

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
AUDIT REPORT  
JUNE 30, 2017**



**PATTILLO, BROWN & HILL, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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## **INTRODUCTORY SECTION**

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## TABLE OF CONTENTS

	<b><u>Page Number</u></b>
<b>INTRODUCTORY SECTION</b>	
Table of Contents.....	i-ii
Official Roster.....	1
<b>FINANCIAL STATEMENTS SECTION</b>	
Independent Auditors' Report.....	2
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position .....	5
Statement of Activities .....	7
<b>Fund Financial Statements</b>	
Balance Sheet-Governmental Funds.....	9
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	10
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	12
<b>Statement of Revenues and Expenditures</b>	
<b>Budget (Non-GAAP Basis) and Actual (Budgetary Basis)</b>	
General Fund.....	13
Municipal Street Fund.....	14
<b>Statement of Net Position – Proprietary Fund.....</b>	<b>15</b>
<b>Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund .....</b>	<b>16</b>
<b>Statement of Cash Flows – Proprietary Fund.....</b>	<b>17</b>
<b>Notes to the Financial Statements .....</b>	<b>18</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of the Village's Proportionate Share of the Net Pension Liability.....	45
Schedule of the Village's Contributions .....	46
Notes to Pension Required Supplementary Information .....	47
<b>SUPPLEMENTARY INFORMATION</b>	
Fund Descriptions Nonmajor Governmental Funds .....	48

**Combining and Individual Fund Financial Statements:**

Combining Balance Sheet-Nonmajor Governmental Funds.....	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Governmental Funds.....	50

**COMPLIANCE SECTION**

<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 <i>Government Auditing Standards</i> .....</b>	<b>51</b>
<b>Schedule of Prior Year Findings .....</b>	<b>53</b>
<b>Schedule of Findings and Responses .....</b>	<b>54</b>
<b>Exit Conference .....</b>	<b>64</b>

## OFFICIAL ROSTER

<b><u>Name</u></b>	<b><u>Title</u></b>
Gloria J. Chavez	Mayor
Jake Bruton	Councilor
Felix Garcia	Councilor
Don Johnson	Councilor
David Wilson	Councilor
Maxine Wilson	Councilor

## ADMINISTRATIVE OFFICIALS

Diane L. Klaus	Deputy Clerk/Acting Clerk
Darlene C. Coleman	Finance Director

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**FINANCIAL STATEMENTS SECTION**

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## INDEPENDENT AUDITORS' REPORT

To Wayne A. Johnson,  
New Mexico State Auditor

Gloria Chavez, Mayor  
Members of the Village Council  
Village of Tijeras  
Tijeras, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue fund of the Village of Tijeras (the "Village") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Village management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

### ***Basis for Qualified Opinions***

We were not able to verify revenues, expenses, and expenditures, for the year ended June 30, 2017. We were unable to determine account balances with alternative procedures. The effect on revenues and expenses of the governmental and business type activities and the revenues and expenditures of the governmental funds are not readily determinable.

As discussed in finding 2017-002, the Village does not have effective Financial Close and Reporting procedures in place. As discussed in finding 2017-003, the Village does not have effective Grant Management procedures and policies in place. As a result, there was no effective way to determine whether revenues, expenses, and expenditures are fairly stated for the year ended June 30, 2017.

### ***Qualified Opinions***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, 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, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Schedule of the Village's Proportionate Share of the Net Pension Liability, and Schedule of Village Contributions* on pages 45-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Management has omitted Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial

statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Village's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2018 on our consideration of the Village's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Pattillo, Brown & Hill, L.L.P.  
Albuquerque, New Mexico  
February 14, 2018

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

<b>Assets</b>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash	\$ 812,766	21,043	833,809
Investments	471,566	-	471,566
Receivables (net of allowance for uncollectibles)	244,370	250,042	494,412
Total current assets	1,528,702	271,085	1,799,787
Noncurrent assets:			
Capital assets:			
Land	708,458	62,977	771,435
Construction in progress	97,521	23,497	121,018
Intangible assets - water rights	-	54,848	54,848
Capital assets being depreciated, net	7,090,732	5,453,765	12,544,497
Total noncurrent assets	7,896,711	5,595,087	13,491,798
Total assets	9,425,413	5,866,172	15,291,585
Deferred outflows of resources:			
Deferred outflows - pension related	161,783	-	161,783
Total deferred outflows of resources	161,783	-	161,783

**The notes to the financial statements are an integral part of this statement.**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 224,321	\$ 17,699	\$ 242,020
Accrued payroll liabilities	12,907	-	12,907
Current portion of long term debt	-	9,723	9,723
Total current liabilities	<u>237,228</u>	<u>27,422</u>	<u>264,650</u>
Noncurrent liabilities:			
Long-term debt	-	134,192	134,192
Net pension liability	377,049	-	377,049
Total noncurrent liabilities	<u>377,049</u>	<u>134,192</u>	<u>511,241</u>
Total liabilities	<u>614,277</u>	<u>161,614</u>	<u>775,891</u>
Deferred inflows of resources:			
Deferred inflows - pension related	8,483	-	8,483
Total deferred inflows of resources	<u>8,483</u>	<u>-</u>	<u>8,483</u>
<b>Net Position</b>			
Net investment in capital assets	7,896,711	5,451,172	13,347,883
Restricted for:			
Special projects	121,665	-	121,665
Committed to:			
Subsequent year's expenditures	69,300	-	69,300
Unrestricted	876,760	253,386	1,130,146
<b>Total net position</b>	<u><u>\$ 8,964,436</u></u>	<u><u>\$ 5,704,558</u></u>	<u><u>\$ 14,668,994</u></u>

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 1,199,745	113,477	90,000	-
Public safety	113,213	-	99,650	-
Highways and streets	66,608	-	-	254,287
Culture and recreation	108,686	-	139,842	-
Total governmental activities	1,488,252	113,477	329,492	254,287
Business-type activities:				
Water	524,190	118,217	-	359,003
Total primary government	\$ 2,012,442	231,694	329,492	613,290
General revenues:				
Taxes:				
Property				
Gross receipts				
State shared				
Franchise				
Interest on investments				
Miscellaneous				
Transfers				
Total general revenues				
Change in net position				
Net position, beginning of year				
Net position, end of year				

The notes to the financial statements are an integral part of this statement.



Net (Expense) Revenue and  
and Changes in Net Position

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Primary Government

Governmental Activities	Business-type Activities	Total
(996,268)	-	(996,268)
(13,563)	-	(13,563)
187,679	-	187,679
31,156	-	31,156
(790,996)	-	(790,996)
-	(46,970)	(46,970)
(790,996)	(46,970)	(837,966)
16,605	-	16,605
872,789	-	872,789
15,358	-	15,358
14,543	-	14,543
1,484	-	1,484
25,649	-	25,649
(19,100)	19,100	-
927,328	19,100	946,428
136,332	(27,870)	108,462
8,828,104	5,732,428	14,560,532
\$ 8,964,436	5,704,558	14,668,994

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>General Fund</u>	<u>Municipal Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash	\$ 589,146	170,356	53,264	812,766
Investment	471,566	-	-	471,566
Accounts receivable (net of allowance for uncollectible)	150,062	94,308	-	244,370
<b>Total assets</b>	<u>\$ 1,210,774</u>	<u>264,664</u>	<u>53,264</u>	<u>1,528,702</u>
<b>Liabilities, Deferred inflows of resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 28,058	184,581	11,682	224,321
Accrued payroll liabilities	12,907	-	-	12,907
<b>Total liabilities</b>	<u>40,965</u>	<u>184,581</u>	<u>11,682</u>	<u>237,228</u>
<b>Deferred inflows of resources:</b>				
Unavailable - property taxes	1,251	-	-	1,251
<b>Total deferred inflows of resources</b>	<u>1,251</u>	<u>-</u>	<u>-</u>	<u>1,251</u>
<b>Fund balances:</b>				
Restricted for:				
Special revenue	-	80,083	41,582	121,665
Committed to:				
Subsequent year's expenditures	69,300	-	-	69,300
Unassigned	1,099,258	-	-	1,099,258
<b>Total fund balances</b>	<u>1,168,558</u>	<u>80,083</u>	<u>41,582</u>	<u>1,290,223</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 1,210,774</u>	<u>264,664</u>	<u>53,264</u>	<u>1,528,702</u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balances - Total Governmental Funds		\$ 1,290,223
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets		\$ 12,012,347
Less accumulated depreciation		<u>(4,115,636)</u>
		7,896,711
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the governmental funds.		
		161,783
Long-term liabilities are not due in the current period and, therefore, are not reported in the governmental funds.		
Net pension liability		(377,049)
Defined benefit pension plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
		(8,483)
A portion of property taxes receivable is not available to pay for current period expenditures and, therefore, is reported as deferred inflows of resources.		
		<u>1,251</u>
Net position of governmental activities		<u><u>\$ 8,964,436</u></u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Municipal Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes:				
Gross receipts	\$ 757,441	115,348	-	872,789
Gas	-	15,358	-	15,358
Property	15,354	-	-	15,354
Franchise	14,543	-	-	14,543
Licenses and permits	2,595	-	-	2,595
Intergovernmental:				
Federal	-	88,289	-	88,289
State	90,000	165,998	239,492	495,490
Fines and forfeitures	-	-	-	-
Charges for services	110,882	-	-	110,882
Interest on investments	1,484	-	-	1,484
Miscellaneous	23,424	-	2,225	25,649
<b>Total revenues</b>	<u>1,015,723</u>	<u>384,993</u>	<u>241,717</u>	<u>1,642,433</u>
<b>Expenditures</b>				
<b>Current operations:</b>				
General government	866,240	-	-	866,240
Public safety	31,098	-	76,425	107,523
Highways and streets	19,519	39,179	-	58,698
Culture and recreation	7,788	-	100,898	108,686
<b>Capital outlay</b>	<u>-</u>	<u>433,621</u>	<u>74,226</u>	<u>507,847</u>
<b>Total expenditures</b>	<u>924,645</u>	<u>472,800</u>	<u>251,549</u>	<u>1,648,994</u>
<b>Excess (deficiency) of revenues over expenditures</b>	91,078	(87,807)	(9,832)	(6,561)
<b>Other financing sources (uses):</b>				
Transfers in	-	91,503	-	91,503
Transfers out	(110,603)	-	-	(110,603)
<b>Total other financing sources (uses):</b>	<u>(110,603)</u>	<u>91,503</u>	<u>-</u>	<u>(19,100)</u>
<b>Net change in fund balances</b>	(19,525)	3,696	(9,832)	(25,661)
<b>Fund balances, beginning of year</b>	<u>1,188,083</u>	<u>76,387</u>	<u>51,414</u>	<u>1,315,884</u>
<b>Fund balances, end of year</b>	<u>\$ 1,168,558</u>	<u>80,083</u>	<u>41,582</u>	<u>1,290,223</u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$ (25,661)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	507,847
Depreciation expense	(300,751)
Recognition of accounts receivable and deferred inflows of resources is reflected on the full accrual basis within the statement of activities.	1,251
Long-term liabilities are not due in the current period and, therefore, are not reported in the governmental funds.	
Changes in net pension liability	(46,354)
Change in net position of governmental activities	\$ 136,332

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO**  
**VILLAGE OF TIJERAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Taxes:				
Gross receipts	\$ 560,000	560,000	757,441	197,441
Franchise	47,000	47,000	14,543	(32,457)
Property	15,824	15,824	15,354	(470)
Licenses and permits	3,300	3,300	2,595	(705)
Intergovernmental:				
State	90,000	90,000	90,000	-
Charges for services	60,000	60,000	110,882	50,882
Interest on investments	2,000	2,000	1,484	(516)
Miscellaneous	13,050	13,050	23,424	10,374
<b>Total revenues</b>	<u>791,174</u>	<u>791,174</u>	<u>1,015,723</u>	<u>224,549</u>
<b>Expenditures</b>				
<b>Current operations:</b>				
General government	729,343	729,343	920,271	(190,928)
Public safety	36,746	36,746	31,098	5,648
Highways and streets	15,950	15,950	19,519	(3,569)
Culture and recreation	7,888	7,888	7,788	100
<b>Total expenditures</b>	<u>789,927</u>	<u>789,927</u>	<u>978,676</u>	<u>(188,749)</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>1,247</u>	<u>1,247</u>	<u>37,047</u>	<u>(35,800)</u>
<b>Other financing sources (uses):</b>				
Transfers in	20,000	20,000	-	20,000
Transfers out	<u>(110,603)</u>	<u>(110,603)</u>	<u>(110,603)</u>	<u>-</u>
<b>Total other financing sources (uses):</b>	<u>(90,603)</u>	<u>(90,603)</u>	<u>(110,603)</u>	<u>20,000</u>
<b>Net change in fund balances</b>	<u>\$ (89,356)</u>	<u>(89,356)</u>	<u>(73,556)</u>	<u>(15,800)</u>
<b>Reconciliation to GAAP basis:</b>				
Changes in revenues			69,000	
Changes in expenses			<u>(14,969)</u>	
<b>Net change in Fund Balances (GAAP Basis)</b>			<u>\$ (19,525)</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
MUNICIPAL STREET FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes:				
Gross receipts	\$ 92,000	92,000	130,706	38,706
Intergovernmental:				
Federal	548,000	548,000	88,289	(459,711)
State	389,247	389,247	165,998	(223,249)
<b>Total revenues</b>	<u>1,029,247</u>	<u>1,029,247</u>	<u>384,993</u>	<u>(644,254)</u>
<b>Expenditures</b>				
Operating expenditures	-	-	39,179	(39,179)
Capital outlay	1,029,247	1,029,247	341,843	687,404
<b>Total expenditures</b>	<u>1,029,247</u>	<u>1,029,247</u>	<u>381,022</u>	<u>648,225</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>3,971</u>	<u>3,971</u>
<b>Other financing sources (uses):</b>				
Transfers in	91,503	91,503	91,503	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses):</b>	<u>91,503</u>	<u>91,503</u>	<u>91,503</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ 91,503</u>	<u>91,503</u>	<u>\$ 95,474</u>	<u>3,971</u>
<b>Reconciliation to GAAP basis:</b>				
Changes in revenues			84,741	
Changes in expenses			(176,519)	
<b>Net change in Fund Balances (GAAP Basis)</b>			<u>\$ 3,696</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2017**

	<u><b>Water Fund</b></u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 21,043
Accounts receivable (net of allowance for uncollectible)	250,042
Total current assets	<u>271,085</u>
Noncurrent assets:	
Capital assets:	
Land	62,977
Construction in progress	23,497
Intangible assets - water rights	54,848
Capital assets being depreciated, net	5,453,765
Total noncurrent assets	<u>5,595,087</u>
Total assets	<u>5,866,172</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	17,699
Current portion of long term debt	9,723
Total current liabilities	<u>27,422</u>
Noncurrent liabilities:	
Long-term debt	134,192
Total noncurrent liabilities	<u>134,192</u>
Total liabilities	<u>161,614</u>
<b>Net Position</b>	
Net investment in capital assets	5,451,172
Unrestricted	253,386
Total net position	<u><u>5,704,558</u></u>

The notes to the financial statements are an integral part of this statement.



**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u><b>Water Fund</b></u>
<b>Operating Revenues</b>	
Charges for sales and services:	
Charges for services	\$ 118,217
Total operating revenues	<u>118,217</u>
<b>Operating Expenses</b>	
Cost of sales and services	2,791
Administration	158,069
Other operating expenses	120,291
Depreciation	242,655
Total operating expenses	<u>523,806</u>
<b>Operating loss</b>	<u>(405,589)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Capital contributions	
Federal	253,403
State	105,600
Interest expense	(384)
Nonoperating revenues (expenses)	<u>358,619</u>
loss before transfers	<u>(46,970)</u>
<b>Other Financing Sources (Uses)</b>	
Transfers in	<u>19,100</u>
Total other financing sources (uses)	<u>19,100</u>
<b>Change in net position</b>	(27,870)
<b>Net Position, Beginning of Year</b>	<u>5,732,428</u>
<b>Net Position, End of Year</b>	<u><u>\$ 5,704,558</u></u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u><b>Water Fund</b></u>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ (125,751)
Cash payments to suppliers for goods and services	(263,795)
Net cash used by operating activities	<u>(389,546)</u>
 <b>Cash flows from capital and related financing activities</b>	
Capital contributions	359,003
(Acquisition) disposition of capital assets	(23,497)
Principal paid on debt	(9,698)
Interest paid on debt	(384)
Net cash provided by capital financing activities	<u>325,424</u>
 <b>Cash flows from noncapital financing activities</b>	
Transfers from other funds	<u>19,100</u>
Net cash provided by noncapital financing activities	<u>19,100</u>
 Net decrease in cash and cash equivalents	<u>(45,022)</u>
 Cash and cash equivalents beginning of year	<u>66,065</u>
 Cash and cash equivalents end of year	<u><u>\$ 21,043</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating loss	\$ (405,589)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	242,655
Increase in customer receivable	(243,968)
Increase in accounts payable	17,356
Net cash used by operating activities	<u><u>\$ (389,546)</u></u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Tijeras ("Village") was incorporated in 1973. The Village operates under a Mayor Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, water and general administrative services.

**A. Reporting Entity**

This summary of significant accounting policies of the Village is presented to assist in the understanding of the Village's financial statements. The financial statements and notes are the representation of the Village's management who is responsible for their integrity and objectivity. The financial statements of the Village 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.

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 generally accepted accounting principles (GAAP).

The basic (but not the only) criteria 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 has no component units.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees charges for support.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

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.

**B. 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 revenue in the year for which they are levied. Sales, franchise, gas, and other similar taxes are recognized when the underlying exchange transaction takes place. 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 revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The Village reports the following major governmental funds:

The ***General Fund*** is the Village'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 ***Municipal Street Fund*** accounts for revenues received for the levy of a tax per gallon of gasoline purchased within the 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 emissions 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 Department of Transportation.

The Village reports the following major proprietary fund:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

revenues of the enterprise funds are charged to customers for sales and services. The enterprise fund also recognizes 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 non-operating revenues and expenses.

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

**C. Assets, Liabilities, Net Position and Fund Balance**

**Cash and Investments**

Cash and cash equivalents include amounts in demand deposits, certificates of deposit and investments with a maturity date within three months of the date acquired by the Village. Investments are certificates of deposit and government backed securities with maturity dates in excess of three months. Investments are stated at fair market value. For the purposes of the statement of cash flows, cash and cash equivalents include unrestricted amounts in demand deposits and certificates of deposit with a maturity date within three months of the acquisition date.

**Receivables**

Accounts receivable of the proprietary fund represent the amounts due from customer utility accounts. The governmental funds report taxes and other fees collected at the Village, County and State level as receivables.

**Property Taxes**

An enforceable legal claim to taxable property arises on January 1 in the year of levy. Taxes are due on November 10 and May 10 and are collected by the Bernalillo County Treasurer. Taxes not paid within 30 days are declared delinquent. The Village records all delinquent property taxes not collected within 60 days of year-end as deferred revenue in the fund financial statements. All property taxes received after the 60-day period are accrued in the government-wide financial statements.

**Capital Assets**

Capital assets, which include property, plant, equipment, improvements, and water system, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Village defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

STATE OF NEW MEXICO  
 VILLAGE OF TIJERAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, Net Position and Fund Balance (Continued)**

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, improvements, equipment, and water and sewer systems are depreciated using the straight-line method over the following useful lives:

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

**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.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Inflows of Resources**

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

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, Net Position and Fund Balance (Continued)**

**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

**Fund Balances**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Village council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Village council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance.* This classification reflects the amounts constrained by the Village’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Village council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on the use



STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, Net Position and Fund Balance (Continued)**

either through the enabling legislations adopted by the Village or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

**Deferred Outflows of Resources**

In addition to assets, the balance sheet reports a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time.

**Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

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. That is, expenditures in each fund may not exceed the budgeted appropriation for that fund.
3. Formal budgetary integration is employed as a management control device during the year for the Governmental and Enterprise Funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classifications detail in which expenditures or expenses may not legally exceed appropriation for each budget is in fund total. Appropriations lapse at year end.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

6. Budgets for Governmental and Enterprise Funds are adopted on a basis not consistent with generally accepted accounting principles. 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 Governmental and Enterprise Funds in this report are on the non-GAAP budgetary basis and actual (cash basis).

**Deposits and Investments**

The Village invests its funds in accordance with state statutes which require that financial institutions pledge collateral consisting of approved federal or state securities whose market value is equal to at least 50% of the deposits in excess of FDIC insurance coverage. In accordance with state statutes, the Village may have deposits only in financial institutions, federal direct obligations, or the New Mexico State Treasurer's Local Government Pooled Investment Plan.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3. CASH AND CASH EQUIVALENTS – GOVERNMENTAL AND PROPRIETARY FUNDS**

	Balance Per Bank June 30	Add Deposits In Transit	Less Outstanding Checks	Balance Per Books June 30
Wells Fargo				
Checking Accounts				
Operating	\$ 593,630	-	4,981	588,649
EMS	12,480	-	36	12,444
Fire Fighters	40,889	-	4,799	36,090
Municipal Road	170,356	-	-	170,356
Senior Center	4,730	-	-	4,730
MVD	497	-	-	497
Water	21,043	-	-	21,043
Wells Fargo Advisors				
Investments				
Treasury Money Market	113,264	-	-	113,264
GNMA	4,076	-	-	4,076
Bank of the West				
Certificate of Deposit	139,854	-	-	139,854
Compass Bank				
Certificate of Deposit	141,266	-	-	141,266
Total Cash in Banks	<u>\$ 1,242,085</u>	<u>-</u>	<u>9,816</u>	1,232,269
Investments in NM State Treasurer				73,106
Total June 30, 2017				<u>\$ 1,305,375</u>
As Reported in the Financial Statements:				
Equity in Cash				
Cash				\$ 833,809
Investments				<u>471,566</u>
				<u>\$ 1,305,375</u>

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3. CASH AND CASH EQUIVALENTS – GOVERNMENTAL AND PROPRIETARY FUNDS (CONTINUED)**

**Pledged Collateral**

	Wells Fargo	Bank of the West	Compass Bank	Wells Fargo Advisors	Total
Amount on Deposit in Bank	\$ 843,625	139,854	141,266	117,340	1,242,085
FDIC Coverage	( 250,000)	(139,854)	(141,266)	(117,340)	( 648,460)
Total uninsured public funds	<u>593,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>593,625</u>
<b>Collateral pledged:</b>					
<b>BNY Mellon</b>					
FNMA FNMS, 10/01/2026, CUSIP: 3138ATDB3	318,338	-	-	-	318,338
FMAC FGPC, 03/01/2042, CUSIP: 3132GRZP9	<u>17,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,090</u>
Pledged collateral held by the pledging bank's trust department or agent, not in the Village's name	<u>335,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,428</u>
Uninsured and uncollateralized	<u><u>258,197</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>258,197</u></u>
Collateral requirement (50% of uninsured funds)	296,813	-	-	-	296,813
Pledged collateral	<u>335,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,428</u>
Over (under) collateralized	<u><u>\$ 38,615</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>38,615</u></u>

STATE OF NEW MEXICO  
 VILLAGE OF TIJERAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2017

**NOTE 3. CASH AND CASH EQUIVALENTS – GOVERNMENTAL AND PROPRIETARY FUNDS (CONTINUED)**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Village’s deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$593,625 of the Village’s bank balance of \$1,242,085 was exposed to custodial credit risk.

Uninsured and uncollateralized	\$ 258,197
Pledged collateral held by the pledging bank's trust department or agent, not in the Village's name	<u>335,428</u>
Total	<u>\$ 593,625</u>

**Custodial Credit Risk – Investments**

The Village’s investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the counter party. The Village purchases investments through the Wells Fargo Advisors account, which holds all U.S. depository – eligible securities with the federally regulated Depository Trust Company or through the Federal Reserve Bank System in Wells Fargo’s name. The CDs held in this investment account are FDIC insured. The remaining investments, the Treasury Money Market and the GNMA, are insured under the Securities Investor Protection Corporation (SPIC). The total Investor Protection for Wells Fargo per account is \$500,000, including up to \$250,000 of claims for cash. The Village does not have a formal investment policy to limit this risk.

The Village also invests in the New Mexico State Treasurer’s Local Government Investment Pool (LGIP) which is not subject to custodial credit risk.

The Village does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates. The Village’s investments at June 30, 2017 include the following:

New Mexico LGIP AAAM Rated \$73,106 [58] day WAM(R); [106] day WAM (F)

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3. CASH AND CASH EQUIVALENTS – GOVERNMENTAL AND PROPRIETARY FUNDS (CONTINUED)**

The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts of the fund were invested. Any unrealized gain or loss on the portfolio is distributed through the investment yield on distributed dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2017. Participation in the Local Government Investment Pool is voluntary.

NM State Statutes require collateral pledged for repurchase agreements in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least 102% of the amount on deposit with the institution. There are no repurchase agreements for the year ended June 30, 2017.

**Interest Rate Risk – Investments**

The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk – Investments**

The Village's investments in GNMA Securities are backed by the full faith of the United States Government. As of June 30, 2017 these securities were rated AAA by both Standard & Poor's and Moody's Investors Service.

**Concentration of Credit Risk – Investments**

The Village places no limit on the amount the Village may invest in any one issuer. Approximately three percent of the Village's Wells Fargo Investment Advisors investments are invested in GNMA's.

GASB Statement No. 72 requires investments to be presented at fair value. This statement provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quote prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

**Basis of Fair Value Measurement**

- |         |  |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Village has the ability to access.                                       |
| Level 2 | Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.  |

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3. CASH AND CASH EQUIVALENTS – GOVERNMENTAL AND PROPRIETARY FUNDS (CONTINUED)**

The Village maintained a balance of \$190,446 in investments at June 30, 2017 that require fair value disclosure. The following table sets forth by level, within fair value hierarchy, the Village’s assets at fair value as of June 30, 2017:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investment in:				
U.S. Treasury Money Market	\$ 113,264	-	-	113,264
GNMA Securities	4,076	-	-	4,076
LGIP	73,106	-	-	73,106
Total assets at fair value	<u>\$ 190,446</u>	<u>-</u>	<u>-</u>	<u>190,446</u>

The Village utilized the market approach to value its investments. GASB Statement No. 72 defines the market approach as using market prices and other information obtained from market transactions with similar or identical assets or liabilities.

**NOTE 4. RECEIVABLES**

Receivables as of year-end for the Village’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Municipal Street Fund</u>	<u>Proprietary Water Fund</u>	
Receivables:				
Customer	\$ -	-	13,866	13,866
Taxes				
Gross receipts	67,137	22,379	-	89,516
State shared	76,486	1,929	-	78,415
Property	1,604	-	-	1,604
Other	4,835	-	-	4,835
Other governments	-	70,000	236,176	306,176
Gross receivables	150,062	94,308	250,042	494,412
Less: allowance for uncollectibles	-	-	-	-
Net total receivables	<u>\$ 150,062</u>	<u>94,308</u>	<u>250,042</u>	<u>494,412</u>

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 708,458	-	-	708,458
Construction in Progress	-	97,521	-	97,521
Total capital assets not being depreciated	708,458	97,521	-	805,979
Capital assets, being depreciated:				
Infrastructure	3,789,744	395,803	-	4,185,547
Building and improvements	5,638,013	-	-	5,638,013
Equipment and vehicles	1,368,285	14,523	-	1,382,808
Total capital assets being depreciated	10,796,042	410,326	-	11,206,368
Less accumulated depreciation:				
Infrastructure	(648,017)	(104,639)	-	(752,656)
Building and improvements	(1,940,937)	(166,585)	-	(2,107,522)
Equipment and vehicles	(1,225,931)	(29,527)	-	(1,255,458)
Total accumulated depreciation	(3,814,885)	(300,751)	-	(4,115,636)
Total capital assets being depreciated, net	6,981,157	109,575	-	7,090,732
Governmental activities capital assets, net	\$ 7,689,615	207,096	-	7,896,711



**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5. CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
<b>Business-type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 62,977	-	-	-	62,977
Water Rights	54,848	-	-	-	54,848
Construction in Progress	873,162	23,497	-	(873,162)	23,497
Total capital assets not being depreciated	990,987	23,497	-	(873,162)	141,322
Capital assets, being depreciated:					
Infrastructure	7,841,506	-	-	873,162	8,714,668
Building and improvements	183,836	-	-	-	183,836
Equipment and vehicles	1,875	-	-	-	1,875
Total capital assets being depreciated	8,027,217	-	-	873,162	8,900,379
Less accumulated depreciation:					
Infrastructure	(3,082,920)	(236,527)	-	-	(3,319,447)
Building and improvements	(119,164)	(6,128)	-	-	(125,292)
Equipment and vehicles	(1,875)	-	-	-	(1,875)
Total accumulated depreciation	(3,203,959)	(242,655)	-	-	(3,446,614)
Total capital assets being depreciated, net	4,823,258	(242,655)	-	873,162	5,453,765
Business-type activities capital assets, net	\$ 5,814,245	(219,158)	-	-	5,595,087

STATE OF NEW MEXICO  
 VILLAGE OF TIJERAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2017

**NOTE 5. CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 287,151
Highways and streets	7,910
Public safety	<u>5,690</u>
Total depreciation expense - Governmental Activities:	<u>\$ 300,751</u>
Business-type Activities:	
Water and sewer	<u>\$ 242,655</u>
Total depreciation expense - Business-type Activities:	<u>\$ 242,655</u>

**NOTE 6. INTERFUND TRANSFERS**

**Interfund Transfers**

Legally authorized transfers between funds are recorded as other financing sources and uses in the respective funds.

The composition of interfund transfers for the year are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<b>Governmental Funds:</b>	\$ -	110,603
General Fund		
Municipal Street	91,503	-
<b>Proprietary Fund:</b>		
Water and Sewer	<u>19,100</u>	<u>-</u>
	<u>\$ 110,603</u>	<u>110,603</u>

All interfund balances are intended to be repaid within one year.

**NOTE 7. DEBT AND OTHER LONG TERM LIABILITIES**

**Short Term Debt**

The Village does not have any short-term debt.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 7. DEBT AND OTHER LONG TERM LIABILITIES (CONTINUED)**

**Long Term Debt – Enterprise Funds**

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

The Village has entered into a loan agreement with the New Mexico Finance Authority (NMFA), pursuant to Village Ordinance No. 337, dated September 25, 2015 in the amount of \$60,350 with a 0.25% interest rate. The proceeds of the note were used for the PHASE III Water System Improvement Schematic. Principal and interest payments are due June 1<sup>st</sup> and interest due December 1<sup>st</sup> of every year. The note matures in 2035.

Annual debt service requirements for long term debt are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin. Fee</u>	<u>Total</u>
2018	\$ 9,723	138	222	10,083
2019	9,746	131	205	10,082
2020	9,771	123	188	10,082
2021	9,795	116	171	10,082
2022	9,820	108	154	10,082
2023-2027	49,468	425	515	50,408
2028-2032	36,202	234	104	36,540
2033-2035	9,390	46	-	9,436
	<u>\$ 143,915</u>	<u>1,321</u>	<u>1,559</u>	<u>146,795</u>

**Changes in Long-term Liabilities – Enterprise Funds**

Long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type Activities</b>					
Note Payable	<u>\$ 153,613</u>	<u>-</u>	<u>9,698</u>	<u>143,915</u>	<u>9,723</u>

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT**

**Plan description**

The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

**Benefits Provided**

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

**TIER II**

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)**

**Contributions** – See PERA’s compressive annual financial report for Contribution provided description

<b>PERA Contribution Rates and Pension Factors as of July 1, 2016</b>						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the Village of Tijeras reported a liability of \$377,049 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)**

pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The Village of Tijeras’ proportion of the net pension liability was based on a projection of the Village of Tijeras’ long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Village of Tijeras’ proportion was 0.0236%, which was a decrease of 0.0231% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Village of Tijeras recognized pension expense of \$42,866. At June 30, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 18,840	\$ 3,679
Changes of assumptions	22,109	63
Net difference between projected and actual earnings on pension plan investments	69,376	-
Changes in proportion and differences between Village of Tijeras contributions and proportionate share of contributions	34,918	4,741
Village of Tijeras contributions subsequent to the measurement date	16,540	-
Total	<u>\$ 161,783</u>	<u>\$ 8,483</u>

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)**

\$16,540 reported as deferred outflows of resources related to pensions resulting from the Village’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	37,365
2019		37,365
2020		44,614
2021		17,416
Thereafter		-

**Actuarial assumptions**

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level of percentage pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.48 annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for the first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years 2.75% all other years
Mortality assumption	RP-2000 Mortality tables (Combined table for healthy post-retirement, Employee table for active member, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

STATE OF NEW MEXICO  
 VILLAGE OF TIJERAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2017

**NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)**

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

<b>ALL FUNDS - Asset Class</b>	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50 %	7.39 %
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
Total	100.00 %	

**Discount rate**

A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

**Sensitivity of the Village of Tijeras’ proportionate share of the net pension liability to changes in the discount rate**

The following presents the Village of Tijeras’ proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the Village’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Village's proportionate share of the net pension liability	\$ 562,146	377,049	223,520



STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)**

**Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

**NOTE 9. RETIREE HEALTH CARE PLAN**

**Plan Description.** The Village contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). The NMRHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The NMRHCA Board was established by the New Mexico 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 NMRHCA on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; 4) former governing authority members who served at least four years.

The NMRHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**Funding Policy.** The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the NMRHCA 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 (\$5) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100 percent of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the NMRHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The employer, employee and retiree contributions are required to be remitted to the NMRHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9. RETIREE HEALTH CARE PLAN (CONTINUED)**

January 1, 1998, are required to make contributions to the NMRHCA fund in the amount determined to be appropriate by the board.

The New Mexico Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5 percent of each participating employee's annual salary; and each participating employee was required to contribute 1.25 percent of their salary. For employees that were not members of an enhanced plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2 percent of each participating employee's annual salary; each participating employee was required to contribute 1 percent of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1- 6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Village contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$4,751, \$5,352, and \$5,689, respectively, which equal the required contributions for each year.

**NOTE 10. 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 has obtained insurance through the Self Insurance Fund operating as a common risk management and insurance program. The Village pays an annual premium to the New Mexico Self Insurers Fund for its general insurance coverage and all risk of loss is transferred. No losses were reported or incurred during the year.

**NOTE 11. JOINT POWERS AGREEMENTS**

The Village entered into an agreement with the Energy, Minerals and Natural Resources Department (EMNRD) for wildland fire protection and suppression. Both EMNRD and the Village will provide both Non-Reimbursable and Reimbursable Assistance in the control and suppression of wildland fires. This agreement is effective March 6, 2009 and is ongoing unless terminated by either party by written notification at least 90 days prior to the termination date. During the fiscal year ending June 30, 2017, \$-0- was received and \$-0- was paid out under this agreement.

The Village entered into a memorandum of understanding (MOU) for mutual and/or automatic aid for fire protection and emergency medical service with the City of Albuquerque and Bernalillo County. No party to this MOU is entitled to any reimbursement or compensation for all or any part of the cost incurred by such party in furnishing either mutual or automatic aid in emergency responses and in preserving life and property, except as negotiated by the parties for particular assignments in advance of

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 11. JOINT POWERS AGREEMENTS (CONTINUED)**

performance. This MOU is effective, unless terminated by either party upon a thirty day written notification.

**NOTE 12. CAPITAL OUTLAY APPROPRIATIONS**

The Village’s capital outlay appropriations are as follows:

<u>Capital Project</u>	<u>Project Appropriations</u>	<u>Expenditures to Date</u>	<u>Unexpended Balance</u>	<u>Appropriation Period</u>
Water System Improvement	\$ 390,000	390,000	-	9/13 to 6/17
Cravens Road	90,000	90,000	-	10/15 to 12/16
NM 333 Sidewalks	382,048	382,048	-	1/15 to 9/17
HSIP Signs	40,000	40,000	-	3/15 to 9/17
Senior Center	123,000	12,813	110,187	5/16 to 6/18
Senior Center	500,000	32,537	467,463	5/16/6/19
Total	<u>\$ 1,525,048</u>	<u>947,398</u>	<u>577,650</u>	

The term of the grants are contingent upon sufficient state appropriations and may be reverted prior to the expiration dates.

**NOTE 13. RECENT ACCOUNTING STANDARDS**

In June 2015, the GASB issued statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The primary objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 74 was effective for periods beginning after June 15, 2016. The adoption of GASB Statement No. 74 did not have any effect on the Village’s Financial Statements.

In August 2015, the GASB issued statement No. 77, Tax Abatement Disclosures. This Statement requires disclosure of tax abatement information about a reporting government’s own tax abatements agreements and those that are entered into by other governments and that reduce the reporting government’s tax revenues. GASB Statement No. 77 was effective for periods beginning after December 15, 2015. The adoption of GASB Statement No. 77 did not have a significant impact on the Village’s financial statements.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria that must be met for an external investment pool to be permitted to measure its investments at the amortized cost for financial reporting purposes. This Statement

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 13. RECENT ACCOUNTING STANDARDS (CONTINUED)**

also requires that the pool participants of external investment pools that meet the criteria also report their investments at the amortized cost for financial reporting purposes. External Investment Pools that not meet the requirement are required to follow paragraph 16 of GASB Statement No. 31. GASB Statement No. 79 requires additional note disclosures to be made in qualifying external investment pools financial statements. The additional note disclosures are also required to be made in the pool participants financial statements. The adoption of GASB Statement No. 79 did not have a significant impact on the Village's financial statements.

In January 2016, the GASB issued Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. GASB Statement No. 80 was effective for periods beginning after June 15, 2016. The adoption of GASB Statement No. 80 did not have a significant impact on the Village's financial statements.

**NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2017.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

GASB Statement No. 81, Irrevocable Split-Interest Agreements

GASB Statement No. 82, Pension Issues (an amendment of GASB Statements No. 67, No. 68, and No. 73)

GASB Statement No. 83, Certain Asset Retirement Obligations

GASB Statement No. 84, Fiduciary Activities

GASB Statement No. 85, Omnibus 2017

GASB Statement No. 86, Certain Debt Extinguishment Issues

GASB Statement No. 87, Leases

The Village will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The Village believes that the above listed new GASB pronouncements will not have a significant financial impact to the Village or in issuing its financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 15. EXCESS OF EXPENDITURES OVER BUDGET**

Generally Accepted Accounting Principles require disclosures of certain information concerning individual funds including:

Excess of expenditures over budget:

Fund	Amount
General Fund	\$ 188,749

**NOTE 16. SUBSEQUENT EVENTS**

Events subsequent to June 30, 2017 have been evaluated by management through February 14, 2018, the date the financial statements were available for issuance. In the opinion of management, no events occurring after June 30, 2017 require adjustment or disclosure in the financial statement.

**NOTE 17. RESTRICTED FUND BALANCES**

Fund balances were restricted for the following purposes:

**Subsequent Years Expenditures.** The New Mexico Department of Finance and Administration (DFA) requires that 1/12th of the general fund budgeted expenditures be restricted as subsequent year expenditures to maintain an adequate cash flow until the next significant GRT collection.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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STATE OF NEW MEXICO  
 VILLAGE OF TIJERAS  
 SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 June 30, 2017

SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET  
 PENSION LIABILITY  
 Public Employees Retirement Association (PERA)  
 For Last 10 Fiscal Years\*  
 (Dollar amounts in thousands)

Fiscal Year Measurement Date	30-Jun		
	2017 2016	2015 2014	
Village's Proportion of the Net Pension Liability (Asset)	0.0236%	0.0242%	0.1810%
Village's Proportionate Share of Net Pension Liability (Asset)	\$ 377,049	\$ 246,740	\$ 141,199
Village's Covered-Employee Payroll	\$ 223,517	\$ 318,384	\$ 316,811
Village's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	168.69%	77.50%	44.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.18%	76.99%	81.29%

\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village is not available prior to fiscal year 2015, the year the statement's requirements became effective

STATE OF NEW MEXICO  
 VILLAGE OF TIJERAS  
 SCHEDULE OF VILLAGE CONTRIBUTIONS  
 JUNE 30, 2017

**SCHEDULE OF VILLAGE'S CONTRIBUTIONS**  
 Public Employees Retirement Association (PERA)  
 Last Ten Fiscal Years\*  
 (Dollars in Thousands)

	2017	2016	2015
Contributions in relation to the contractually required contribution	\$ 19,322	\$ 39,350	\$ 22,792
Contractually required contributions	\$ 19,322	\$ 38,756	\$ 21,968
Contribution deficiency (excess)	\$	\$ 594	\$ 824
Village's covered payroll	\$ 223,517	\$ 318,384	\$ 316,811
Contributions "in relation" as a percentage of covered-employee payroll	8.64%	12.36%	7.16%

\* *Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village of Tijeras is not available prior to fiscal year 2015, the year the statement's requirements became effective

\*\* Amounts for covered payroll for 2017 are imputed using the contribution rates for the various plans

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2017**

**Changes of Benefit Terms:** The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

**Assumptions:** The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>

**Other.** The pension schedules in the required supplementary information are intended to show information for ten years. Additional information will be presented as it becomes available.

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## **SUPPLEMENTARY INFORMATION**

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**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
FUND DESCRIPTIONS  
JUNE 30, 2017**

**NON-MAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

**EMS Fund** - authorized by State Statute 24-10A-1 to 24-10A-10, to account for operations of emergency medical and trauma services. Financing is provided by the EMS grant.

**Fire Protection Fund** - is used to account for the operations of the Fire Department and is authorized by the State Statute Chapter 48, Section 2, Laws of 1963. Financing is provided by the State Fire Allotment, emergency medical services, interest on investments and miscellaneous revenues.

**Senior Citizens Fund** – authorized by NMSA 1978, Section 9-2-5 to 9-2-15, to accounts for donations and fees collected by the Village on behalf of its' senior citizens and expended for them in accordance with their wishes, and to account for grant funds for the benefit of senior citizens.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue</u>			<u>Total</u>
	<u>EMS Fund</u>	<u>Fire Protection Fund</u>	<u>Senior Citizens Fund</u>	
<b>Assets</b>				
Cash	\$ 12,444	36,090	4,730	53,264
<b>Total assets</b>	<u>\$ 12,444</u>	<u>36,090</u>	<u>4,730</u>	<u>53,264</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 29	9,352	2,301	11,682
<b>Total liabilities</b>	<u>29</u>	<u>9,352</u>	<u>2,301</u>	<u>11,682</u>
<b>Fund balances:</b>				
Restricted for:				
Special revenue	12,415	26,738	2,429	41,582
<b>Total fund balances</b>	<u>12,415</u>	<u>26,738</u>	<u>2,429</u>	<u>41,582</u>
<b>Total liabilities and fund balance</b>	<u>\$ 12,444</u>	<u>36,090</u>	<u>4,730</u>	<u>53,264</u>

The notes to the financial statements are an integral part of this statement.



**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Special Revenue</b>			<b>Total</b>
	<b>EMS Fund</b>	<b>Fire Protection Fund</b>	<b>Senior Citizens Fund</b>	
<b>Revenues</b>				
Intergovernmental:				
State grants	\$ 20,000	79,650	139,842	239,492
Miscellaneous	-	-	2,225	2,225
<b>Total revenues</b>	<u>20,000</u>	<u>79,650</u>	<u>142,067</u>	<u>241,717</u>
<b>Expenditures</b>				
<b>Current operations:</b>				
Public safety	7,621	68,804	-	76,425
Culture and recreation			100,898	100,898
<b>Capital outlay</b>	<u>-</u>	<u>14,523</u>	<u>59,703</u>	<u>74,226</u>
<b>Total expenditures</b>	<u>7,621</u>	<u>83,327</u>	<u>160,601</u>	<u>251,549</u>
<b>Net change in fund balances</b>	12,379	(3,677)	(18,534)	(9,832)
<b>Fund balances, beginning of year</b>	<u>36</u>	<u>30,415</u>	<u>20,963</u>	<u>51,414</u>
<b>Fund balances, end of year</b>	<u>\$ 12,415</u>	<u>26,738</u>	<u>2,429</u>	<u>41,582</u>

The notes to the financial statements are an integral part of this statement.

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## **COMPLIANCE SECTION**

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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***

To Wayne A. Johnson,  
New Mexico State Auditor

Gloria Chavez, Mayor  
Members of the Village Council  
Village of Tijeras  
Tijeras, New Mexico

We have audited, 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, the financial statements of the governmental activities, business type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds of the Village of Tijeras (the “Village”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village’s basic financial statements, and have issued our report thereon dated February 14, 2018.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Village’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Village’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2015-003, 2015-004, 2017-002, and 2017-003.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2017-004, 2017-005, and 2017-006.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the schedule of findings and responses as item 2014-001, 2017-001, 2017-007, 2017-008, 2017-009, and 2017-010.

### **The Village's Response to Findings**

The Village's response to the findings identified in our audit are described in the accompanying schedule of findings. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Pattillo, Brown & Hill, LLP  
Albuquerque, New Mexico  
February 14, 2018

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
SCHEDULE OF PRIOR YEAR FINDINGS  
JUNE 30, 2017**

**Financial Statement Findings**

**Prior Year**

2014-001	Expenditures In Excess of Budget – Repeated and Modified
2015-003	Journal Entries and errors in Posting Transactions – Repeated and Modified
2015-004	Capital Assets and Depreciation Schedule – Repeated and Modified

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2014-001**

**Expenditures in Excess of Budget –Repeated and Modified (compliance)**

**Condition:**

Actual expenditures exceeded budgeted expenditures at the total fund level for the General Fund by \$188,749.

Management has not made progress in correcting this prior year finding.

**Criteria:**

The New Mexico State Statute, Section 6-6-6 NMSA 1978, requires that the Village keep expenditures within the budgeted amounts. NMAC 2.2.2.10 R (1) requires a finding when actual expenditures exceed budgeted expenditures.

**Effect:**

Violations of statutes regarding budgets and expenditures could affect future funding from the state. The general ledger does not accurately present the Village's financial information.

**Cause:**

The Village does not have effective procedures in place to properly ensure that records are maintained and recorded correctly by account and/or fund.

**Recommendation:**

The Village should establish procedures and provide training to the accounting staff to ensure that transactions are entered into the accounting software accurately, timely, and maintained properly.

**Response:**

The Village Clerk will ensure accounting software is adequate, establish procedures, and ensure that staff continues to be trained.

Timeline for Corrective Action: Implementation is projected for May 2018.

**2015-003**

**Journal Entries – Repeated and Modified - (Material Weakness)**

**Condition:**

In reviewing journal entries for the year ended June 30, 2017, it was noted that journal entries are posted to QuickBooks, but that documentation supporting the rationale for the journal entry is not maintained. Journal entries are not being reviewed or approved by someone other than the preparer of the journal entries. The Village also posted entries during the fiscal year that required correction as part of the annual audit.

Management has not made progress in correcting this prior year finding.

**Criteria:**

A good internal control structure will ensure that those journal entries are sufficiently supported so that someone other than the preparer of the journal entry can review them.

**Effect:**

Financial information of the Village could be misstated if improper journal entries are posted to the accounting system.



**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**Cause:** The Village did not have effective procedures in place to properly review and authorize journal entries.

**Recommendation:** The Village should establish procedures to ensure that the supporting documentation for all journal entries is properly maintained. Journal entries should be reviewed and approved by someone other than the preparer of the journal entries.

**Response:** The Finance Director will ensure that an internal control procedure is documented and begun whereby supporting documentation is attached to a printout of each journal entry. The Mayor will review and approve all journal entries.

Timeline for Corrective Action: Implementation is projected for March 2018.

**2015-004                    Depreciation Schedule –Repeated and Modified (Material Weakness)**

**Condition:** The Village did not properly maintain its depreciation schedule for capital assets for the year ended June 30, 2017. During test-work of capital assets, several adjustments were required to tie the Village’s capital asset listing to the financial records. The Village is combining Net Assets – Capital Assets for governmental activities and business type activities. The Village is capitalizing items at the fund level instead of the government wide level for governmental related activities. The Village incorrectly recorded depreciation expense to the governmental funds at the fund level. Construction in Progress required several adjustments.

Management has not made progress in correcting this prior year finding.

**Criteria:** The Village must have capital assets policies and procedures to provide accountability for the safeguarding of assets in accordance with GASB statement No. 34.

**Effect:** Financial information of the Village could be misstated if records regarding capital assets are not properly maintained. Several revisions of the capital asset records was a contributing factor in the Village’s audit report not being filed by the December 15, 2017 due date.

**Cause:** The Village did not have effective procedures in place that properly ensure records pertaining to capital assets are updated timely. Village personnel do not appear to have an understanding that capital assets are recorded differently for governmental activities versus capital assets in the business-type activities.

**Recommendation:** The Village should establish procedures to ensure that the depreciation schedule is updated as needed. Village personnel in charge of capital asset should obtain training with respect to the recording of capital assets for governmental activities.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**Response:** The Village Clerk will see that appropriate software is purchased to properly manage fixed assets. Personnel will be trained and fixed assets will be managed according to governmental accounting guidelines.

Timeline for Corrective Action: Implementation is projected for May 2018.

**2017-001 Late Audit Report (compliance)**

**Condition:** The audit report for the year ended June 30, 2017 was submitted to the New Mexico State Auditor after the required deadline of December 15, 2017.

**Criteria:** Audits of Municipalities must be submitted by December 15 in accordance with the New Mexico State Audit Rule 2.2.2.9A.

**Effect:** Delays in submission of the audit report affect the village's ability to report timely financial information to other state agencies and local governments. Without timely audit reports, funding could be affected in future years, as the State of New Mexico, through Governor's Executive Order 2016-006, prohibits funding of capital outlay projects without timely audit reports. Untimely audit reports could hinder the Village's finances and ability to receive state or federal funding for future projects.

**Cause:** The Village experienced various personnel turnover in accounting related positions during the fiscal year. As a result, the Village experienced several unexpected challenges with reconciling its accounting records. Additionally, the Village had deficiencies in its financial close and reporting procedures (See Audit Finding 2017-002).

**Recommendation:** The Village should establish procedures to ensure that future audits are submitted timely.

**Response:** Significant accounting personnel turnover, fieldwork rescheduled by auditor request from September to November, prior auditor adjustments not received nor integrated into books, and governmental accounting procedures not completely followed were several of the contributing factors to the late filing of the Audit Report.

The Village Clerk will take necessary steps so that the books will be correct, complete, and ready for audit in a timely manner. Earlier fieldwork dates will be requested of the Auditor.

Timeline for Corrective Action: Implementation is projected for May 2018.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2017-002**

**Financial Close and Reporting (Material Weakness)**

**Condition:**

The Village relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The accounting staff lacks the knowledge to prepare such statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. The Village relies on the independent auditor to gather all necessary information to convert their cash basis accounting information into financial statements prepared in accordance with GAAP. The Village currently has no employee capable of preparing the financial statements in accordance with GAAP.

It was necessary for the independent auditor to post numerous material adjustments to prepare the Village's trial balance for financial statement preparation. These entries were needed as the Village's funds were out of balance and the Village improperly posted items to fund balance. Various other entries were needed to adjust balance sheet accounts as of yearend.

**Criteria:**

According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation.

**Effect:**

Because Village personnel lack the ability to prepare, and did not prepare the financial statements, there is an increased risk that a misstatement of the Village's financial statements, that is more than inconsequential, will not be prevented or detected.

**Cause:**

Village accounting staff lack the ability to prepare financial statements and the associated disclosures. When audit services are sought, there is a requirement that the auditor will prepare the financial statements. In the past this may have been sufficient; however, the issuance of AU Section 325 "Communicating Internal Control Related Matters Identified in an Audit," now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

**Recommendation:**

Village accounting staff should attend seminars or obtain other education on governmental financial reporting to increase their knowledge and abilities.

**Response:**

The Village uses QuickBooks Pro accounting software, which does not accomplish proper fund accounting and previously relied on the software used by the auditor to make necessary entries to achieve proper fund reporting. Previously, there was not an expectation to achieve proper governmental financial reporting, especially for internal-use financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

Since this is now considered a material weakness, the Village Clerk will consider a software add-on or different software. In addition, the Village Clerk will ensure that proper training/education continues to be obtained by staff.

Timeline for Corrective Action: Implementation is projected for May 2018.

**2017-003**

**Grant Management (Material Weakness)**

**Condition:**

The independent auditor was not able to ascertain if grant revenues and expenditures are properly recorded in the Village's general ledger.

**Criteria:**

Section 6-6-3 NMSA, 1978 discusses the need for the Village to keep all the books, records and accounts in their respective office in the form prescribed by the local government division and conform to the rules and regulations adopted by the local government division. Good accounting practices require that controls are established to ensure that grants are properly recorded.

**Effect:**

Poor grant management is a contributing factor to the independent auditor not being able to express an opinion on revenues or expenditures for the year ended June 30, 2017.

**Cause:**

The Village was did not effectively manage its grant activity for the fiscal year. This was due to various personnel transitions within the Village's finance department.

**Recommendation:**

The Village should establish procedures to ensure that all grants are effectively monitored and accounted for. Requests for Reimbursement should be properly supported. Grant expenditures should be properly supported. A cumulative report on unexpended grant balances should be maintained. Supporting documentation for grant matching requirements should be maintained. The general ledger should be monitored to ensure that grant activity is properly posted.

**Response:**

Resource allocation by priority, especially necessary during recurrent staffing shortages, has contributed to Grants not historically being managed in-house. The Village Clerk will take the necessary steps to ensure that grants are maintained properly by Village personnel.

Timeline for Corrective Action: Implementation is projected for May 2018.

**2017-004**

**Segregation of Duties (Significant Deficiency)**

**Condition:**

We noted during our test-work, the following instances of a lack of appropriate segregation of duties:

- The Finance Director opens the mail, prepares the deposit, and posts the deposits to QuickBooks.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

- The Deputy Clerk approves her own time cards.

**Criteria:** The codification of Statements on auditing Standards (AU-C) Section 200 paragraph .05 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

**Effect:** Without adequate segregation of duties in key control processes, there is an increased risk of fraudulent activity, and an increased risk of errors that may not be detected timely.

**Cause:** Due to limited resources, the Village relies on the expertise of a couple individuals to perform many duties.

**Recommendation:** The Village should conduct a study of tasks performed by all finance related positions and reassign tasks to the extent possible, so that segregation of duties is appropriate.

**Response:** All monies received are recorded in pre-numbered receipt books.  
  
The Village Clerk will conduct a study of tasks performed by all finance-related positions and reassign duties for maximum segregation of duties among the accounting/management positions.

Timeline for Corrective Action: Implementation is projected for May 2018.

**2017-005      Controls over Disbursements (Significant Deficiency)**

**Condition:** During test-work of cash disbursements, the following deficiencies were noted:

- For six of sixty-two cash disbursements tested, totaling \$21,800.54, there was not any written indication that disbursement had been approved for payment.
- For one of sixty-two cash disbursements tested, the Village incurred late fees of \$9.50 for not paying an invoice in a timely manner.

During test-work of gas-card disbursements, the following deficiency was noted:

- For one of ten disbursements tested, there was a transaction for \$38.82, where the Village was unable to locate the supporting documentation.

During test-work of P-card disbursements, the following deficiencies were noted:

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

- Two of five disbursements totaling \$6.44 were missing some supporting documentation.

**Criteria:** NMSA 1978, section 6-5-8, states that purchases for goods and services, other than personnel, must be accompanied by supporting invoices and documentation.

**Effect:** Lack of supporting documentation for purchases increase the risk for improper purchases.

**Cause:** The Village did not follow established internal control procedures in processing these transactions.

**Recommendation:** The Village should establish controls over cash disbursements where all supporting documentation for purchases are maintained and filed in a manner that they are readily available when needed.

**Response:** The Village Clerk will institute written policies and procedures regarding cash disbursements to ensure good internal control is maintained.

Timeline for Corrective Action: Implementation is projected for May 2018.

**2017-006                    Controls over Payroll (Significant Deficiency)**

**Condition:** For three of eight payroll transactions tested, totaling \$3,739.64, the employee was paid overtime. The auditors were unable to verify if the overtime paid was calculated correctly because the Village's policy on overtime is not in writing.

**Criteria:** Section 6-6-3 NMSA, 1978 discusses the need for the Village to keep all the books, records and accounts in their respective office in the form prescribed by the local government division and conform to the rules and regulations adopted by the local government division. Good accounting practices require that employees are paid based on approved rates and that policies and procedures are established to address all payroll related issues.

**Effect:** Lack of approved pay rates and/or approved timesheets increases the risk of material misstatement.

**Cause:** The Village has not formally documented its payroll policies in a written document.

**Recommendation:** The Village should formalize its payroll policies in a written document. The policies should ensure that there is a proper segregation of duties in payroll processing. The Village Council should approve the payroll policies. Village personnel should adhere to the approved payroll procedures.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**Response:** The Village Clerk will ensure NMAC 2.20.5 is followed by requiring that timecards be signed by supervisor(s), in the Processes and Procedures Manual, under development.

Timeline for Corrective Action: Implementation is projected for February 2018.

**2017-007**

**Timeliness of PERA Contributions (compliance)**

**Condition:** While conducting test-work related to PERA contributions, it was observed that the Village was not timely in its remittance of PERA contributions. Four of Twenty-five payments totaling \$5,494.02 were made one day late, while twelve of twenty-five payments totaling \$17,259.95 were made two or more days late.

**Criteria:** Per NMAC 2.80.500.8.B, employers shall transmit to PERA the member and employer contributions for every member in its employ for each pay period on or before the fifth working day following the payday applicable to the pay period.

**Effect:** The Village could be subject to penalties of \$50 per day and associated interest for each late remittance.

**Cause:** Due to various transitions within the Village's finance department, PERA contributions were not consistently being remitted in a timely manner.

**Recommendation:** The Village should establish procedures to ensure that PERA contributions are remitted timely in accordance with applicable statutes.

**Response:** The Finance Director will act to ensure that PERA contributions and reports are timely filed.

Timeline for Corrective Action: Implementation was completed in January 2018.

**2017-008**

**Fixed Asset Certification (compliance)**

**Condition:** It was noted during test-work that the Village did not perform a capital asset inventory for the fiscal year ended June 30, 2017.

**Criteria:** The New Mexico Administrative Code 2.20.1.16A and E requires the Village to conduct a physical inventory of its capital assets and present the results in a written inventory report, certified as to its correctness and signed by the governing authority of the entity.

**Effect:** The Village does not comply with a state statute. The Village's capital asset listing was not reviewed for the fiscal year ended June 30, 2017, which may result in the unauthorized use or loss of Village assets. Additionally, an accurate, up-to-date listing of capital assets is essential for Village planning.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**Cause:** Due to various transitions within the Village’s finance department, the Village was unable to perform an inventory of its capital assets and present a report to the Village Council.

**Recommendation:** The Village should conduct an annual inventory of its capital assets to meet State requirements and to ensure that only active, in-service capital assets are included on the Village’s financial statements. The written report should be certified as to its correctness and be signed by the Village Council.

**Response:** The Village Clerk will ensure that a capital asset inventory is conducted, assets are tagged, and fixed asset records are adjusted accordingly. A report, certified as to its correctness and signed by the Village Council will be prepared.

Timeline for Corrective Action: Implementation is projected for May 2018.

**2017-009                      Travel and Per Diem (compliance)**

**Condition:** During test-work over compliance with the Per Diem and Mileage Act, the following items were noted:

- Five of seventeen items tested, totaling \$1,369.83 did not have the Mayor’s written approval on the travel reimbursement form.
- One of seventeen items tested, totaling \$1,743.25 did not have written approval on the invoice.
- Four of seventeen items tested, totaling \$722.07, mileage was reimbursed at an incorrect rate. As a result, the Village over paid \$37.80 in mileage reimbursements.
- For one of seventeen items, the amount reimbursed was \$103.05, but the receipts provided only totaled to \$83.05. A receipt for \$20.00 was missing.

**Criteria:** The New Mexico Per Diem and Mileage Act, section 10-8-1 to 10-8-8, NMSA 1978 document requirements of the Act. Additionally, the Village has internal policies regarding Travel and per Diem.

**Effect:** The Village did not comply with the Mileage and Per Diem Act or internal policies and reimbursed more travel expenses than allowed.

**Cause:** The Village did not follow the Mileage and Per Diem Act or internal policies when processing travel and per diem expenditures.

**Recommendation:** The Village should establish policies and procedures to ensure that travel and per diem are paid out in accordance with the Per Diem and Mileage Act.

**Response:** Annually, the Finance Director will check the IRS website for mileage rate changes and will verify that all calculations are correct. In addition, the Finance Director



**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

will ensure that documentation and approvals follow the procedures manual, in process.

Timeline for Corrective Action: Implementation was done in January 2018.

**2017-010**

**Anti-Donation Clause (compliance)**

**Condition:**

Subsequent to yearend, it was noted that an employee of the Village gave scrap metal to one of the Village's Councilors. The Councilor sold the scrap metal. After discussions with the Village, the Councilor reimbursed the Village for the scrap metal.

**Criteria:**

Article 9, Section 14 of the New Mexico Constitution state that "neither the state nor any county, school district or municipality...shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person, association or public or private corporation..."

**Effect:**

The Village violated provisions of Article 9, Section 14 of the New Mexico Constitution.

**Cause:**

The Village employee was not aware of the Anti-Donation Clause.

**Recommendation:**

The Village should make its employees aware of the Ant-Donation Clause. If the Village needs to dispose of any fixed assets in the future, NMAC 2.20.1.18 provides guidance.

**Response:**

The Village Clerk will ensure that employees and councilors are provided with a copy of the Anti-Donation Clause and that each sign that the policy has been received and is understood. The Village will work diligently to ensure that Village property, including supplies, are handled appropriately.

Timeline for Corrective Action: Implementation is projected for March 2018.

**STATE OF NEW MEXICO  
VILLAGE OF TIJERAS  
EXIT CONFERENCE  
JUNE 30, 2017**

**EXIT CONFERENCE**

An exit conference was held on February 20, 2018 at the Village's offices. In attendance were Gloria J. Chavez, Mayor, Diane L. Klaus, Deputy Clerk/Acting Clerk, Teresa Grannemann, CPA, Comptroller, Darlene C. Coleman, Finance Director and David Wilson, Councilor, from the Village of Tijeras. Chris Garner, CPA and David Baca attended for Pattillo, Brown & Hill, L.L.P.

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements presented in this report have been prepared by the auditors, Pattillo, Brown, and Hill, L.L.P., Certified Public Accountants; however, the financial statements are the responsibility of the management.