



**STATE OF NEW MEXICO
VILLAGE OF TIJERAS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018

INTRODUCTORY SECTION

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**VILLAGE OF TIJERAS
OFFICIAL ROSTER
JUNE 30, 2018**

ELECTED OFFICIALS

<u>Name</u>	<u>Title</u>
Gloria J. Chavez	Mayor
Jake Bruton	Mayor Pro-Tem, Councilor
Felix Garcia	Councilor
Don Johnson	Councilor
Maxine Wilson	Councilor

ADMINISTRATIVE OFFICIALS

Jessica J. Sanchez	Clerk-Treasurer (through mid-November 2018)
Diane L. Klaus	Deputy Clerk
Darlene C. Coleman	Finance Director

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Members of the Village Council
Gloria Chavez, Mayor
Village of Tijeras
Tijeras, New Mexico and
Mr. Wayne A. Johnson
New Mexico State Auditor
Santa Fe, 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, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the Table of Contents. We did not audit the 2017 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employee Retirement Association (PERA), the administrator of the cost sharing pension plan for the Village and the 2017 Schedules of Employer Allocations and OPEB Amounts by Employer of the New Mexico Retiree Health Care Authority (RHCA), the administrator of the cost sharing healthcare plan for the Village. These schedules and statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Village, is based solely on the report of the other auditors.

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.

Members of the Village Council
Gloria Chavez, Mayor
Village of Tijeras and
Mr. Wayne A. Johnson
New Mexico State Auditor

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 Village'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 Village'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.

Opinions

In our opinion, the financial statements present fairly, in all material respects, the respective financial position 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 major special revenue funds of the Village, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the *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.

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, Schedule of the Village's Pension Contributions, Schedule of the Village's Proportionate Share of the Net OPEB Liability, and the Schedule of the Village's OPEB Contributions* on pages 44-48 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

Members of the Village Council
Gloria Chavez, Mayor
Village of Tijeras and
Mr. Wayne A. Johnson
New Mexico State Auditor

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the Village's financial statements that collectively comprise the Village's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules as 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 combining and individual nonmajor fund financial statements and 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 combining and individual nonmajor fund financial statements and the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation 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 December 17, 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*, issued by the Comptroller General of the United States, in considering the Village's internal control over financial reporting and compliance.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
December 17, 2018

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	\$ 1,656,171	\$ 49,841	\$ 1,706,012
Investments	474,029	-	474,029
Receivables (net of allowance for uncollectibles)	224,753	37,439	262,192
Prepaid expenses	590	-	590
Total current assets	<u>2,355,543</u>	<u>87,280</u>	<u>2,442,823</u>
Non-current assets			
Capital assets			
Land	708,458	62,977	771,435
Construction in progress	839,152	23,497	862,649
Intangible assets - water rights	-	54,848	54,848
Capital assets being depreciated, net	<u>6,824,556</u>	<u>5,211,108</u>	<u>12,035,664</u>
Total non-current assets	<u>8,372,166</u>	<u>5,352,430</u>	<u>13,724,596</u>
Total assets	<u>10,727,709</u>	<u>5,439,710</u>	<u>16,167,419</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - related to pension and OPEB	<u>73,706</u>	<u>-</u>	<u>73,706</u>
LIABILITIES			
Current liabilities			
Accounts payable	172,922	1,201	174,123
Accrued payroll liabilities	4,198	-	4,198
Unearned revenue	16,861	-	16,861
Current portion of long-term debt	<u>-</u>	<u>9,746</u>	<u>9,746</u>
Total current liabilities	<u>193,981</u>	<u>10,947</u>	<u>204,928</u>
Non-current liabilities			
Long-term debt	-	124,446	124,446
Net pension liability	166,264	-	166,264
Net OPEB liability	<u>245,617</u>	<u>-</u>	<u>245,617</u>
Total non-current liabilities	<u>411,881</u>	<u>124,446</u>	<u>536,327</u>
Total liabilities	<u>605,862</u>	<u>135,393</u>	<u>741,255</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - related to pension and OPEB	<u>167,081</u>	<u>-</u>	<u>167,081</u>
NET POSITION			
Net investment in capital assets	8,372,166	5,218,238	13,590,404
Restricted for:			
Special projects	368,887	-	368,887
Committed to:			
Subsequent year's expenditures	66,012	-	66,012
Unrestricted	<u>1,221,407</u>	<u>86,079</u>	<u>1,307,486</u>
Total net position	<u>\$ 10,028,472</u>	<u>\$ 5,304,317</u>	<u>\$ 15,332,789</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 929,107	\$ 75,198	\$ 90,000	\$ -	\$ (763,909)	\$ -	\$ (763,909)
Public safety	103,488	-	92,949	-	(10,539)	-	(10,539)
Highways and streets	91,642	-	-	174,140	82,498	-	82,498
Culture and recreation	119,265	-	111,950	511,884	504,569	-	504,569
Total governmental activities	<u>1,243,502</u>	<u>75,198</u>	<u>294,899</u>	<u>686,024</u>	<u>(187,381)</u>	<u>-</u>	<u>(187,381)</u>
Business-type activities:							
Water	420,926	125,533	-	-	-	(295,393)	(295,393)
Wastewater	-	-	-	-	-	-	-
Motor vehicle	932	-	-	-	-	(932)	(932)
Total primary government	<u>\$ 1,665,360</u>	<u>\$ 200,731</u>	<u>\$ 294,899</u>	<u>\$ 686,024</u>	<u>(187,381)</u>	<u>(296,325)</u>	<u>(483,706)</u>
General revenues							
Taxes							
Gross receipts					958,993	9,100	968,093
Motor vehicle excise					49,324	4,912	54,236
Franchise					17,224	-	17,224
Property					16,515	-	16,515
Gasoline					12,829	-	12,829
Interest on investments					2,479	-	2,479
Miscellaneous					63,586	4,736	68,322
Transfers					(113,512)	113,512	-
Total general revenues					<u>1,007,438</u>	<u>132,260</u>	<u>1,139,698</u>
Change in net position					<u>820,057</u>	<u>(164,065)</u>	<u>655,992</u>
Net position, beginning of year					8,964,436	5,704,558	14,668,994
Restatement					535,729	(236,176)	299,553
Adoption of new accounting standard (Note 10)					(291,750)	-	(291,750)
Net position, beginning of year, restated					<u>9,208,415</u>	<u>5,468,382</u>	<u>14,676,797</u>
Net position, end of year					<u>\$ 10,028,472</u>	<u>\$ 5,304,317</u>	<u>\$ 15,332,789</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Municipal Street Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 1,166,550	\$ 247,422	\$ 144,461	\$ 97,738	\$ 1,656,171
Investment	474,029	-	-	-	474,029
Accounts receivable (net of allowance for uncollectible)	171,330	29,782	-	23,641	224,753
Interfund receivable	19,123	-	-	-	19,123
Prepaid expenses	590	-	-	-	590
Total assets	<u>\$ 1,831,622</u>	<u>\$ 277,204</u>	<u>\$ 144,461</u>	<u>\$ 121,379</u>	<u>\$ 2,374,666</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 34,749	\$ 3,048	\$ 127,600	\$ 7,525	\$ 172,922
Accrued payroll liabilities	4,198	-	-	-	4,198
Unearned revenue	-	-	16,861	-	16,861
Interfund payable	-	-	-	19,123	19,123
Total liabilities	<u>38,947</u>	<u>3,048</u>	<u>144,461</u>	<u>26,648</u>	<u>213,104</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable - property taxes	1,532	-	-	-	1,532
FUND BALANCES					
Nonspendable	590	-	-	-	590
Restricted for:					
Special revenue	-	274,156	-	94,731	368,887
Committed to:					
Subsequent year's expenditures	66,012	-	-	-	66,012
Unassigned	1,724,541	-	-	-	1,724,541
Total fund balances	<u>1,791,143</u>	<u>274,156</u>	<u>-</u>	<u>94,731</u>	<u>2,160,030</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,831,622</u>	<u>\$ 277,204</u>	<u>\$ 144,461</u>	<u>\$ 121,379</u>	<u>\$ 2,374,666</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

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

Fund Balances - Total Governmental Funds		\$ 2,160,030
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	\$ 12,784,469	
Less accumulated depreciation	<u>(4,412,303)</u>	8,372,166
Defined benefit pension and OPEB plans deferred outflows are not financial resources and, therefore, are not reported in the governmental funds.		
		73,706
Long-term liabilities are not due in the current period and, therefore, are not reported in the governmental funds.		
Net pension liability		(166,264)
Net OPEB liability		(245,617)
Defined benefit pension and OPEB plans deferred inflows are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
		(167,081)
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>1,532</u>
Net position of governmental activities		<u>\$ 10,028,472</u>

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Municipal Street Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Gross receipts	\$ 829,655	\$ 129,338	\$ -	\$ -	\$ 958,993
Motor vehicle excise	49,324	-	-	-	49,324
Franchise	17,224	-	-	-	17,224
Property	16,234	-	-	-	16,234
Gasoline	8,106	4,723	-	-	12,829
Licenses and permits	3,205	-	-	-	3,205
Intergovernmental					
Federal	-	-	174,139	-	174,139
State	90,000	-	511,885	204,899	806,784
Charges for services	69,798	-	-	2,195	71,993
Interest on investments	2,479	-	-	-	2,479
Miscellaneous	61,865	-	-	1,721	63,586
Total revenues	<u>1,147,890</u>	<u>134,061</u>	<u>686,024</u>	<u>208,815</u>	<u>2,176,790</u>
EXPENDITURES					
Current operations					
General government	730,827	-	-	-	730,827
Public safety	33,108	-	-	66,315	99,423
Highways and streets	-	81,966	-	-	81,966
Culture and recreation	10,415	-	10,428	98,422	119,265
Capital outlay	-	-	697,719	-	697,719
Total expenditures	<u>774,350</u>	<u>81,966</u>	<u>708,147</u>	<u>164,737</u>	<u>1,729,200</u>
Excess of revenues over expenditures	<u>373,540</u>	<u>52,095</u>	<u>(22,123)</u>	<u>44,078</u>	<u>447,590</u>
Other financing sources (uses)					
Transfers in	465,140	27,397	147,275	9,131	648,943
Transfers out	(216,095)	-	(546,300)	(60)	(762,455)
Total other financing sources (uses)	<u>249,045</u>	<u>27,397</u>	<u>(399,025)</u>	<u>9,071</u>	<u>(113,512)</u>
Net change in fund balances	<u>622,585</u>	<u>79,492</u>	<u>(421,148)</u>	<u>53,149</u>	<u>334,078</u>
Fund balances, beginning of year	1,168,558	80,083	-	41,582	1,290,223
Restatement	-	114,581	421,148	-	535,729
Fund balances, beginning of year, as restated	<u>1,168,558</u>	<u>194,664</u>	<u>421,148</u>	<u>41,582</u>	<u>1,825,952</u>
Fund balances, end of year	<u>\$ 1,791,143</u>	<u>\$ 274,156</u>	<u>\$ -</u>	<u>\$ 94,731</u>	<u>\$ 2,160,030</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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

Net change in fund balances - total governmental funds	\$ 334,078
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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.

Expenditures for capital assets	772,122
Depreciation expense	(296,667)

Recognition of accounts receivable and deferred inflows of resources is reflected on the full accrual basis within the Statement of Activities.	278
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Long-term liabilities are not due in the current period and, therefore, are not reported in the governmental funds.

Pension contribution	22,077
Pension expense	(6,595)
OPEB contribution	4,529
OPEB expense	<u>(9,765)</u>

Change in net position of governmental activities	<u>\$ 820,057</u>
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STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) AND ACTUAL (Budgetary Basis)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Gross receipts	\$ 575,000	\$ 795,000	\$ 839,834	\$ 44,834
Franchise	30,000	30,000	13,740	(16,260)
Property	12,000	12,000	16,043	4,043
Motor Vehicle Excise	80,000	80,000	49,324	(30,676)
Gasoline	-	-	8,106	8,106
Licenses and permits	2,375	2,375	3,175	800
Intergovernmental				
State	90,000	90,000	90,000	-
Charges for services	10,650	10,650	74,633	63,983
Interest on investments	1,700	1,700	2,479	779
Miscellaneous	740	740	61,865	61,125
Total revenues	802,465	1,022,465	1,159,199	136,734
EXPENDITURES				
Current operations				
General government	761,576	761,576	702,627	58,949
Public safety	36,512	36,512	33,108	3,404
Highways and streets	16,250	16,250	-	16,250
Culture and recreation	7,000	7,000	10,415	(3,415)
Total expenditures	821,338	821,338	746,150	75,188
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(18,873)	201,127	413,049	(211,922)
Other financing sources (uses)				
Transfers in	20,000	465,140	465,140	-
Transfers out	-	(216,095)	(216,095)	-
Total other financing sources (uses)	20,000	249,045	249,045	-
Net change in fund balances	\$ 1,127	\$ 450,172	662,094	\$ (211,922)
Reconciliation to GAAP basis:				
Changes in revenues			(11,308)	
Changes in expenses			(28,201)	
Net change in fund balances (GAAP Basis)			\$ 622,585	

See Notes to Financial Statements.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) AND ACTUAL (Budgetary Basis)
MUNICIPAL STREET FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Gross receipts	\$ 86,000	\$ 86,000	\$ 130,934	\$ 44,934
Gasoline	9,400	9,400	5,421	(3,979)
Total revenues	95,400	95,400	136,355	40,955
EXPENDITURES				
Operating expenditures	75,000	75,000	78,918	(3,918)
Total expenditures	75,000	75,000	78,918	(3,918)
Excess of revenues expenditures before other financing sources	20,400	20,400	57,437	37,037
Other financing sources				
Transfers in	-	27,397	27,397	-
Transfers out	-	-	-	-
Total other financing sources	-	27,397	27,397	-
Net change in fund balances	\$ 20,400	\$ 47,797	84,834	\$ 37,037
Reconciliation to GAAP basis:				
Changes in revenues			(8,390)	
Changes in expenses			3,048	
Net change in fund balances (GAAP Basis)			\$ 79,492	

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	Water Fund	Wastewater Fund	Motor Vehicle Fund	Total Proprietary Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 43,780	\$ 6,061	\$ -	\$ 49,841
Accounts receivable (net of allowance for uncollectible)	29,488	3,039	4,912	37,439
Prepaid expenses	-	-	-	-
Total current assets	<u>73,268</u>	<u>9,100</u>	<u>4,912</u>	<u>87,280</u>
Non-current assets				
Capital assets				
Land	62,977	-	-	62,977
Construction in progress	23,497	-	-	23,497
Intangible assets - water rights	54,848	-	-	54,848
Capital assets being depreciated, net	5,211,108	-	-	5,211,108
Total non-current assets	<u>5,352,430</u>	<u>-</u>	<u>-</u>	<u>5,352,430</u>
Total assets	<u>5,425,698</u>	<u>9,100</u>	<u>4,912</u>	<u>5,439,710</u>
LIABILITIES				
Current liabilities				
Accounts payable	269	-	932	1,201
Current portion of long-term debt	9,746	-	-	9,746
Total current liabilities	<u>10,015</u>	<u>-</u>	<u>932</u>	<u>10,947</u>
Non-current liabilities				
Long-term debt	124,446	-	-	124,446
Total non-current liabilities	<u>124,446</u>	<u>-</u>	<u>-</u>	<u>124,446</u>
Total liabilities	<u>134,461</u>	<u>-</u>	<u>932</u>	<u>135,393</u>
NET POSITION				
Net investment in capital assets	5,218,238	-	-	5,218,238
Unrestricted	72,999	9,100	3,980	86,079
Total net position	<u>\$ 5,291,237</u>	<u>\$ 9,100</u>	<u>\$ 3,980</u>	<u>\$ 5,304,317</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Water Fund	Wastewater Fund	Motor Vehicle Fund	Total Proprietary Funds
OPERATING REVENUES				
Taxes				
Gross receipts	\$ -	\$ 9,100	\$ -	\$ 9,100
Motor vehicle excise	-	-	4,912	4,912
Charges for services	125,533	-	-	125,533
Miscellaneous	4,736	-	-	4,736
Total operating revenues	<u>130,269</u>	<u>9,100</u>	<u>4,912</u>	<u>144,281</u>
OPERATING EXPENSES				
Cost of sales and services	2,990	-	-	2,990
Administration	104,374	-	597	104,971
Other operating expenses	70,546	-	335	70,881
Depreciation	242,657	-	-	242,657
Total operating expenses	<u>420,567</u>	<u>-</u>	<u>932</u>	<u>421,499</u>
Operating income (loss)	(290,298)	9,100	3,980	(277,218)
Non-operating revenues (expenses)				
Interest expense	(359)	-	-	(359)
Income (loss) before transfers	<u>(290,657)</u>	<u>9,100</u>	<u>3,980</u>	<u>(277,577)</u>
Other financing sources				
Transfers in	113,512	-	-	113,512
Transfers out	-	-	-	-
Total other financing sources	<u>113,512</u>	<u>-</u>	<u>-</u>	<u>113,512</u>
Change in net position	<u>(177,145)</u>	<u>9,100</u>	<u>3,980</u>	<u>(164,065)</u>
Net position, beginning of year	5,704,558	-	-	5,704,558
Restatement	(236,176)	-	-	(236,176)
Net position, beginning of year, as restated	5,468,382	-	-	5,468,382
Net position, end of year	<u>\$ 5,291,237</u>	<u>\$ 9,100</u>	<u>\$ 3,980</u>	<u>\$ 5,304,317</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from customers	\$ 114,647	\$ 6,061	\$ -	\$ 120,708
Cash payments to suppliers for goods and services	<u>(195,340)</u>	<u>-</u>	<u>-</u>	<u>(195,340)</u>
Net cash provided by (used in) operating activities	<u>(80,693)</u>	<u>6,061</u>	<u>-</u>	<u>(74,632)</u>
Cash flows from capital and related financing activities				
Capital contributions	-	-	-	-
(Acquisition) disposition of capital assets	-	-	-	-
Principal paid on debt	(9,723)	-	-	(9,723)
Interest paid on debt	<u>(359)</u>	<u>-</u>	<u>-</u>	<u>(359)</u>
Net cash used in capital financing activities	<u>(10,082)</u>	<u>-</u>	<u>-</u>	<u>(10,082)</u>
Cash flows from non-capital financing activities				
Transfers from other funds	<u>113,512</u>	<u>-</u>	<u>-</u>	<u>113,512</u>
Net increase in cash and cash equivalents	22,737	6,061	-	28,798
Cash and cash equivalents, beginning of year	<u>21,043</u>	<u>-</u>	<u>-</u>	<u>21,043</u>
Cash and cash equivalents, end of year	<u>\$ 43,780</u>	<u>\$ 6,061</u>	<u>\$ -</u>	<u>\$ 49,841</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (290,298)	\$ 9,100	\$ 3,980	\$ (277,218)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	242,657	-	-	242,657
Increase in customer receivable	(15,622)	(3,039)	(4,912)	(23,573)
(Increase) decrease in accounts payable	<u>(17,430)</u>	<u>-</u>	<u>932</u>	<u>(16,498)</u>
Net cash provided by (used in) operating activities	<u>\$ (80,693)</u>	<u>\$ 6,061</u>	<u>\$ -</u>	<u>\$ (74,632)</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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 non-fiduciary 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-type activities*, which rely to a significant extent on fees charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program 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*.

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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. Gross receipts, franchise, gasoline, 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, gross receipts 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.

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 Village 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 **Capital Projects Fund** is used to account for the Village's acquisition of capital assets or major capital projects not being financed by proprietary funds.

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Under the requirements of GASB 34, the Village is required to present certain of its proprietary funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following, which also includes funds that were not required to be presented as major but were at the discretion of management:

The **Water Fund** is used to account for activities of the Village's water utility service. This fund is authorized by the Village Council.

The **Wastewater Fund** is used to account for activities of the Village's wastewater utility service. This fund is authorized by the Village Council.

The **Motor Vehicle Fund** is used to account for the collection and disbursement of Motor Vehicle Department fees. This fund is authorized by the Village Council.

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 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.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 inflows of resources, unavailable property taxes 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.

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. Capital assets which are financed by governmental grants or contributions, for use by a proprietary fund, are reported as construction in progress in the government-wide financial statements during construction. The asset, when placed in service, is transferred at historical cost to the proprietary fund as a capital contribution from the Village.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 are 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.

Post-employment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA’s fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 31, the budget is legally enacted through passage of a resolution.
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 & Administration, Local Government Division. 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.
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 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, 2018**

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	\$ 1,620,123	\$ -	\$ 8,842	\$ 1,611,281
EMS	12,293	-	102	12,191
Fire Protection	79,333	-	299	79,034
MVD	3,506	-	-	3,506
Wells Fargo Advisors				
Investments				
Treasury Money Market	115,958	-	-	115,958
GNMA	1,867	-	-	1,867
Bank of the West				
Certificate of Deposit	140,047	-	-	140,047
Compass Bank				
Certificate of Deposit	142,175	-	-	142,175
Total cash in banks	\$ 2,115,302	\$ -	\$ 9,243	2,106,059
Investments in NM State Treasurer				73,982
Total June 30, 2018				\$ 2,180,041
As Reported in the Financial Statements:				
Cash				1,706,012
Investments				474,029
				\$ 2,180,041

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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

	Wells Fargo	Bank of the West	Compass Bank	Wells Fargo Advisors	Total
Amount on Deposit in Bank	\$ 1,715,255	\$140,047	\$142,175	\$117,825	\$ 2,115,302
FDIC Coverage	<u>(250,000)</u>	<u>(140,047)</u>	<u>(142,175)</u>	<u>(117,825)</u>	<u>(650,047)</u>
Total uninsured public funds	<u>1,465,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,465,255</u>
Collateral pledged:					
BNY Mellon					
FNMA FNMS, 06/01/43, CUSIP: 3138ELHM8	168,279	-	-	-	168,279
FNMA FNMS, 07/01/43, CUSIP: 3138W5CX4	<u>713,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>713,573</u>
Pledged collateral held by the pledging bank's trust department or agent, not in the Village's name	<u>881,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>881,852</u>
Uninsured and uncollateralized	<u>\$ 583,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 583,403</u>
Collateral requirement (50% of uninsured funds)	\$ 732,628	\$ -	\$ -	\$ -	\$ 732,628
Pledged collateral	<u>881,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>881,852</u>
Over (under) collateralized	<u>\$ 149,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,223</u>

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, 2018, \$1,465,255 of the Village's bank balance of \$2,115,302 was exposed to custodial credit risk.

Uninsured and uncollateralized	\$ 583,403
Pledged collateral held by the pledging bank's trust department or agent, not in the Village's name	<u>881,852</u>
Total	<u>\$ 1,465,255</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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

LGIP Investments

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 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 the 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. 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 the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2018. The State of New Mexico is regulatory oversight entity and participation in the pool is voluntary.

GASB Statement No. 40, Deposit and Investment Risk Disclosures, relates to how deposits and investments are reported in the annual financial statements of government entities. GASB Statement No. 40 disclosures inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. GASB Statement No. 40 requires governments to disclose deposit and investment risks related to credit (including custodial credit risk), concentration of credit risk, interest rate risk, and foreign currency risk.

The State Treasurer's Office provides the following information regarding the LGIP:

Credit Risk - With respect to credit risk, the LGIP is rated AAAM by Standard & Poor's. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

Concentration Risk - GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, the LGIP is exempt from this disclosure.

Foreign Currency Risk - GASB Statement No. 40 defines foreign currency risk as the potential that changes in exchange rates may adversely affect the fair value of an investment or deposit. The LGIP does not have any foreign currency risk as all investments are denominated in US dollars.

Interest Rate Risk - GASB Statement No. 40 defines interest rate risk as the potential that interest rate changes may adversely affect the fair value of an investment.

According to the Statement, an acceptable method for reporting interest rate risk is weighted average maturity ("WAM"). The State Treasurer's Office uses this method for reporting purposes for the LGIP. The WAM of the

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

LGIP is identified on the monthly LGIP investment report found on the State Treasurer's Office website at www.nmsto.gov. As of June 30, 2018, the LGIP WAM (R) was 50 days and the WAM (F) was 100 days. The value of the investment in the LGIP as of June 30, 2018 is the ending balance on the LGIP statements. The Village's June 30, 2018 balance is as follows:

New Mexico LGIP AAAM Rated \$73,982 [50] day WAM (R); [100] day WAM (F)

Non-LGIP Investments

Custodial Credit Risk – Non-LGIP 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.

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, 2018.

The Village does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates.

Interest Rate Risk – Non-LGIP 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 – Non-LGIP Investments. The Village's investments in GNMA Securities are backed by the full faith of the United States Government. As of June 30, 2018, 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 3% 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:

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VILLAGE OF TIJERAS
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JUNE 30, 2018**

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

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.

The Village maintained a balance of \$191,807 in investments at June 30, 2018 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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment in:				
U.S. Treasury Money Market	\$ 115,958	\$ -	\$ -	\$115,958
GNMA Securities	1,867	-	-	1,867
LGIP	<u>73,982</u>	<u>-</u>	<u>-</u>	<u>73,982</u>
Total assets at fair value	<u>\$ 191,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$191,807</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 non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

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VILLAGE OF TIJERAS
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NOTE 4. RECEIVABLES (CONTINUED)

	Governmental Funds						Total
	General	Municipal	Other	Proprietary	Proprietary	Proprietary	
	Fund	Street	Governmental	Water	Wastewater	Motor	
	Fund	Funds	Fund	Fund	Fund	Vehicle Fund	
Receivables							
Customer	\$ -	\$ -	\$ -	\$ 13,901	\$ -	\$ -	\$ 13,901
Taxes							
Gross receipts	132,705	20,783	-	-	3,039	-	156,527
Motor vehicle excise	-	-	-	-	-	4,912	4,912
Franchise	3,483	-	-	-	-	-	3,483
Property	2,076	-	-	-	-	-	2,076
Gasoline	-	1,231	-	-	-	-	1,231
Other	33,066	7,768	2,909	18,868	-	-	62,611
Other governments	-	-	20,732	-	-	-	20,732
Gross receivables	171,330	29,782	23,641	32,769	3,039	4,912	265,473
Less: allowance for uncollectibles	-	-	-	3,281	-	-	3,281
Net total receivables	<u>\$ 171,330</u>	<u>\$ 29,782</u>	<u>\$ 23,641</u>	<u>\$ 29,488</u>	<u>\$ 3,039</u>	<u>\$ 4,912</u>	<u>\$ 262,192</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 708,458	\$ -	\$ -	\$ 708,458
Construction in Progress	97,521	741,631	-	839,152
Total capital assets not being depreciated	<u>805,979</u>	<u>741,631</u>	<u>-</u>	<u>1,547,610</u>
Capital assets, being depreciated:				
Infrastructure	4,185,547	-	-	4,185,547
Building and improvements	5,638,013	10,863	-	5,648,876
Equipment and vehicles	1,382,808	19,628	-	1,402,436
Total capital assets being depreciated	<u>11,206,368</u>	<u>30,491</u>	<u>-</u>	<u>11,236,859</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Primary Government (Continued)				
Governmental Activities (Continued):				
Less accumulated depreciation:				
Infrastructure	(752,656)	(104,639)	-	(857,295)
Building and improvements	(2,107,522)	(165,322)	-	(2,272,844)
Equipment and vehicles	<u>(1,255,458)</u>	<u>(26,706)</u>	-	<u>(1,282,164)</u>
Total accumulated depreciation	<u>(4,115,636)</u>	<u>(296,667)</u>	-	<u>(4,412,303)</u>
Total capital assets being depreciated, net	<u>7,090,732</u>	<u>(266,176)</u>	-	<u>6,824,556</u>
Governmental activities capital assets, net	<u>\$ 7,896,711</u>	<u>\$ 475,455</u>	<u>\$ -</u>	<u>\$ 8,372,166</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 62,977	\$ -	\$ -	\$ 62,977
Water Rights	54,848	-	-	54,848
Construction in Progress	<u>23,497</u>	-	-	<u>23,497</u>
Total capital assets not being depreciated	<u>141,322</u>	-	-	<u>141,322</u>
Capital assets, being depreciated:				
Infrastructure	8,714,668	-	-	8,714,668
Building and improvements	183,836	-	-	183,836
Equipment and vehicles	<u>1,875</u>	-	-	<u>1,875</u>
Total capital assets being depreciated	<u>8,900,379</u>	-	-	<u>8,900,379</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-type Activities (Continued):				
Less accumulated depreciation:				
Infrastructure	(3,319,447)	(236,529)	-	(3,555,976)
Building and improvements	(125,292)	(6,128)	-	(131,420)
Equipment and vehicles	<u>(1,875)</u>	<u>-</u>	<u>-</u>	<u>(1,875)</u>
Total accumulated depreciation	<u>(3,446,614)</u>	<u>(242,657)</u>	<u>-</u>	<u>(3,689,271)</u>
Total capital assets being depreciated, net	<u>5,453,765</u>	<u>(242,657)</u>	<u>-</u>	<u>5,211,108</u>
Business-type activities capital assets, net	<u>\$ 5,595,087</u>	<u>\$(242,657)</u>	<u>\$ -</u>	<u>\$ 5,352,430</u>

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

Governmental Activities:	
General government	\$ 282,926
Highways and streets	9,676
Public safety	<u>4,065</u>
Total depreciation expense	<u>\$ 296,667</u>
Business-type Activities:	
Water and sewer	<u>\$ 242,657</u>
Total depreciation expense	<u>\$ 242,657</u>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables and Payables. The interfund balance at June 30, 2018 relates to an amount that was received into the General Fund and incorrectly transferred twice to the Fire Protection Fund and is therefore due back to the General Fund. All interfund balances are intended to be repaid within one year. The composition of interfund balances as of June 30, 2018 is as follows:

Fund Description	Due from <u>other funds</u>	Due to <u>other funds</u>
General Fund	\$ 19,123	\$ -
Fire Protection Fund	<u>-</u>	<u>19,123</u>
	<u>\$ 19,123</u>	<u>\$ 19,123</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

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>
Governmental Funds:		
General Fund	\$ 465,140	\$ 216,095
Municipal Street	27,397	-
Capital Projects	147,275	546,300
Other governmental funds	9,131	60
Proprietary Fund:		
Water and sewer	113,512	-
	<u>\$ 762,455</u>	<u>\$ 762,455</u>

Interfund transfers are a result of QuickBooks class system. The Village has pooled cash and QuickBooks does not have funds with individually balancing trial balances.

NOTE 7. DEBT AND OTHER LONG-TERM LIABILITIES

Short-Term Debt. The Village does not have any short-term debt.

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 1st 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 1st and interest due December 1st of every year. The note matures in 2035.

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

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

June 30,	Principal	Interest	Admin. Fee	Total
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	9,844	100	137	10,082
2024-2028	49,592	387	430	50,409
2029-2033	29,356	195	52	29,603
2034-2035	6,268	24	-	6,292
	<u>\$ 134,192</u>	<u>\$ 1,184</u>	<u>\$ 1,337</u>	<u>\$ 136,713</u>

Changes in Long-term Liabilities – Enterprise Funds. Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Note Payable	<u>\$ 143,915</u>	<u>\$ -</u>	<u>\$ 9,723</u>	<u>\$ 134,192</u>	<u>\$ 9,746</u>

NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan description. Public Employees Retirement 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 Officers, 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

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VILLAGE OF TIJERAS
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NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

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% and effective July 1, 2014 employer contributions were raised .05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

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

Contributions. See PERA’s comprehensive annual financial report for Contribution provided description.

PERA Contribution Rates and Pension Factors as of July 1, 2017						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Years 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%	3.00%	2.50%	90%
Municipal Plan 1 (plan open to new employers)	7.00%	8.50%	7.40%	2.00%	2.00%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.50%	2.00%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.00%	2.50%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.00%	2.50%	90%
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.00%	2.00%	90.00%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.50%	2.00%	90.00%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.50%	2.00%	90.00%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.00%	2.50%	90.00%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.50%	3.00%	90.00%
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.00%	2.00%	90.00%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.50%	2.00%	90.00%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.50%	2.00%	90.00%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.00%	2.50%	90.00%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.50%	3.00%	90.00%
Municipal Detention Officer Plan	16.65%	18.15%	17.05%	3.00%	3.00%	90.00%
State Police and Audit Correction Officer Plan 1	7.60%	9.10%	25.50%	3.00%	3.00%	90.00%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.00%	3.00%	90.00%
Juvenile Correctional Officer Plan	4.78%	6.28%	26.12%	3.00%	3.00%	90.00%

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
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NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the Village reported a liability of \$166,264 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The Village’s proportion of the net pension liability was based on a projection of the Village’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Village’s proportion was 0.0121%, which was a decrease of 0.0115% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Village recognized pension expense of \$6,595. At June 30, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,533	\$ 8,516
Change of assumptions	7,667	1,718
Net difference between projected and actual earnings on pension plan investments	13,641	-
Changes in proportion and differences between the Village contributions and proportionate share of contributions	19,259	100,946
Village contributions subsequent to the measurement date	22,077	-
Total	\$ 69,177	\$ 111,180

\$22,077 reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ (15,200)
2020	(17,359)
2021	(27,534)
2022	(3,987)
2023	-
Total	\$ (64,080)

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

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14% annual rate
Includes inflation at	2.25% annual rate for first 9 years, then 2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, 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 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

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 summarized in the following table:

ALL FUNDS - Asset Class	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	<u>20.00%</u>	7.35%
Total	<u>100.00%</u>	

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

Discount rate: A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, 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’s proportionate share of the net pension liability to changes in the discount rate. The following presents the Village proportionate share of the net pension liability calculated using the discount rate of 7.51%, as well as what the Village proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51%) or 1-percentage point higher (8.51%) than the current rate:

PERA Fund Division - General Division	1 % Decrease 6.51%	Current Discount Rate 7.51%	1 % Increase 8.51%
Village's proportionate share of the net pension liability	\$ 260,591	\$ 166,264	\$ 87,819

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. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTHCARE PLAN

Plan description. Employees of the Village are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTHCARE PLAN (CONTINUED)

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms. At June 30, 2017, the Fund’s measurement date, the following State of New Mexico employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,349</u>
	<u>160,035</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>97,349</u>

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Village were \$4,529 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2018, the Village reported a liability of \$245,617 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Village’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Village’s proportion was 0.00542%.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTHCARE PLAN (CONTINUED)

For the year ended June 30, 2018, the Village recognized OPEB expense of \$9,768. At June 30, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 9,425
Differences between actual and projected earnings on OPEB plan investments	-	3,533
Changes of assumptions	-	42,943
Contributions made after the measurement date	<u>4,529</u>	<u>-</u>
Total	<u>\$ 4,529</u>	<u>\$ 55,901</u>

Deferred outflows of resources totaling \$4,529 represent Village's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ (11,885)
2020	(11,885)
2021	(11,885)
2022	(11,885)
2023	<u>(8,361)</u>
Total	<u>\$ (55,901)</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTHCARE PLAN (CONTINUED)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	20%	4.1%
U.S. equity - large cap	20%	9.1%
Non U.S. - emerging markets	15%	12.2%
Non U.S. - developed equities	12%	9.8%
Private equity	10%	13.8%
Credit and structured finance	10%	7.3%
Real estate	5%	6.9%
Absolute return	5%	6.1%
U.S. equity - small/mid cap	3%	9.1%

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTHCARE PLAN (CONTINUED)

Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the Village, as well as what the Village's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81%) or 1-percentage-point higher (4.81%) than the *current discount rate*:

1% Decrease (2.81%)	Current Discount (3.81%)	1% Increase (4.81%)
\$ 297,929	\$ 245,617	\$ 204,573

The following presents the net OPEB liability of the Village, as well as what the Village's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the *current healthcare cost trend rates*:

1% Decrease	Current Trend Rates	1% Increase
\$ 208,914	\$ 245,617	\$ 274,236

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

NOTE 10. RESTATEMENT OF NET POSITION AND FUND BALANCES

Restatement of net position due to the adoption of new accounting standard. The Governmental Accounting Standards Board (GASB) issued a new accounting pronouncement (Statement No. 75 – *Accounting and Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*) effective for the year ended June 30, 2018. The implementation of GASB 75 has created a restatement of the Village's beginning net position.

As a cost-share employer participating the Retiree Health Care Authority (Plan or "RHCA") (see Note 9), the Village is required to, and has included, in its June 30, 2018 financial statements, the pro rata share of the Plan's collective "Net Retiree Healthcare Liability". This share represents the difference between the Plan's "Total Plan Liability" and the Plan's "Net Plan Position", reported at the market value of the investment assets.

With the adoption of the new accounting pronouncement, the Village has reduced its Unrestricted Net Position the beginning of the fiscal year in the amount of \$291,750, as shown on the government-wide Statement of Activities.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10. RESTATEMENT OF NET POSITION AND FUND BALANCES (CONTINUED)

Other restatements of fund balances and net position. The fund financial statements present governmental funds for which there is a legally adopted budget. For the year ended June 30, 2018, the Village adopted a new Capital Projects Fund. In the June 30, 2017 financial statements, accruals were recorded in other funds that were then recognized during the following fiscal year in the Capital Projects Fund. These restatements net to zero change. Additionally, beginning fund balance was increased by an additional \$421,148 in the Capital Projects Fund order to reduce revenues that related to prior period expenditures. A summary of these restatements is shown below:

Governmental Funds:

Municipal Street	\$ 114,581
Capital Projects	421,148

Proprietary Fund:

Water	<u>(236,176)</u>
	<u>\$ 299,553</u>

NOTE 11. 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 New Mexico Self Insurers' 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 fiscal year ended June 30, 2018.

NOTE 12. 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, 2018, \$-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 Village. 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 performance. This MOU is effective, unless terminated by either party upon a thirty day written notification.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13. 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>
Senior Center	\$ 123,000	\$ 123,000	\$ -	5/16 to 6/18
Senior Center	500,000	500,000	-	5/16 to 6/19
Patricia Garcia Walkway	<u>78,000</u>	<u>-</u>	<u>78,000</u>	9/18 to 9/20
Total	<u>\$ 701,000</u>	<u>\$ 623,000</u>	<u>\$ 78,000</u>	

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

NOTE 14. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS

GASB has issued the following statements, which are applicable in future years. At this time, management has not determined the impact, if any, on the Village.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Village is still evaluating how this pronouncement will affect future financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Village is still evaluating how this pronouncement will affect future financial statements.

In June 2017, GASB Statement No. 87, *Leases* was issued. Effective Date: For reporting periods beginning after December 15, 2019. The Village is still evaluating how this pronouncement will affect future financial statements.

In March 2018, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Village is still evaluating how this pronouncement will affect future financial statements.

In June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Village is still evaluating how this pronouncement will affect future financial statements.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS (CONTINUED)

In August 2018, GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and 61* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Village is still evaluating how this pronouncement will affect future financial statements.

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:

<u>Fund</u>	<u>Amount</u>
Municipal Street Fund	\$3,918
Capital Outlay Projects Fund	\$ 128

NOTE 16. SUBSEQUENT EVENTS

Events subsequent to June 30, 2018 have been evaluated by management through December 17, 2018, the date the financial statements were available for issuance. In the opinion of management, no events occurring after June 30, 2018 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.

NOTE 18. CONTINGENCY

The Village has a potential contingency for PERA payments (see findings). Some employees have been reimbursed (perhaps improperly) and there is a related receivable recorded of approximately \$65,000. However, there were also former employees who were not reimbursed. There has not been a legal determination if the reimbursements are legal and if so, how much is due to or from current and former employees. The NM Office of the State Auditor (OSA) has designated the Village for a special audit and referred the situation to the NM Attorney General's Office. Due to uncertainty, the effect of recording a payable back to employees who have paid into PERA during the period of 2006 to 2017 and left employment has not been recorded in the financial statements. The OSA's initial calculation is approximately \$72,000 (not including interest).

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)
FOR THE YEARS ENDED JUNE 30, 2015 - 2018
FOR LAST 10 FISCAL YEARS* (UNAUDITED)
(Dollars in thousands)

Fiscal Year Measurement Date	June 30,			
	2018 2017	2017 2016	2016 2015	2015 2014
Proportion of the Net Pension Liability (Asset)	0.0121%	0.0236%	0.0242%	0.0181%
Proportionate Share of Net Pension Liability (Asset)	\$ 166,264	\$ 377,049	\$ 246,740	\$ 141,199
Covered Employee Payroll	\$ 223,517	\$ 318,384	\$ 316,811	\$ 236,954
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Employee Payroll	74.39%	118.43%	77.88%	59.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	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 THE VILLAGE'S PENSION CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)
FOR THE YEARS ENDED JUNE 30, 2015 - 2018
FOR LAST 10 FISCAL YEARS* (UNAUDITED)
(Dollars in Thousands)

	<u>June 30, 2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions in relation to the contractually required contribution	\$ 22,077	\$ 19,322	\$ 39,350	\$ 22,792
Contractually required contributions	<u>\$ 22,077</u>	<u>\$ 19,322</u>	<u>\$ 38,756</u>	<u>\$ 21,968</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 594</u>	<u>\$ 824</u>

**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 THE VILLAGE'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
RETIREE HEALTHCARE AUTHORITY (RHCA)
FOR THE YEAR ENDED JUNE 30, 2018
FOR LAST 10 FISCAL YEARS* (UNAUDITED)
(Dollars in thousands)

	June 30,
Fiscal Year	2018
Measurement Date	2017
Proportion of the Net OPEB Liability (Asset)	0.5420%
Proportionate Share of Net OPEB Liability (Asset)	\$ 245,617
Covered Employee Payroll	\$ 225,778
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Its Covered Employee Payroll	108.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	11.34%

**Governmental Accounting Standards Board Statement 75* 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 2018, the year the statement's requirements became effective.

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF THE VILLAGE'S OPEB CONTRIBUTIONS
RETIREE HEALTHCARE AUTHORITY (RHCA)
FOR THE YEAR ENDED JUNE 30, 2018
FOR LAST 10 FISCAL YEARS* (UNAUDITED)
(Dollars in Thousands)

	<u>June 30,</u> <u>2018</u>
Contributions in relation to the contractually required contribution	\$ 17,211
Contractually required contributions	\$ <u>8,638</u>
Contribution deficiency (excess)	\$ <u><u>8,573</u></u>
Covered payroll	\$ 225,778
Contributions "in relation" as a percentage of covered employee payroll	3.83%

**Governmental Accounting Standards Board Statement 75* 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 2018, the year the statement's requirements became effective.

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2018

NOTE 1. PENSION AND OPEB PLAN SCHEDULES

PERA PLAN

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

Changes of benefit assumptions. The PERA Annual Actuarial Valuations as of the June 2017 report is available at <http://www.nmpera.org>.

RHCA PLAN

Changes in benefit provisions. There were no modifications to the benefit provisions as this is the first year of adoption of the OPEB accounting standard.

Changes in assumptions and methods. There were no modifications to the assumptions and methods as this is the first year of adoption of the OPEB accounting standard.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
FUND DESCRIPTIONS
JUNE 30, 2018**

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 NMSA 1978, Section 59A-53-5. Financing is provided by the State Fire Allotment, interest on investments, and miscellaneous revenues. The fund is authorized by NMAC 10.25.10.

Senior Citizens Fund – to account 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. This fund is authorized by the Village Council.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Special Revenue			Total
	EMS Fund	Fire Protection Fund	Senior Citizens Fund	
ASSETS				
Cash	\$ 12,191	\$ 79,034	\$ 6,513	\$ 97,738
Accounts receivable (net of allowance for uncollectible)	-	-	23,641	23,641
Total assets	<u>\$ 12,191</u>	<u>\$ 79,034</u>	<u>\$ 30,154</u>	<u>\$ 121,379</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 4,123	\$ 2,060	\$ 1,342	\$ 7,525
Interfund payable	-	19,123	-	19,123
Total liabilities	<u>4,123</u>	<u>21,183</u>	<u>1,342</u>	<u>26,648</u>
FUND BALANCES				
Restricted for:				
Special revenue	8,068	57,851	28,812	94,731
Total fund balances	<u>8,068</u>	<u>57,851</u>	<u>28,812</u>	<u>94,731</u>
Total liabilities and fund balances	<u>\$ 12,191</u>	<u>\$ 79,034</u>	<u>\$ 30,154</u>	<u>\$ 121,379</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue			Total
	EMS Fund	Fire Protection Fund	Senior Citizens Fund	
REVENUES				
Intergovernmental				
State grants	\$ 7,715	\$ 85,234	\$ 111,950	\$ 204,899
Charges for services	-	-	2,195	2,195
Miscellaneous	-	22	1,699	1,721
Total revenues	<u>7,715</u>	<u>85,256</u>	<u>115,844</u>	<u>208,815</u>
EXPENDITURES				
Current operations				
Public safety	12,002	54,313	-	66,315
Culture and recreation	-	-	98,422	98,422
Capital outlay	-	-	-	-
Total expenditures	<u>12,002</u>	<u>54,313</u>	<u>98,422</u>	<u>164,737</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,287)</u>	<u>30,943</u>	<u>17,422</u>	<u>44,078</u>
Other financing sources (uses)				
Transfers in	-	170	8,961	9,131
Transfers out	(60)	-	-	(60)
Total other financing sources (uses)	<u>(60)</u>	<u>170</u>	<u>8,961</u>	<u>9,071</u>
Net change in fund balances	(4,347)	31,113	26,383	53,149
Fund balances, beginning of year	<u>12,415</u>	<u>26,738</u>	<u>2,429</u>	<u>41,582</u>
Fund balances, end of year	<u>\$ 8,068</u>	<u>\$ 57,851</u>	<u>\$ 28,812</u>	<u>\$ 94,731</u>

OTHER SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Description</u>	<u>Participants</u>	<u>Party Responsible for Operations</u>	<u>Begin-End Dates</u>	<u>Total Estimated Amount of Project</u>
Both EMNRD and the Village will provide both Non-Reimbursable and Reimbursable Assistance in the control and suppression of wildland fires.	Village, Energy, Minerals and Natural Resources Department (EMNRD)	Energy, Minerals and Natural Resources Department (EMNRD)	03/06/2009- Indefinite	None
<u>Portion Applicable to the Agency</u>	<u>Amount Agency Contributed in FY18</u>	<u>Agency where Revenue/Expense are Reported</u>	<u>Audit Responsibility</u>	<u>Fiscal Agent</u>
None	None	Village	N/A	N/A

COMPLIANCE SECTION



**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**

Members of the Village Council
Gloria Chavez, Mayor
Village of Tijeras
Tijeras, New Mexico and
Mr. Wayne A. Johnson
New Mexico State Auditor
Santa Fe, 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, 2018, and the related notes to the financial statements, which collectively comprise the Village’s basic financial statements, and have issued our report thereon dated December 17, 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

Members of the Village Council
Gloria Chavez, Mayor
Village of Tijeras and
Mr. Wayne A. Johnson
New Mexico State Auditor

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: 2017-002, 2017-003, 2017-005, 2018-001S, 2018-002S, 2018-005S, 2018-006S, 2018-009S, 2018-010S, and 2018-011S.

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: 2015-003, 2017-004, 2017-006, 2017-009, 2018-013S, 2018-001, and 2018-003.

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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the schedule of findings and responses as items 2014-001, 2017-007, 2017-008, 2017-010, 2018-014S, and 2018-002.

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 and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
December 17, 2018

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

Financial Statement Findings

2014-001	Expenditures in Excess of Budget	Repeated
2015-003	Journal Entries and Errors in Posting Transactions	Repeated and Modified
2015-004	Capital Assets and Depreciation Schedule	Resolved
2017-001	Late Audit Report	Resolved
2017-002	Financial Close and Reporting	Repeated and Modified
2017-003	Grant Activities Monitoring	Repeated and Modified
2017-004	Segregation of Duties	Repeated and Modified
2017-005	Controls Over Disbursements	Repeated and Modified
2017-006	Controls Over Payroll	Repeated and Modified
2017-007	Timeliness of PERA Contributions	Repeated
2017-008	Capital Assets Certification	Repeated
2017-009	Travel and Per Diem	Repeated
2017-010	Anti-Donation Clause (Scrap Metal)	Repeated
NM Office of the State Auditor's Special Audit Findings (Issued May 2018):		
2018-001S	Potential Violation of the Governmental Conduct Act	Repeated
2018-002S	Governing Board not Exercising Control over Finances NMSA 1978, Section 3-12-3 (A)	Repeated and Modified
2018-003S	Lack of Evidence for Council Approved Fiscal Budget	Resolved
2018-004S	Lack up Supporting Evidence Indicating Council Approval for the Hiring of the Village Comptroller and for Payroll Changes	Resolved
2018-005S	Anti-Donation of Public Monies Related to the PERA Reimbursements	Repeated
2018-006S	Payroll Taxes were not Withheld from the PERA Reimbursement Checks, as Required under IRC	Repeated
2018-007S	Improper Reporting of Wages on W-2	Resolved
2018-008S	Potential Abuse of Mileage and Per Diem and Non- Compliance with DFA Rule 95-1	Repeated <i>(Combined into 2017-009)</i>
2018-009S	Improper Payments through Reimbursement Checks that may also Violate Anti-Donation Clause and may Result in a Referral for Possible Criminal Activity	Repeated and Modified
2018-010S	State Fire Marshal Fund Expended for Purchases of Food and Paper Goods	Repeated and Modified
2018-011S	Management Could Not Provide all Requested Information	Repeated and Modified
2018-012S	Timeliness of PERA Contributions	Repeated <i>(Combined into 2017-007)</i>
2018-013S	Violation of Village Personnel Ordinance No. 157 with Regard to Nepotism Policy	Repeated
2018-014S	Use of Duplicate Check Numbers	Repeated and Modified

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

2014-001 EXPENDITURES IN EXCESS OF BUDGET

TYPE OF FINDING: Other Non-compliance

CONDITION

Actual expenditures exceeded budgeted expenditures at the total fund level (which is the legal level of budget compliance for Municipalities) by the following amounts:

<u>Fund</u>	<u>Amount</u>
Municipal Street Fund	\$ 3,918
Capital Outlay Projects Fund	\$ 128

Management made progress in correcting this prior year finding since budget adjustment requests (BARs) were completed this year by the NM Department of Finance Local Government Division's (DFA LGD) Consultant who is assisting the Village. Subsequent changes to prepare the funds for audit created a minimal amount over budget.

CRITERIA

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

EFFECT

Significant and repeated violations of statutes regarding budgets and expenditures could affect future funding from the state.

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. BARs including estimates for accounting adjustments should be prepared timely at year-end.

MANAGEMENT RESPONSE

Corrective Action: The Village will ensure accounting software is adequate, establish procedures, and ensure that staff continues to be trained. They will also ensure that BARs are submitted and approved timely and with enough funds to cover any adjustments.

Due Date of Completion: June 30, 2019

Responsible Party: Mayor (Clerk-Treasurer position is Vacant)

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2015-003 JOURNAL ENTRIES

TYPE OF FINDING: Significant Deficiency

CONDITION

In reviewing journal entries for the year ended June 30, 2018, 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. 19 of 25 journal entries examined were unsupported.

Management has made some progress in correcting this prior year finding, as 6 entries were properly reviewed and signed off on.

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.

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.

MANAGEMENT RESPONSE

Corrective Action: 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.

Due Date of Completion: June 2019

Responsible Party: Mayor (Clerk-Treasurer position is vacant) and Finance Director

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-002 FINANCIAL CLOSE AND REPORTING

TYPE OF FINDING: Material Weakness

CONDITION

The Village relies upon their independent auditor and the DFA LGD Consultant to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). Currently, there is not accounting staff with 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 relied on the independent auditor, the Deputy Clerk, and the DFA LGD Consultant 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 year-end.

Additionally, beginning fund balance was increased by an additional \$299,553 in the Capital Projects Fund order to reduce revenues that related to prior period expenditures. A summary of these restatements is shown below:

Governmental Funds:

Municipal Street	\$ 114,581
Capital Projects	421,148

Proprietary Fund:

Water	<u>(236,176)</u>
	<u>\$ 299,553</u>

The Village made progress in correcting this finding by having the DFA LGD Consultant assist them; however, since he will be leaving to assist other local governmental entities, they need to hire a Clerk-Treasurer with solid governmental accounting knowledge or, alternatively, contract this out to a CPA with these abilities.

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.

There are several key underlying accounting standards to an organization designing and implementing an effective financial close and reporting process. Auditors are required to identify and communicate internal control weaknesses according to Statement on Auditing Standards (SAS) AU Section 325 Communication of Internal Control Related Matters Identified in an Audit, which includes:

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-002 FINANCIAL CLOSE AND REPORTING (CONTINUED)

- The auditor cannot be a part of a client’s internal control because becoming part of a client’s internal control impairs auditor independence
- The auditor’s work is independent of the client’s internal control over financial reporting and the auditor cannot be a compensating control for the client; and
- A system of internal control over the financial reporting does not stop at the general ledger; it includes controls over the presentation of the financial statements.
- Financial reporting is considered a significant process of internal control and should be performed by the Village’s staff or under the supervision of Village’s staff.

The auditing standards require the auditor to obtain the auditees’ agreement to correct material misstatements in their financial statements before the financial statements are issued. This agreement is fulfilled up front in the engagement letter by getting the auditee to agree to doing this. Additionally, at the end of the audit, the auditee also fulfills this obligation when they sign the audit representation letter.

To achieve this, the auditee must provide the auditor cash basis trial balances that are free of material misstatement, all the receivables and payables (modified accrual entries) and then, at a minimum, all the correct supporting information for the full accrual statements (accrued compensated absences, bond debt, capital asset detail along with the accumulated depreciation and depreciation expense, property tax receivable, etc.). The auditee must fully understand how all the adjustments flow through the trial balances that link into the final product (the financial statements).

1. **Cash basis.** Have a process in place to give the auditors the correct (free of material adjustments) cash basis trial balances.
2. **Modified accrual basis.** Take ownership for and agree that the modified accrual basis adjustments (primarily receivables and payables) made by the auditor from the Village’s detail to the cash basis trial balances are materially correct. A modified accrual basis trial balance is simply the cash basis trial balance plus receivables and payables at year-end. The modified accrual basis trial balances are grouped by category and then used to create all the individual funds presented in the annual financial report.
3. **Full accrual basis.** Starting with the above final modified accrual basis trial balances then take ownership for the all the adjustments from the total modified basis to the full accrual basis (the entity-wide statements at the very front of the annual financial report).

EFFECT

Because Village personnel lack the ability to prepare the financial statements and the DFA LGD Consultant will not always be there to assist in this internal control function, 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.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-002 FINANCIAL CLOSE AND REPORTING (CONTINUED)

CAUSE

Village accounting staff lack the ability to prepare financial statements and the associated disclosures without DFA's assistance. 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. A Clerk-Treasurer with strong governmental accounting background should be hired. Alternatively, the Village should contract with a CPA who has these abilities.

MANAGEMENT RESPONSE

Corrective Action: The Village uses QuickBooks Pro Premier Edition 2018 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.

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

Due Date for Completion: June 2019

Responsible Party: Mayor (Clerk-Treasurer position is vacant)

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-003 GRANT ACTIVITIES MONITORING

TYPE OF FINDING: Material Weakness

CONDITION

The Village does not properly monitor grant activities (which are performed by a contractor) and maintain the related records at the Village.

The Village made some progress, as the grants were auditable, and the prior year modified audit opinion was cleared; however, documentation was still difficult to obtain.

CRITERIA

Section 6-6-3 of 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 monitoring and retention of records at the Village is a contributing factor to the independent auditor having difficulties auditing the capital projects fund. There were also prior period restatements of fund balance due to this ongoing issue.

CAUSE

The Village did not effectively oversee its grant activity accounting records 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. Accounts receivable, payable, and unearned revenue must be identified in advance of the audit. The capital projects fund balance must roll forward from one audit to the next.

MANAGEMENT RESPONSE

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

Due Date for Completion: June 2019

Responsible Party: Mayor and Finance Director

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-004 SEGREGATION OF DUTIES

TYPE OF FINDING: Significant Deficiency

CONDITION

We noted the following instances of a lack of appropriate segregation of duties:

- The Finance Director opens the mail, prepares the deposit, sometimes takes the deposits to the bank, and posts the deposits to QuickBooks.
- The Deputy Clerk approves her own time cards.
- The Finance Director and Deputy Clerk have signatory authority on the bank account as well as full access to the general ledger (QuickBooks).
- The Water Operator collects payments on account and enters the payments into the Village’s billing system.

The Village has made minor progress in correcting this finding. Once the DFA LGD Consultant leaves, other segregation of duties may arise.

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. Access should be limited to read-only when possible, and the Mayor and Council should review monthly reports printed from QuickBooks.

MANAGEMENT RESPONSE

Corrective Action: Segregation of duties will be followed as appropriate.

Due Date for Completion: June 2019

Responsible Party: Mayor and Finance Director

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-005 CONTROLS OVER DISBURSEMENTS

TYPE OF FINDING: Material Weakness

CONDITION

During testing of cash disbursements, the following deficiencies were noted:

- For 3 of 50 cash disbursements tested, totaling \$41,692, there was not written indication that disbursement had been approved for payment.
- For 3 of 50 cash disbursements tested, totaling \$8,184, there was no support provided.
- As referenced in other findings, the Mayor approved certain material repayments to employees without Council approval. There should be a dollar threshold on check-signing to include a member of Council other than the Mayor.

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

- 9 of 10 disbursements, totaling \$16,722, were missing complete supporting documentation.

The Village has not made progress in correcting this finding.

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.

MANAGEMENT RESPONSE

Corrective Action: All disbursements are currently approved through the Finance Committee.

Due Date for Completion: June 2019

Responsible Party: Mayor and Finance Director

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-006 CONTROLS OVER PAYROLL

TYPE OF FINDING: Significant Deficiency

CONDITION

During our payroll testing, we noted the following exceptions:

- 9 of 40 items tested did not contain leave approval.
- 7 of 40 items tested did not contain an I-9 form on file.
- 16 of 40 items tested did not contain a W-4 form on file.
- 28 of 40 items tested did not contain supporting documentation for approved payrates.
- Actual employee contributions to the Public Employee’s Retirement Association (PERA) were \$8,624 higher than expenses per GL, while the amount payable to PERA at June 30, 2018 decreased \$1,117 from the prior year.

The Village did not make progress in correcting this finding.

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.

MANAGEMENT RESPONSE

Corrective Action: 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.

Due Date for Completion: Implementation is projected for February 2019.

Responsible Party: Mayor (Clerk-Treasurer position is vacant)

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-007 TIMELINESS OF PERA CONTRIBUTIONS

TYPE OF FINDING: Other Non-compliance

CONDITION

From our PERA contributions testing, we concluded that the Village was not timely in its remittance of PERA contributions. 12 of 26 payments were not remitted by the fifth working day following the pay date of the applicable pay period.

The Village did not make progress on this finding due to the timing of the audit finding and lack of review.

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. All employees responsible for processing payroll and payroll related reporting must be trained and this must be monitored, including accountability for non-compliance.

MANAGEMENT RESPONSE

Corrective Action: The Village will ensure that all employees responsible for processing payroll and payroll reporting be trained. The Village will establish procedures to ensure the PERA contributions are remitted timely in accordance with applicable statutes.

Due Date for Completion: June 2019

Responsible Party: Finance Director

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-008 CAPITAL ASSET CERTIFICATION

TYPE OF FINDING: Other Non-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, 2018 and the governing body did not certify it at or around year-end.

The Village did not make progress on this finding.

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 the state administrative code. The Village's capital asset listing was not reviewed for the fiscal year ended June 30, 2018, 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.

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.

MANAGEMENT RESPONSE

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

Due Date for Completion: June 2019

Responsible Party: Mayor (Clerk-Treasurer position is vacant)

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-009 TRAVEL AND PER DIEM

TYPE OF FINDING: Significant Deficiency

CONDITION

During the course of the special audit, the OSA investigators noted checks that were being paid to employees using the payroll module that were outside of the normal weekly payroll schedule. During the OSA's review of those checks and their related supporting documentation, the OSA found that employees were being reimbursed \$85 per day, plus partial pay of \$12 per day, for travel that should not have required overnight stays. Because of the Village paying per diem, the employees were not required to provide substantiation of expenditures.

Without some substantiation as to the nature of the travel/event (i.e. event brochure, hotel billing, etc.) incorrect per diem rates may have been applied.

OSA noted annual lobbying trips taken to Washington DC by various employees and council members where the Village paid for the hotel rooms and flights but also where each was reimbursed per diem at the overnight rates. Additionally, employees were paid \$30 per meeting they attended despite those meetings occurring during normal business hours.

External Audit Update: During test work over compliance with the Per Diem and Mileage Act, the following items were noted, indicating waste or abuse of governmental funds:

- 4 of 10 items tested, totaling \$5,192, did not contain sufficient supporting evidence to fully document the various travel and per diem reimbursements.
- 1 of 10 items tested, totaling \$94, did not reimburse for the correct mileage on the reimbursement form. As a result, the Village overpaid \$8 in mileage reimbursements. Meetings less than 35 miles away should not be reimbursed for. Supporting documentation provided consisted of a Personal Vehicle Mileage Reimbursement Form with no support for the miles reported on the form.
- The Village paid for two individuals to return from the Washington DC lobbying trip early (after first extending their trip one day), causing extra airfare charges to the Village of \$555. One person reportedly did have a family member that was ill.
- The Village paid \$866 in unallowable hotel costs for their engineer (a vendor) to stay in DC with the group.
- The Village paid for mileage reimbursement for trips between Village Hall to home of payee and from home of payee to Village Hall. The form requests reimbursement for 690 miles driven between the dates of 5/10/2018 and 6/05/2018 to "lock up Village for early voting days". This indicates 43 extraordinary trips were made either between payee's home and Village Hall or Village Hall to payee's home during the period listed. Other employees who lived closer could have locked up, and reportedly, there were times they did and times the employee stayed at work, making some of these days reimbursed questionable.

The Village did not make progress in correcting this finding due to the timing of the special audit being so close to year-end. After year-end, they did attend travel and per diem training sponsored by DFA LGD.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-009 TRAVEL AND PER DIEM (CONTINUED)

CRITERIA

DFA Rule 95-1 States, in pertinent part:

- A. Applicability: Per diem rates shall be paid to public officers and employees only in accordance with the provisions of this section. Per diem rates shall be paid without regard to whether expenses are actually incurred. Where lodging and/or meals are provided or paid for by the agency, the governing body, or another entity, the public officer or employee is entitled to reimbursement only for actual expenses under 2.42.2.9 NMAC.
- B. Per diem rate computation: Except as provided in Subsections C through I of this Section, per diem rates for travel by public officers and employees shall be computed as follows:
- (1) Partial day per diem rate: Public officers or employees who occasionally and irregularly travel shall be reimbursed for travel which does not require overnight lodging, but extends beyond a normal work day as follows:
 - (a) for less than 2 hours of travel beyond normal work day, none;
 - (b) for 2 hours, but less than 6 hours beyond the normal work day, \$12.00;
 - (c) for 6 six hours, but less than 12 hours beyond the normal work day, \$20.00;
 - (d) for 12 hours or more beyond the normal work day, \$30.00;
 - (e) "Occasionally and irregularly" means not on a regular basis and infrequently as determined by the agency. For example, an employee is not entitled to per diem rates under this subparagraph if the employee either travels once a week or travels every fourth Thursday of the month. However, the employee is entitled to per diem rates under this subparagraph if the employee either travels once a month with irregular destinations and at irregular times or travels four times in one month and then does not travel again in the next two months, so long as this is not a regular pattern.
 - (f) "Normal work day" means 8 hours within a nine-hour period for all public officers and employees both salaried and non-salaried, regardless of the officers' or employees' regular work schedule.
 - (2) Overnight travel: Regardless of the number of hours traveled, travel for public officers and employees where overnight lodging is required shall be reimbursed as follows:
 - (a) in state areas \$85.00
 - (b) in state special areas \$135.00
 - (c) out of state areas \$115.00;
 - (d) or actual lodging and meal expenses under 2.42.2.9 NMAC.
 - (3) Return from overnight travel: On the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made. To calculate the number of hours in the partial day, begin with the time the traveler initially departed. Divide the number of hours traveled by 24. The hours remaining constitute the partial day which shall be reimbursed as follows:

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-009 TRAVEL AND PER DIEM (CONTINUED)

- (a) for less than 2 hours, none;
- (b) for 2 hours, but less than 6 hours, \$12.00;
- (c) for 6 hours or more, but less than 12 hours, \$20.00;
- (d) for 12 hours or more, \$30.00.

(4) Special area designations: For all officers and employees, the in state special area shall be Santa Fe.

C. Board, commission and committee members: Non-salaried public officers may receive per diem as follows:

(1) Official board, commission and committee meetings:

(ii) per diem rates in accordance with Subsection B of this Section, provided that the board or commission meeting is held outside of the municipal boundaries.

(2) Other official meetings: Non-salaried public officers may receive per diem rates for travel on official business that does not constitute a board, advisory board, committee or commission meeting only in accordance with Subsection B of this Section.

(3) Travel for educational purposes: A public officer or employee shall not be reimbursed for more than 30 calendar days of per diem in any fiscal year for attending educational or training programs unless approval has been obtained from the secretary.

2.42.2.10 TRAVEL ADVANCES:

A. Authorizations: Upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80% of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC. Requests for travel advances shall not be submitted to the financial control division of the department of finance and administration more than two weeks prior to travel unless, by processing the request earlier, significant savings can be realized for travel by common carrier or for registration fees for seminars and conferences.

2.42.2.11 MILEAGE-PRIVATE CONVEYANCE:

D. Privately owned automobile: For conveyance in the discharge of official duties by privately owned automobile, mileage accrued shall be reimbursed at the rate set forth in this section as follows:

2.42.2.12 REIMBURSEMENT FOR OTHER EXPENSES: Public officers and employees may be reimbursed for certain actual expenses in addition to per diem rates.

B. Receipts required: Public officers and employees may be reimbursed for the following expenses provided that receipts for all such expenses are attached to the reimbursement voucher:

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SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-009 TRAVEL AND PER DIEM (CONTINUED)

(3) registration fees for educational programs or conferences, provided, if the fee includes lodging or meals, then no per diem rates shall be paid and only actual expenses paid by the officer or employee and not included in the fee shall be reimbursed within the limits of 2.42.2.9 NMAC;

The Village Ordinance No. 157 states that all hourly employees will receive meeting pay for meetings attended after their scheduled work day.

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. Staff did not adequately review the requests for reimbursement submitted by employees in accordance with DFA Rule 95-1 before approving the reimbursements for payment. Additionally, the Village Council approved these reimbursements after the fact with no support.

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 and DFA 95-1 and obtain supporting documentation to justify any expenses requiring receipt.

MANAGEMENT RESPONSE

Corrective Action: The Village will verify that reimbursements are in accordance with requirements set forth in DFA 95-1 and obtain supporting documentation to justify any expenses requiring receipt.

Page 67, bullet 3 – The Village will request payment for extra airfare.

Page 67, bullet 4 – Reimbursement is in progress.

Due Date for Completion: June 2019

Responsible Party: Governing Body (includes Mayor) and Finance Director

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
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SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-010 ANTI-DONATION CLAUSE (SCRAP METAL)

TYPE OF FINDING: Other Non-compliance

CONDITION

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 (\$50).

This finding was repeated from the prior year since it was reported as a subsequent event last year and had occurred during this year under audit (ending June 30, 2018). This particular situation did not occur again.

CRITERIA

Article 9, Section 14 of the New Mexico Constitution state that “neither the state nor any Village, school Village 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 capital assets in the future, NMAC 2.20.1.18 provides guidance.

MANAGEMENT RESPONSE

Corrective Action: DFA trained all employees and Governing Body on Anti-Donation Clause. All Village employees and elected and appointed officials will sign the policy.

Due Date for Completion: June 2019

Responsible Party: Governing Body (includes Mayor)

**STATE OF NEW MEXICO
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SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-001S POTENTIAL VIOLATION OF THE GOVERNMENTAL CONDUCT ACT

TYPE OF FINDING: Material Weakness

CONDITION

During the Special Audit, OSA noted: The Village Mayor made an “executive decision” to issue checks to current employees for an alleged payroll calculation error regarding the PERA deduction that had not been presented to or approved by the Village Council. The Mayor herself received a reimbursement check totaling \$8,707.99. One Councilor’s brother works for the Village; he also received a reimbursement check. The Mayor, in an interview with the OSA, indicated that she had made the decision to reimburse the monies without taking the issue before the Village Council because the Council had been “postponing” agenda items and she did not believe the Council would take action on the reimbursements. She also stated, “that she felt it was their money and they should be refunded.”

The Acting Clerk, who was identified as the individual who located the error in the PERA deductions, also received a reimbursement check totaling \$10,752.58. The Mayor possibly received \$6,745.91 more than she was legally entitled to receive for any overpayment. The Acting Clerk possibly received \$10,624.55 more than she was legally entitled to receive for any overpayment. In addition, the only reimbursement check to a Councilor was delivered in April 2018, even though all other employees received their checks on January 8, 2018.

External Audit Update: It is unknown (without first, a legal determination and then, the completion of the Special Audit of the Village regarding PERA) how much was overpaid or underpaid and how the payroll taxes will be treated. The Village has recorded a receivable back from the employees who were reimbursed and there were also former employees of the Village who were not reimbursed (no payable is recorded). This matter is also disclosed as a Contingency in the accompanying footnotes to the financial statements.

CRITERIA

Under the Governmental Conduct Act, Section 10-16-4, NMSA 1978. *Official act for personal financial interest prohibited; disqualification from official act; providing a penalty.*

- A. It is unlawful for a public officer or employee to take an official act for the primary purpose of directly enhancing the public officers or employee’s financial interest or financial position. Any person who knowingly and willfully violates the provisions of this subsection is guilty of a fourth degree felony and shall be sentenced pursuant to the provisions of Section 31-18-15 NMSA 1978.

The Governmental Conduct Act also provides:

- B. Section 10-16-3(A-B) NMSA 1978 provides that a public employee shall treat the public employee’s government position as a public trust, the public employee shall use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests. Public employees shall conduct themselves in a manner that justifies the confidence placed in them by the people at all times maintaining the integrity and discharging ethically the high responsibilities of public service.

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SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-001S POTENTIAL VIOLATION OF THE GOVERNMENTAL CONDUCT ACT (CONTINUED)

EFFECT

Non-compliance with the Village's policies and procedures and state statutes. The Mayor and the Acting Village Clerk may have improperly received public funds through their own acts, and without approval of the legislative body.

The Village may not have calculated the potential liability correctly and may have incorrectly reimbursed employees who were not entitled to a reimbursement, a total of \$47,350.94 in excess of what they were due to get back. Per OSA, the potential liability to the remaining employees is \$71,957.99.

CAUSE

An apparent lack of oversight at the Village and inadequate internal controls over financial transactions. Insufficient supervision and/or employee's failure to understand policy, laws, rules, and regulations. The Mayor and Council have been at odds the past two years. Additionally, the Village's contract accountant advised them to not pay payroll taxes on the reimbursements.

RECOMMENDATION

The Village may need to recoup the funds that the current employees received (from the reimbursement checks on January 8, 2018 for excess PERA deductions) and address the tax consequences created by the issuance of the checks.

The Village must address the potential liability found to exist regarding overpayments by former employees who had excess PERA deductions from January 1, 2006 to May 7, 2018.

MANAGEMENT RESPONSE

Corrective Action: The Village has created a financial oversight committee made up of no more than one council person, the mayor, and vital staff to approve all payments as needed. The Council person will cycle every six months to control for complacency.

Due Date of Completion: June 2019

Responsible Party: Governing Body (includes Mayor)

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SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-002S GOVERNING BOARD NOT EXERCISING CONTROL OVER FINANCES NMSA 1978, SECTION 3-12-3 (A)

TYPE OF FINDING: Material Weakness

CONDITION

During the Special Audit, OSA noted: The Village Mayor issued refund checks for the excess PERA deductions to the employees and officers of the Village without proper Council approval. The Village staff has not provided timely financial information to the Council for approval.

External Audit Update: It is unknown (without first, a legal determination and then, the completion of the Special Audit of the Village regarding PERA) how much was overpaid or underpaid and how the payroll taxes will be treated. The Village has recorded a receivable back from the employees who were reimbursed and there were also former employees of the Village who were not reimbursed (no payable is recorded). This matter is also disclosed as a Contingency in the accompanying footnotes to the financial statements.

The Council had not approved minutes timely for the year under audit until after year-end. Additionally, the Village is not in compliance with Open Meetings Act (OMA) requirements on meeting minutes and with Inspection of Public Records Act (IPRA) due to the delay with records. A “public record” is defined to include any document, tape or other material, regardless of form, that is used, created, received, maintained or held by or on behalf of a public body, and is related to public business.

CRITERIA

The Village Council’s responsibility for control over the Village’s finances is set forth in NMSA 1978, Section 3-12-3(A) which provides that managing the finances and prescribing the compensation to be paid to municipal officers and employees are express duties of the Village Council, not the Mayor.

The Open Meetings Act (OMA) is a state law (NMSA 1978, Chapter 10, Article 15), which provides the statutory guidelines for conducting public meetings. The Attorney General has the statutory authority to enforce OMA and to ensure that those public meetings covered by OMA are in compliance with state law. The Council must keep written minutes of all its meetings. The minutes shall include at a minimum the date, time and place of the meeting, the names of members in attendance and those absent, the substance of the proposals considered and a record of any decisions and votes taken that show how each member voted. All minutes are open to public inspection. Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present. Minutes shall not become official until approved by the policymaking body. Recordings of meetings are public records until destroyed.

The Inspection of Public Records Act (IPRA) is a New Mexico state law (NMSA 1978, Chapter 14, Article 2) that provides the public and media access to public information. The law requires open access to almost all public records in state and local government, with few exceptions. Under IPRA, the public has the right to take legal action if they are denied access to public records, an important mechanism to empower the public.

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SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2018-002S GOVERNING BOARD NOT EXERCISING CONTROL OVER FINANCES NMSA 1978, SECTION 3-12-3 (A)
(CONTINUED)**

EFFECT

The Village does not appear to be in compliance with State statutes in relation to Section 3-12-3 (A), NMSA 1978. The Village appears to have overridden the most basic internal control in any municipality - the approval of the legislative body (Village Council) of the expenditures by the Village.

CAUSE

The Mayor unilaterally made the decision to reimburse the monies without taking the issue before the Village Council because the Council had been “postponing” agenda items and she did not believe the Council would take action on the reimbursements.

RECOMMENDATION

The Mayor and Village Council must ensure that each party is fulfilling its statutory duties and fiduciary responsibilities to the Village. The parties may want to consider mediation and additional training to ensure that they are each properly fulfilling their respective roles in the Village administration.

MANAGEMENT RESPONSE

Corrective Action: Council requests for information will be provided in a timely manner. All requests will adhere to the requirements of IPRA Law concerning what is allowed.

Due Date of Completion: June 2019

Responsible Party: Governing Body (includes Mayor)

**STATE OF NEW MEXICO
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SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-005S ANTI-DONATION OF PUBLIC MONIES RELATED TO THE PERA REIMBURSEMENTS

TYPE OF FINDING: Material Weakness

CONDITION

During the Special Audit, OSA noted: The Mayor may have received \$6,745.91 more than she was entitled to receive for any overpayment. The Acting Clerk possibly received \$10,624.55 more than she was legally entitled to receive for any overpayment. The remaining eleven (11) employees and officials, including a Councilor and another Councilor’s brother, may have received checks that were in excess of any amounts they were entitled to received, totaling \$29,980.48.

External Audit Update: It is unknown (without first, a legal determination and then, the completion of the Special Audit of the Village regarding PERA) how much was overpaid or underpaid and how the payroll taxes will be treated. The Village has recorded a receivable back from the employees who were reimbursed and there were also former employees of the Village who were not reimbursed (no payable is recorded). This matter is also disclosed as a Contingency in the accompanying footnotes to the financial statements.

CRITERIA

Article IX, Section 14 of the New Mexico Constitution (the Anti-Donation Clause) sets forth the requirement that government entities, including municipalities, not make any donation to or in aid of any person, association or public or a private corporation.

EFFECT

The overpayments to the Mayor, Acting Village clerk and remaining eleven (11) employees appear to constitute an unwarranted donation of public funds to private individuals, in violation of the Anti-Donation Clause.

CAUSE

The Village finance administrators, acting under the direction of the Mayor, improperly calculated the PERA reimbursements by referring only to PERA records and failing to review the Village’s own payroll records. The Mayor then made the decision to issue the checks to employees and officials without requesting or obtaining the approval of the Village Council.

RECOMMENDATION

The Village should follow state law and its personnel ordinance 157 with regard to expenditures required to be approved by the Village Council.

MANAGEMENT RESPONSE

Corrective Action: The Village will abide by state law.

Due Date of Completion: June 2019

Responsible Party: Governing Body (includes Mayor) and Finance Director

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SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-006S PAYROLL TAXES WERE NOT WITHHELD FROM THE PERA REIMBURSEMENT CHECKS, AS REQUIRED UNDER THE INTERNAL REVENUE CODE

TYPE OF FINDING: Material Weakness

CONDITION

During the Special Audit, OSA noted: On January 8, 2018, the Village of Tijeras issued checks to thirteen (13) of their current employees. These checks were reimbursements for the alleged excess PERA deductions from January 1, 2006 to December 31, 2017. The checks were issued as vendor checks and the employee and employer payroll taxes were not withheld or remitted to the appropriate agencies.

External Audit Update: It is unknown (without first, a legal determination and then, the completion of the Special Audit of the Village regarding PERA) how much was overpaid or underpaid and how the payroll taxes will be treated. The Village has recorded a receivable back from the employees who were reimbursed and there were also former employees of the Village who were not reimbursed (no payable is recorded). This matter is also disclosed as a Contingency in the accompanying footnotes to the financial statements.

CRITERIA

The Village verified with NM PERA that their plan was designated as “pre-tax” when adopted. This means the reimbursed amounts would have been subject to taxes.

If an employer fails to withhold and pay over to the government an employee’s FICA taxes, in either a current or a subsequent year the employer can make an adjustment when the error is discovered to the quarter in which the underpayment occurred. Beginning January 1, 2009, Form 941-X, Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund, can be used to make the adjustment, generally on an interest free basis under Sec. 6205. (The employer can make a similar correction for its share of FICA taxes.)

If the employer discovers the error after the calendar year of the wage payment closes, the employer provides the employee and the Social Security Administration (SSA) a corrected Form W-2 (Form W-2c, Corrected Wage and Tax Statement) reflecting additional FICA earnings for the prior year and FICA tax withholding as if the employer had made it correctly (Regs. Secs. 31.6051-2(c)(a)–(c) and 31.6051-1(c)(1)).

This change to FICA wages and FICA tax withholding generally does not affect the employee’s prior year individual tax return. At this point the employer has paid the employee’s taxes. The regulations provide a specific remedy to allow an employer to recover from the employee’s pay the FICA taxes that the employer paid on the employee’s behalf (Regs. Sec. 31.6205- 1(d)(1)). If the employer does not recover the amount from the employee, the payment of the employee share of FICA tax by the employer is current wage compensation, subject to FICA and income tax withholding, and reflected on the employee’s year-end Form W-2.

EFFECT

The Village may not have complied with IRS requirements, the State of New Mexico’s taxation requirements, state unemployment requirements, federal unemployment requirements, Social Security and Medicare taxation

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SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-006S PAYROLL TAXES WERE NOT WITHHELD FROM THE PERA REIMBURSEMENT CHECKS, AS REQUIRED UNDER THE INTERNAL REVENUE CODE (CONTINUED)

requirements. Non-compliance with payment of employment taxes can have serious consequences for employers and the employees. Employers may be subject to criminal and civil sanctions for failing to pay employment taxes. Employees' social security, Medicare, or unemployment benefits are adversely affected when employers do not properly report or pay employment and unemployment taxes. The recipients of the checks may not have adequate withholding and would be responsible for taxes on these payments resulting in unexpected Federal and State tax due for 2018.

CAUSE

The Village staff responsible for the issuance of these checks had not considered the payroll tax implications of the reimbursements. The Mayor and Council have been at odds the past two years. Additionally, the Village's contract accountant advised them to not pay payroll taxes on the reimbursements.

RECOMMENDATION

All Village staff responsible for the Village's finances should be sent to additional training over payroll and finances to ensure that errors and misclassifications do not occur in the future. The Village will need to evaluate the potential consequences with the IRS and other State Agencies and ways to rectify the non-compliance while minimizing the impact to the Village and adverse effects on the employees who received the payments.

MANAGEMENT RESPONSE

Corrective Action: The Village will be contracting with a CPA to examine potential tax consequences.

Due Date of Completion: June 2019

Responsible Party: Governing Body (includes Mayor)

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SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-009S IMPROPER PAYMENTS THROUGH REIMBURSEMENT CHECKS

TYPE OF FINDING: Material Weakness

CONDITION

During the Special Audit, OSA noted: Checks that were being paid to employees using the payroll module that were outside of the normal weekly payroll schedule. The OSA noted that reimbursements were made to the Acting Village Clerk that raised concerns about the appropriate use of public monies. The reimbursements were for purchases such as home décor items from a local crafting store, as well as candles, giftwrap, food, soft drinks and cough drops at a local grocery/convenient store. Additionally, the OSA identified a reimbursement to the Acting Village Clerk, totaling \$798.19 for repairs to a damaged 2012 Mazda 6 Sport by Danlar Collision Inc.-East. When the OSA investigators inquired about the circumstances surrounding the damages to the vehicle, the OSA was informed that the vehicle had been damaged while driving on Village business, but no specific information or back-up documentation was provided.

External Audit Update: The exception items above, tested in the OSA special audit, were further researched. We were able to verify that most items were utilized at the Senior Center or at Village Hall and that the reimbursement checks were not through paychecks. We noted the Village did not only reimburse the Acting Clerk (who was not receiving mileage reimbursement) for her vehicle. Prior to this, another driver's vehicle was reportedly damaged due to the same problem with Village parking bumpers, and the Mayor had also approved reimbursement for that person's damages to avoid a negligence claim to the Village. The New Mexico Tort Claims Act starts with the assumption that government entities and government employees cannot be held liable if they cause harm to a private person or company. However, several exceptions exist. It is possible to seek compensation from the government in New Mexico if your injury resulted from, among other things, negligent construction or maintenance of public roads and streets, including bridges, culverts, alleys, sidewalks, and parking lots.

Although most of the expenditures appear to serve the Village and its programs, there is the appearance of impropriety and we have recommended that P-card transactions be eliminated or very restricted and that a second signature on checks be required for amounts over a certain threshold. The DFA LGD Consultant has recommended that reimbursements directly to employees be limited. We understand the Village will utilize a Financial Oversight Committee to review and approve expenditures as well.

CRITERIA

An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements.

Injured persons can bring claims against local or municipal government bodies in New Mexico. These claims begin by giving notice to the local government body, which must be presented within 90 days of the date of injury or property damage. Notice, according to Section 41-4-16 of the New Mexico Statutes, must include a written description of the time and place of the injury or loss, as well as a description of what happened. Once notice is filed, the government will decide whether to pay the claim or to deny it. If the claim is denied, the injured person has two years from the date of injury to file a lawsuit in court.

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SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-009S IMPROPER PAYMENTS THROUGH REIMBURSEMENT CHECKS (CONTINUED)

EFFECT

The Village processed what appears to be improper payments to Village Officials that lack adequate documentation and may give rise to a criminal referral under NMSA 1978 12-6-6.

CAUSE

A lack of proper segregation of duties and monitoring. The Mayor, Acting Village Clerk and the Finance Director are the individuals within the Village with signatory authorization and the Acting Village Clerk and the Mayor are responsible for purchasing and the review and approval of payments.

RECOMMENDATION

The Village should ensure that all employees responsible for purchasing, approving, processing and signing checks be re-trained. Additionally, proper segregation of duties should be employed to ensure that those responsible for purchasing and approving payments are not the same individuals responsible for processing and signing checks.

MANAGEMENT RESPONSE

Corrective Action: A Finance Committee is in place.

Due Date of Completion: November 2018

Responsible Party: Financial Oversight Committee

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JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-010S STATE FIRE MARSHAL FUND EXPENDED FOR PURCHASES OF FOOD AND PAPER GOODS

TYPE OF FINDING: Material Weakness

CONDITION

During the Special Audit, OSA noted: Checks that were being paid to employees using the payroll module that were outside of the normal weekly payroll schedule. During the OSA's review of those checks and any related supporting documentation, the OSA found documentation indicating that the Acting Village Clerk would purchase items at local retailers and those charges would be allocated to each department. The OSA noted that food and paper goods were being purchased and allocated to the State Fire Marshal Fund.

External Audit Update: Upon further investigation, the items found in OSA's special audit were mainly allowable for the operations of the fire fund; however, there were ramen noodle purchases of \$12 that were unallowable. In our separate sample Fire Fund testing, there were also 2 of 10 disbursements without supporting documentation.

CRITERIA

Section 59A-53-8 NMSA 1978 requires expenditures of State Fire Marshal Funds to be expended for the maintenance of its fire department; the purchase, construction, maintenance, repair and operation of its fire stations; fire apparatus and equipment and the financing or refinancing thereof; the payment of insurance premiums on fire stations, substations, fire apparatus and equipment and insurance premiums for injuries or deaths of firefighters as otherwise provided by law.

EFFECT

The Village does not appear to be following Section 59A-53-8 NMSA 1978 which may have resulted in improper use of taxpayer funds and a violation of the permitted uses of the special purpose Fire Marshal Funds.

CAUSE

The Village staff responsible for purchasing, approving, processing and signing checks were not aware of the requirements of State Fire Marshal Funds.

RECOMMENDATION

The Village should ensure that all employees responsible for purchasing, approving, processing and signing checks be re-trained on all of the Villages funding sources and their related requirements and exclusions. The Village should ensure that all State Fire Marshal Funds are properly utilized in accordance with their statutory purposes.

MANAGEMENT RESPONSE

Corrective Action: The Village staff worked with the State Fire Marshall for a list of approved items.

Due Date of Completion: November 2018

Responsible Party: Mayor, Fire Chief, and Finance Director

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JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-0115 MANAGEMENT COULD NOT PROVIDE ALL REQUESTED INFORMATION

TYPE OF FINDING: Material Weakness

CONDITION

The Village was unable to provide the OSA investigators with all personnel files of each individual employed during the period January 1, 2006 through May 7, 2018. Additionally, personnel files that were provided were missing wage authorization forms, and signed PERA contribution forms, and had incomplete I-9 forms and outdated W-4 forms. The Village also could not provide the OSA with payroll reports or W-2's from the Quick Books software for the year 2006. The OSA did receive copies of the payroll checks but lacked adequate information to ensure that it has compiled a complete and accurate list of employees.

External Audit Update: During our audit, the Village staff continued to struggle with locating certain documents and their filing system was disorganized. The Council minutes had not been approved for months and procurement and grant records were not on-site. The personnel files were difficult to review. It appeared that some employees had extra time and some employees were swamped with work and requests to complete, indicating that delegation of tasks, clear definition of roles, and overall processes over record retention and filing should be improved.

CRITERIA

Section 14-3-13 NMSA 1978 requires the Village to carefully preserve and protect public records.

EFFECT

Management and the Village Council of the Village were unable to affirm that they have provided the State Auditor with all requested documents as required for the audit. Missing records can be indicators of more serious issues including fraud. Incomplete I-9 forms could result in fines from the Department of Homeland Security while incomplete or outdated W-4 forms could result in fines and incorrect input into the payroll system.

CAUSE

It is unknown why the Village did not retain financial documentation. Additionally, the Village did not maintain the QuickBooks file for the periods 2006 through 2010. There has been turnover and turmoil between administration and Council, causing time and energy to be focused elsewhere.

RECOMMENDATION

The Village should have a filing system that enables them to locate supporting documentation for all Village transactions. Additionally, the Village should have an individual responsible for the personnel function who maintains and ensures completeness of personnel records.

MANAGEMENT RESPONSE

Corrective Action: The Village has purchased a LaserFiche system and is currently inputting all documents. The Village will adopt a filing system that enables them to locate supporting documentation for all Village transactions.

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VILLAGE OF TIJERAS
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JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-011S MANAGEMENT COULD NOT PROVIDE ALL REQUESTED INFORMATION (CONTINUED)

Due Date of Completion: June 2019

Responsible Party: Mayor, Deputy Clerk, and Finance Director

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SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-013S VIOLATION OF VILLAGE PERSONNEL ORDINANCE NO. 157 WITH REGARD TO NEPOTISM POLICY

TYPE OF FINDING: Significant Deficiency

CONDITION

Throughout the course of the special audit, the OSA investigators noted, through interviews or review of personnel files, that the Village hires employees who are related to other current employees or Council members. This is in violation of the Village’s policy regarding Nepotism.

The Village has not made progress on this finding, as they have decided to implement this on a go-forward basis.

CRITERIA

The Village Ordinance No. 157 section 15 states that “No relative of any employee, Mayor, or Council Member, by blood or marriage, may be employed in any position as a regular employee with the Village in which the employee may be able directly to supervise, control or influence the work or employment status of the relative or the affairs of the organization unit in which the relative is employed.”

Additionally, the Village employment applications have a statement preprinted on them regarding a policy against nepotism.

EFFECT

Non-compliance with Village policy regarding Nepotism. The Village has employees who could be influenced by the employment status of a close relative.

CAUSE

It appears that a difficulty in finding qualified individuals resulted in an override of the Village’s Policy.

RECOMMENDATION

The Village staff and the Village Council responsible for any portion of the hiring process should review the Village’s Personnel Ordinance No. 157 and follow the policies set forth by the Village Council (or change them).

MANAGEMENT RESPONSE

Corrective Action: The Village will hold a meeting to create and adopt a waiver for current employees that are related to each other or the governing body and the Village will ensure that the employees are never directly supervised by a relative.

The Village will adhere to ordinance 157 section 15 from 6/11/2018 on. The Village staff and governing body responsible for any portion of the hiring process will review the Village’s personnel ordinance no. 157 and follow polices set forth by the Village. Council members related to current staff will recuse themselves from all actions regarding the related party.

Due Date of Completion: June 2019

Responsible Party: Governing Body (includes Mayor)

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-014S USE OF DUPLICATE CHECK NUMBERS

TYPE OF FINDING: Finding that does not rise to the level of a significant deficiency

CONDITION

During the course of the special audit, the OSA investigators noted that the Village was issuing duplicate check numbers in QuickBooks to vendors/employees.

Management did make progress; as at the time of the audit, most duplicate check numbers were removed except one.

CRITERIA

Good accounting practices and fraud prevention techniques indicate that each check disbursement should have a unique identifying number so that previously written checks cannot be tampered with.

EFFECT

Duplicate check numbers expose the Village to the risk of check fraud through tampering of previously issued checks utilizing the same check number.

CAUSE

It is unclear why the Village issued duplicate check numbers.

RECOMMENDATION

The Village should ensure that the new check stock number begins where the previous check stock number ended. For continuity, the check stock should be in sequential order.

MANAGEMENT RESPONSE

Corrective Action: All duplicate check numbers have been destroyed.

Due Date of Completion: June 2019

Responsible Party: Finance Director

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-001 PURCHASING CARD – POTENTIAL FRAUD

TYPE OF FINDING: Significant Deficiency

CONDITION

The Village hired a new Clerk-Treasurer in April 2018 who later resigned, on November 16, 2018, due to unallowable personal purchases she admittedly made on her Village purchasing card (P-card).

After year-end, in August, the Deputy Clerk requested the July P-card statement, but the Clerk-Treasurer reportedly did not provide it.

In September, the Deputy Clerk saw that the August P-card statement showed a “balance forward”. She then requested the statement directly from the financial institution and saw a \$79.94 purchase on July 4th which appeared to be the Clerk-Treasurer’s personal purchase. When questioned, the Clerk-Treasurer admitted she made the purchase, but stated she had used the wrong card. The Clerk-Treasurer was given the benefit of a doubt this purchase was done by accident; however, the Mayor did take away the Clerk-Treasurer’s P-card. It subsequently took considerable effort by the Mayor and staff to receive her reimbursement, which was paid on September 21, 2018.

In October and November, the Clerk-Treasurer reportedly intercepted the September and October statements. On November 14th, the Village received the Clerk-Treasurer’s P-card statements for the previous months directly from the financial institution. There were 5 additional questionable purchases, totaling \$2,087.34. The Clerk-Treasurer must have retained the card information because she did not have the actual P-card. On November 16th, after the Mayor, a Councilor, and the Deputy Clerk met with the Clerk-Treasurer to address the issue, she signed a document stating that she did use the Village credit card for personal charges and she resigned from her position.

The Deputy Clerk did follow up on the statements and expenditures, effectively catching the potential fraud, by using management review. And the Village did report the potential criminal violation timely to the NM State Auditor’s Office, in compliance with NMSA 1978 Section 12-6-6.

CRITERIA

NMSA 1978 Section 10-16-3(A). A legislator or public officer or employee shall treat the legislator's or public officer's or employee's government position as a public trust. The legislator or public officer or employee shall use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests.

Section 30-23-3 NMSA 1978 states:

“Making or permitting false public voucher consists of knowingly, intentionally or willfully making, causing to be made or permitting to be made, a false material statement or forged signature upon any public voucher, or invoice supporting a public voucher, with intent that the voucher or invoice shall be relied upon for the expenditure of public money. Whoever commits making or permitting false public voucher is guilty of a fourth degree felony.”

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-001 PURCHASING CARD – POTENTIAL FRAUD (CONTINUED)

Section 30-26-1 NMSA 1978 states:

“Tampering with public records consists of:

- A. knowingly altering any public record without lawful authority;
- B. any public officer or public employee knowingly filing or recording any written instrument, judicial order, judgment or decree in a form other than as the original thereof in fact appeared;
- C. any public officer or public employee knowingly falsifying or falsely making any record or file, authorized or required by law to be kept;
- D. any public officer or public employee knowingly issuing or causing to be issued, any false or untrue certified copy of a public record; or
- E. knowingly destroying, concealing, mutilating or removing without lawful authority any public record or public document belonging to or received or kept by any public authority for information, record or pursuant to law.”

Per NMSA 1978 Section 30-23-2. Paying or receiving public money for services not rendered: “Paying or receiving public money for services not rendered consists of knowingly making or receiving payment or causing payment to be made from public funds where such payment purports to be for wages, salary or remuneration for personal services [services] which have not in fact been rendered.

Nothing in this section shall be construed to prevent the payment of public funds where such payments are intended to cover lawful remuneration to public officers or public employees for vacation periods or absences from employment because of sickness, or for other lawfully authorized purposes.

Whoever commits paying or receiving public money for services not rendered is guilty of a fourth degree felony.”

EFFECT

It appears the former Clerk-Treasurer embezzled Village funds.

CAUSE

The Clerk-Treasurer admittedly misused her P-card and withheld statements so that they were not reviewed timely.

RECOMMENDATION

We recommend that all bank and card statements go unopened to an individual not responsible for the receipts/expenditures. That person should thoroughly review the statements and question any unknown charges. We also recommend adding the NM State Auditor’s website hotline to Village building sites, internal website, external website, at trainings, posted around the Village, etc.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-001 PURCHASING CARD – POTENTIAL FRAUD (CONTINUED)

MANAGEMENT RESPONSE

Corrective Action: Management and Finance will continue to follow policy on reviewing and double checking all purchases.

Due Date of Completion: June 2019

Responsible Party: Mayor, Finance Director, Finance Committee

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-002 PROCUREMENT CODE VIOLATION

TYPE OF FINDING: Material Non-Compliance

CONDITION

The Village contracts with a firm for engineering services, including, but not limited to, consultation, investigation, evaluation, planning and design of engineering works and systems, engineering studies and the review of construction for the purpose of assuring substantial compliance with drawings and specifications, and grant preparation assistance. During the fiscal year ending June 30, 2018, the Village paid the firm \$180,414 for these services. A four-year agreement, renewed annually, was signed between the Village and firm on August 16, 2012. The Village pays a monthly retainer fee of \$1,200, which can be applied to up to 15 hours of services. Unused time does not accumulate after month end. When the agreement expired in August of 2016, the Village did not go out to bid.

Additionally, the firm handles all grants management, construction, and procurement related to construction for the Village. It does not appear that the Chief Procurement Officer (CPO) has the necessary level of involvement with the procurement process to ensure compliance with State Procurement Code.

CRITERIA

The Chief Procurement Officer is responsible for oversight, review and approval of contracts, per 13-1-95.2 NMSA 1978.

13-1-74 NMSA 1978 states: “Procurement” means (A) purchasing, renting, leasing, lease purchasing or otherwise acquiring items of tangible personal property, services or construction; and (B) all procurement functions, including but not limited to preparation of specifications, solicitation of sources, qualification or disqualification of sources, preparation and award of contract and contract administration.

Competitive Sealed Bids: As per 13-1-102, all procurement shall be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978, except procurement achieved pursuant to the following sections of the Procurement Code [Sections 13-1-28 through 13-1-199 NMSA 1978]:

- A. Sections 13-1-111 through 13-1-122 NMSA 1978, competitive sealed proposals;
- B. Section 13-1-125 NMSA 1978, small purchases;
- C. Section 13-1-126 NMSA 1978, sole source procurement;
- D. Section 13-1-127 NMSA 1978, emergency procurements;
- E. Section 13-1-129 NMSA 1978, existing contracts;
- F. Section 13-1-130 NMSA 1978, purchases from antipoverty program businesses; and
- G. the Educational Facility Construction Manager At Risk Act [13-1-124.1 NMSA 1978].

Competitive sealed qualifications-based proposals; architects; engineers; landscape architects; surveyors; selection process: As per 13-1-120(A), “for each proposed state public works project, local public works project or construction management contract, the architect, engineer, landscape architect, construction management and surveyor selection committee, state highway and transportation department selection committee or local

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-002 PROCUREMENT CODE VIOLATION (CONTINUED)

selection committee, as appropriate, shall evaluate statements of qualifications and performance data submitted by at least three businesses in regard to the particular project and may conduct interviews with and may require public presentation by all businesses applying for selection regarding their qualifications, their approach to the project and their ability to furnish the required services.”

EFFECT

The lack of a competitive procurement process that is compliant with the State Procurement Code could result in the Village not obtaining the best price or best service. Additionally, without an independent review by the Chief Purchasing Officer or a legal sufficiency review by someone with the proper training in contracts, a contract created by the vendor may not provide language that is in the best interest of the Village.

Since the contract in question has expired, the Village is paying for services which have no officially agreed-upon amount and is potentially subject to legal dispute.

Finally, since the monthly retainer fee agreed to in the contract is due to the vendor regardless of whether services were actually performed in that month, the amounts paid do not necessarily match with a specific product or service being provided that has a measurable valuation, and it would not be considered best practice to include such a clause as a result.

CAUSE

The contract in question was written and signed without proper review by the Village’s CPO regarding compliance with State procurement requirements, to ensure that all items of procurement are handled in a manner consistent with State Procurement Code. Upon expiration of the agreement, the Village did not go out to bid.

RECOMMENDATION

It appears that training and coordination between the vendor and the Village is necessary on compliance with State Procurement Code requirements. The vendor should not be in charge of ensuring their own contract is put out to bid properly.

MANAGEMENT RESPONSE

Corrective Action: Village staff will create spreadsheet tracking grant funds.

Due Date of Completion: February 2019

Responsible Party: Governing Body, Finance Director, Chief Procurement Officer

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-003 WATER UTILITY OPERATIONS

TYPE OF FINDING: Significant Deficiency

CONDITION

During our testing of the water utilities enterprise fund, we noted the following items of concern:

- The Villages uses General Fund monies to annually subsidize this fund, which should be self-sustaining.
- Some cash receipts are accidentally not credited to customer accounts. Although these are normally identified after customer complaints or management review of the accounts, the original data entries should be checked more carefully.
- There were differences in rates authorized by Council and what was billed by 1 or 2 cents per partial gallon over 3,000 gallons used in a month.
- QuickWater reports show water losses which are not possible (such as 17 million gallons in losses; however, the wells meters are only at 10 million and 13 million since they were installed a few years ago).
- There is confusion on the implementation of the Village's Ordinance regarding a 10% finance charge (precedence of the Village's implementation of their Ordinance vs. how it reads). This should be amended to provide clarity for future charges.
- Some meters still require manual reading, which has caused errors in bills.
- It was reported to us that the prior year water loss was approximately 24% but should be approximately 12% or lower per the NM Environment Department.

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

The general fund monies are used to supplement the utilities fund. Water leaks have an impact on the environment and the Village's water supply. Incorrect reports and customer accounts cause confusion in making decisions and complaints.

CAUSE

Although the Village has attempted to find any leaks, they have not yet been successful. They are working with a consultant and with NM Environment Department.

RECOMMENDATION

We recommend continuing to research these issues with various entities, including the software consultant, to replace the manual reading meters, to amend the Ordinance related to finance charges, to improve controls

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-003 WATER UTILITY OPERATIONS (CONTINUED)

over cash receipts, to verify all accounts are charged the proper rates, and to change operations so the fund is self-sustaining.

MANAGEMENT RESPONSE

Corrective Action: New software options will be presented to Council. Staff will follow Village Ordinance regarding delinquent accounts. Payments will be double checked. Water Operators will be reminded to follow up on re-reads and extra caution will be advised on manual readings. Water Loss expert is being consulted. Governing Body will amend ordinance.

Due Date of Completion: June 2019

Responsible Party: Mayor, Deputy Clerk, Water Operator

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
EXIT CONFERENCE
JUNE 30, 2018**

An exit conference was held on December 14, 2018 at the Village's offices. In attendance were:

Village of Tijeras

Gloria J. Chavez, Mayor
Felix Garcia, Councilor
Diane L. Klaus, Deputy Clerk
Darlene C. Coleman, Financial Director
Michael P. Steininger, DFA/LGD Consultant, Special Director

Jaramillo Accounting Group LLC (JAG)

Audrey J. Jaramillo, CPA, CFE, Managing Partner
Matthew Trawinski, Audit Staff

Jaramillo Accounting Group LLC (JAG) assisted in the preparation of the financial statements presented in this report. The Village's management has reviewed the approved the financial statements and related notes and they believe that their records adequately support the financial statements.