the budgeted amounts.
RECOMMENDATION	Management needs to prepare an Ordinance and have it approved by the council as soon as possible. These amounts cannot exceed current budgeted amounts so as not to violate NM Compilation Commission Sec. 27. A new ordinance can be adopted in the next election year.
RESPONSE	Ordinance # 146 establishing compensation for mayor and elected officials was approved by the governing body on August 15, 2011 during a public meeting.

**Budget Adjustment Not Reviewed**  
**(10-03)**

CONDITION	The Village does not have a personnel specifically assigned to review the budget including the annual salary budgets.
CRITERIA	Department of Finance and Administration Regulations require the review of approved budgets periodically to confirm that budget adjustments are requested and approved when appropriate and necessary.
CAUSE	Management failed to assign the task to review budgets to an employee.
EFFECT	Salaries for certain departments were exceeded without a budget adjustment request/approval.
RECOMMENDATION	The Village Clerk should review the budget on a monthly basis to ensure that the salaries are not to exceed budgeted salaries. Monthly review will ensure that appropriate requests are made for adjustments in budgets.
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 Elected Officials such as Mayor and Council Members did not receive the total budgeted compensation during the fiscal year. Compensation for the Council Members is budgeted and paid on an estimated 48 meeting attendance basis.
CRITERIA	According to the New Mexico Compilation Commission Sec. 27 "No law should 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 confirm that payments made to elected officials followed all applicable New Mexico State laws. Management failed to fully compensate the elected officials according to the budget.
EFFECT	Sec. 27 of the New Mexico Complication Commission was not followed and implemented. The budgeted compensated amount was of \$65,300 and the amount expended was \$62,975. There was \$2,325 available for compensation to the Council and Mayor.
RECOMMENDATION	Village personnel should periodically review the compensation made to Mayor and Council to confirm the compliance with applicable laws and regulations of New Mexico State.
RESPONSE	Mayor and Council have been changed from per meeting pay to weekly pay of 1/52 of budgeted amounts.

**Budget Overruns**  
**(10-06)**

CONDITION	The Village had a budget overrun in the EMS Fund in the amount of \$ 6,024.
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	Periodic revision for budget adjustments should occur to accommodate any 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, 2011 were prepared by HARSHWAL & COMPANY LLP, 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 30, 2011. In attendance were the following:

### Village of Tijeras, New Mexico

Ms. Gloria J. Chavez, Mayor,  
Ms. Louise B. Marquez, Clerk-Treasurer  
Ms. Kathy Solomon, Finance Manager

### Harshwal & Company LLP

Sanwar Harshwal  
Robert Wauneka