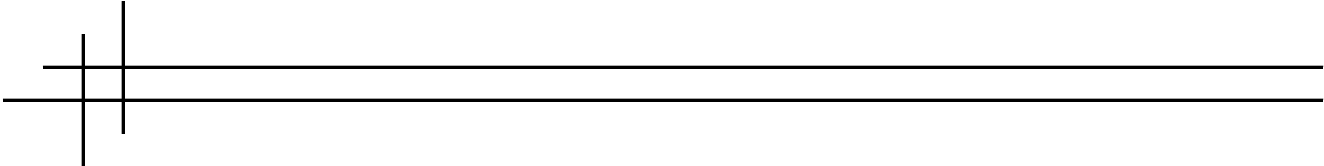




State of New Mexico  
**Village of Tularosa**

**Annual Financial Report**  
June 30, 2016

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Clovis, New Mexico



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State of New Mexico  
**Village of Tularosa**  
Official Roster  
June 30, 2016

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**Board of Trustees**

Ray S. Cordova	Mayor
Patrick Garcia	Mayor-Pro Tem
John R. Telles	Trustee
Robert Sainz	Trustee
Deanna Montoya	Trustee

**Administrative Official**

Dianna Brusuelas-Guilez	Clerk/Treasurer
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De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101  
(855) 253-4313

Independent Auditor's Report

Mr. Tim Keller  
State Auditor of the State of New Mexico  
Board Members of the Village of Tularosa

Mr. Keller and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Village of Tularosa (Village), as of and for the year ended June 30, 2016, 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 also have audited the financial statements of each of the Village's nonmajor governmental funds, and the budgetary comparisons for the capital projects and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 misstatements, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Village as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the capital projects and all nonmajor funds 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 which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the 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 Schedules of Required Supplementary Information for the Pension Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

The Vendor Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

*De'Ann Willoughby CPA PC*

Clovis, New Mexico  
November 21, 2016

## **Financial Section**

State of New Mexico  
**Village of Tularosa**  
Government-Wide Statement of Net Position  
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	\$ 1,135,300	\$ 419,692	\$ 1,554,992
Investments	57,746	0	57,746
Receivables			
Accounts	0	98,917	98,917
Taxes	135,651	1,014	136,665
Due from Grantor	13,205	0	13,205
Due from Other Funds	0	59,889	59,889
Total Current Assets	<u>1,341,902</u>	<u>579,512</u>	<u>1,921,414</u>
Noncurrent Assets			
Restricted Cash	0	126,577	126,577
Capital Assets	12,706,064	15,968,090	28,674,154
Less: Accumulated Depreciation	<u>(4,539,852)</u>	<u>(6,699,472)</u>	<u>(11,239,324)</u>
Total Noncurrent Assets	<u>8,166,212</u>	<u>9,395,195</u>	<u>17,561,407</u>
Total Assets	<u>9,508,114</u>	<u>9,974,707</u>	<u>19,482,821</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows Related to Pensions			
Actuarial Experience	21,874	0	21,874
Changes in Proportion	9,949	0	9,949
Contributions Subsequent to Measurement Date	69,688	0	69,688
Total Deferred Outflows of Resources	<u>101,511</u>	<u>0</u>	<u>101,511</u>
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	16,528	84,320	100,848
Accrued Salaries and Benefits	24,245	10,177	34,422
Accrued Interest	1,974	6,152	8,126
Due to Other Funds	59,889	0	59,889
Compensated Absences	42,850	28,611	71,461
Current Portion of Long-Term Debt	34,453	138,417	172,870
Total Current Liabilities	<u>179,939</u>	<u>267,677</u>	<u>447,616</u>
Noncurrent Liabilities			
Customer Deposits	0	66,495	66,495
Bonds and Notes	574,938	530,900	1,105,838
Pension Liability	896,241	0	896,241
Total Noncurrent Liabilities	<u>1,471,179</u>	<u>597,395</u>	<u>2,068,574</u>
Total Liabilities	<u>1,651,118</u>	<u>865,072</u>	<u>2,516,190</u>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows Related to Pensions			
Actuarial Experience	12,918	0	12,918
Changes of Assumptions	13,178	0	13,178
Investment Experience	2,713	0	2,713
Total Deferred Inflows of Resources	<u>28,809</u>	<u>0</u>	<u>28,809</u>
<b>Net Position</b>			
Net Investment in Capital Assets	7,556,821	8,725,878	16,282,699
Unrestricted	372,877	383,757	756,634
Total Net Position	<u>\$ 7,929,698</u>	<u>\$ 9,109,635</u>	<u>\$ 17,039,333</u>

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



State of New Mexico  
**Village of Tularosa**  
Government-Wide Statement of Activities  
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net(Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General	\$ 340,400	\$ 52,089	\$ 185,154	\$ 0	\$ (103,157)	\$ 0	\$ (103,157)
Public Safety	1,010,664	59,888	179,442	124,711	(646,623)	0	(646,623)
Public Works	163,577	0	0	125,125	(38,452)	0	(38,452)
Culture & Recreation	625,948	52,331	228,687	17,370	(327,560)	0	(327,560)
Interest	2,508	0	0	0	(2,508)	0	(2,508)
<b>Total Governmental Activities</b>	<b>\$ 2,143,097</b>	<b>\$ 164,308</b>	<b>\$ 593,283</b>	<b>\$ 267,206</b>	<b>(1,118,300)</b>	<b>0</b>	<b>(1,118,300)</b>
<b>Business-Type Activities</b>							
Water	\$ 829,090	\$ 715,007	\$ 0	\$ 1,183,827	0	1,069,744	1,069,744
Sewer	420,202	157,412	0	143,004	0	(119,786)	(119,786)
Solid Waste	193,467	269,149	0	0	0	75,682	75,682
<b>Total Business-Type Activities</b>	<b>\$ 1,442,759</b>	<b>\$ 1,141,568</b>	<b>\$ 0</b>	<b>\$ 1,326,831</b>	<b>0</b>	<b>1,025,640</b>	<b>1,025,640</b>
<b>General Revenues</b>							
Franchise Taxes					49,683	0	49,683
Gross Receipts Tax					759,368	15,623	774,991
Gasoline Taxes					190,811	0	190,811
Property Taxes					49,260	0	49,260
Miscellaneous					44,322	0	44,322
<b>Total General Revenues</b>					<b>1,093,444</b>	<b>15,623</b>	<b>1,109,067</b>
Change in Net Position					(24,856)	1,041,263	1,016,407
Net Position - Beginning					7,954,554	8,068,372	16,022,926
Net Position - Ending					<b>\$ 7,929,698</b>	<b>\$ 9,109,635</b>	<b>\$ 17,039,333</b>

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

State of New Mexico  
**Village of Tularosa**  
Governmental Funds  
Balance Sheet  
June 30, 2016

	Special Revenue		
	General	Fire	Older Americans
<b>Assets</b>			
Cash and Cash Equivalents	\$ 851,224	\$ 6,025	\$ 18,396
Investment	57,746	0	0
Receivables			
Taxes	64,198	0	0
Due from Grantor	0	0	13,205
Interfund Balances	0	0	0
Total Assets	<u>\$ 973,168</u>	<u>\$ 6,025</u>	<u>\$ 31,601</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 4,017	\$ 10,726	\$ 271
Accrued Salaries & Benefits	19,982	0	3,302
Due to Water Fund	0	0	0
Interfund Balances	765	0	0
Total Liabilities	<u>24,764</u>	<u>10,726</u>	<u>3,573</u>
<b>Fund Balances</b>			
Restricted for:			
Special Revenue Fund	0	0	28,028
Capital Projects	0	0	0
Unassigned	948,404	(4,701)	0
Total Fund Balances	<u>948,404</u>	<u>(4,701)</u>	<u>28,028</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 973,168</u>	<u>\$ 6,025</u>	<u>\$ 31,601</u>

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

State of New Mexico  
**Village of Tularosa**  
Governmental Funds  
Balance Sheet  
June 30, 2016

	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 16,260	\$ 243,395	\$ 1,135,300
Investment	0	0	57,746
Receivables			
Taxes	67,599	3,854	135,651
Due from Grantor	0	0	13,205
Interfund Balances	765	0	765
Total Assets	<u>\$ 84,624</u>	<u>\$ 247,249</u>	<u>\$ 1,342,667</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 0	\$ 1,514	\$ 16,528
Accrued Salaries & Benefits	0	961	24,245
Due to Water Fund	59,889	0	59,889
Interfund Balances	0	0	765
Total Liabilities	<u>59,889</u>	<u>2,475</u>	<u>101,427</u>
<b>Fund Balances</b>			
Restricted for:			
Special Revenue Fund	0	244,894	272,922
Capital Projects	24,735	0	24,735
Unassigned	0	0	943,703
Total Fund Balances	<u>24,735</u>	<u>244,894</u>	<u>1,241,360</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 84,624</u>	<u>\$ 247,369</u>	<u>\$ 1,342,787</u>

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

State of New Mexico  
**Village of Tularosa**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position  
 June 30, 2016

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Total Fund Balance - Governmental Funds \$ 1,241,360

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$ 12,706,064	
Accumulated Depreciation	<u>(4,539,852)</u>	8,166,212

Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	101,511	
Deferred Inflows Related to Pensions	<u>(28,809)</u>	72,702

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Bonds and notes payable	(609,391)	
Pension Liability	(896,241)	
Accrued Interest	(1,974)	
Compensated Absences	<u>(42,850)</u>	<u>(1,550,456)</u>

Total Net Position - Governmental Activities		\$ <u><u>7,929,818</u></u>
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The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Village of Tularosa**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2016

	Special Revenue		
	General	Fire	Older Americans
Revenues			
Taxes			
Franchise	\$ 49,683	\$ 0	\$ 0
Gross Receipts	728,109	0	0
Property	190,811	0	0
Other	28,492	0	0
Charges for Services	51,789	0	38,373
License & Permits	9,079	0	0
Fines & Forfeitures	59,888	0	0
State & Local Grants	197,076	186,177	147,959
Federal Grants	0	0	77,131
Miscellaneous	25,008	3,805	55
Total Revenues	<u>1,339,935</u>	<u>189,982</u>	<u>263,518</u>
Expenditures			
Current			
General Government	336,471	0	0
Public Safety	643,782	201,661	0
Public Works	40,151	0	0
Culture and Recreation	214,304	0	297,693
Capital Outlay	33,073	395,200	0
Debt Service			
Principal	0	12,253	0
Interest	0	534	0
Total Expenditures	<u>1,267,781</u>	<u>609,648</u>	<u>297,693</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>72,154</u>	<u>(419,666)</u>	<u>(34,175)</u>
Other Financing Sources (Uses)			
Transfers	(84,882)	0	47,851
Loan Proceeds	0	381,864	0
Total Other Financing Sources (Uses)	<u>(84,882)</u>	<u>381,864</u>	<u>47,851</u>
Net Change in Fund Balance	(12,728)	(37,802)	13,676
Fund Balances at Beginning of Year	<u>961,132</u>	<u>33,101</u>	<u>14,352</u>
Fund Balances End of Year	<u>\$ 948,404</u>	<u>\$ (4,701)</u>	<u>\$ 28,028</u>

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

State of New Mexico  
**Village of Tularosa**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2016

	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
<b>Taxes</b>			
Franchise	\$ 0	\$ 0	\$ 49,683
Gross Receipts	0	31,259	759,368
Property	0	0	190,811
Other	0	20,768	49,260
Charges for Services	0	0	90,162
License & Permits	0	0	9,079
Fines & Forfeitures	0	14,257	74,145
State & Local Grants	96,040	156,106	783,358
Federal Grants	0	0	77,131
Miscellaneous	0	6,375	35,243
<b>Total Revenues</b>	<u>96,040</u>	<u>228,765</u>	<u>2,118,240</u>
<b>Expenditures</b>			
<b>Current</b>			
General Government	0	0	336,471
Public Safety	0	28,199	873,642
Public Works	0	8,113	48,264
Culture and Recreation	0	49,171	561,168
Capital Outlay	96,040	72,470	596,783
<b>Debt Service</b>			
Principal	0	0	12,253
Interest	0	0	534
<b>Total Expenditures</b>	<u>96,040</u>	<u>157,953</u>	<u>2,429,115</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>70,812</u>	<u>(310,875)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers	0	37,031	0
Loan Proceeds	0	0	381,864
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>37,031</u>	<u>381,864</u>
Net Change in Fund Balance	0	107,843	70,989
Fund Balances at Beginning of Year	<u>24,735</u>	<u>136,931</u>	<u>1,170,251</u>
Fund Balances End of Year	<u>\$ 24,735</u>	<u>\$ 244,774</u>	<u>\$ 1,241,240</u>

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

State of New Mexico  
**Village of Tularosa**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 To the Statement of Activities  
 June 30, 2016

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Net Change in Fund Balance \$ 70,989

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Depreciation expense	\$ (349,464)	
Capital Outlays	<u>596,783</u>	247,319

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	69,688	
Pension Expense	<u>(51,777)</u>	17,911

The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net position. (381,864)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 12,253

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest, June 30, 2015	0	
Accrued Interest, June 30, 2016	<u>(1,974)</u>	(1,974)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2015	53,360	
Compensated Absences, June 30, 2016	<u>(42,850)</u>	<u>10,510</u>

Change in Net Position of Governmental Activities \$ (24,856)

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

State of New Mexico  
**Village of Tularosa**  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget (Budgetary Basis) and Actual  
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
<b>Taxes</b>				
Franchise	\$ 53,760	\$ 53,760	\$ 51,796	\$ (1,964)
Gross Receipt	744,171	744,171	734,188	(9,983)
Property	183,826	183,826	191,489	7,663
Motor Vehicle	28,315	28,315	28,179	(136)
Total Taxes	<u>1,010,072</u>	<u>1,010,072</u>	<u>1,005,652</u>	<u>(4,420)</u>
Charges for Services	51,789	51,789	51,789	0
Licenses & Permits	8,797	8,797	9,079	282
Fines and Forfeitures	81,000	81,000	59,888	(21,112)
State & Local Grants	191,074	191,074	197,076	6,002
Miscellaneous	24,082	24,082	25,006	924
Total Revenues	<u>1,366,814</u>	<u>1,366,814</u>	<u>1,348,490</u>	<u>(18,324)</u>
<b>Expenditures</b>				
<b>Executive</b>				
Salaries	67,277	67,277	66,977	300
Benefits	15,655	15,655	16,081	(426)
Lobbyist	32,213	32,213	32,213	0
Other	10,805	10,805	5,126	5,679
Total Executive	<u>125,950</u>	<u>125,950</u>	<u>120,397</u>	<u>5,553</u>
<b>Judicial</b>				
Salaries	54,744	54,744	54,969	(225)
Benefits	20,373	20,373	20,535	(162)
Other	18,960	18,960	18,573	387
Total Judicial	<u>94,077</u>	<u>94,077</u>	<u>94,077</u>	<u>0</u>
<b>Elections</b>				
Other	4,000	4,000	3,681	319
Total Elections	<u>4,000</u>	<u>4,000</u>	<u>3,681</u>	<u>319</u>
<b>Financial</b>				
Salaries	49,470	49,470	36,017	13,453
Benefits	14,203	14,203	12,178	2,025
Other	46,483	46,483	43,753	2,730
Utilities	24,165	24,165	33,073	(8,908)
Insurance	58,576	58,576	27,026	31,550
Capital Outlay	41,269	41,269	2,053	39,216
Total Financial	<u>\$ 234,166</u>	<u>\$ 234,166</u>	<u>\$ 154,100</u>	<u>\$ 80,066</u>



State of New Mexico  
**Village of Tularosa**  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget (Budgetary Basis) and Actual  
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Public Safety				
Salaries	\$ 343,528	\$ 343,528	\$ 388,358	\$ (44,830)
Benefits	123,671	123,671	123,785	(114)
Other	56,905	56,905	40,480	16,425
Insurance	57,578	57,578	29,714	27,864
Total Public Safety	<u>581,682</u>	<u>581,682</u>	<u>582,337</u>	<u>(655)</u>
Fire				
Salaries	9,600	9,600	9,600	0
Benefits	745	745	744	1
Total Fire	<u>10,345</u>	<u>10,345</u>	<u>10,344</u>	<u>1</u>
Ambulance				
Ambulance Contract	13,150	13,150	13,133	17
Dispatch Contract	9,558	9,558	0	9,558
Total Ambulance	<u>22,708</u>	<u>22,708</u>	<u>13,133</u>	<u>9,575</u>
Animal Control				
Salaries	22,880	22,880	22,826	54
Benefits	3,453	3,453	3,445	8
Other	3,897	3,897	3,812	85
Total Animal Control	<u>30,230</u>	<u>30,230</u>	<u>30,083</u>	<u>147</u>
Motor Vehicle				
Salaries	27,560	27,560	27,564	(4)
Benefits	11,266	11,266	11,372	(106)
Other	1,079	1,079	969	110
Total Motor Vehicle	<u>39,905</u>	<u>39,905</u>	<u>39,905</u>	<u>0</u>
Museum & Library				
Salaries	20,800	20,800	21,181	(381)
Benefits	14,613	14,613	12,553	2,060
Other	39,721	39,721	21,486	18,235
Total Museum & Library	<u>75,134</u>	<u>75,134</u>	<u>55,220</u>	<u>19,914</u>
Culture & Recreation				
Other	13,000	13,000	12,930	70
Total Culture & Recreation	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 12,930</u>	<u>\$ 70</u>

State of New Mexico  
**Village of Tularosa**  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget (Budgetary Basis) and Actual  
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Community Center				
Salaries	\$ 85,155	\$ 85,155	\$ 84,571	\$ 584
Benefits	45,337	45,337	37,435	7,902
Other	21,691	21,691	22,392	(701)
Total Community Center	<u>152,183</u>	<u>152,183</u>	<u>144,398</u>	<u>7,785</u>
Total Expenditures	<u>1,383,380</u>	<u>1,383,380</u>	<u>1,260,605</u>	<u>122,775</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(16,566)</u>	<u>(16,566)</u>	<u>87,885</u>	<u>104,451</u>
Other Financing Sources (Uses)				
Transfer to Older Americans	(48,621)	(48,621)	(47,851)	770
Transfer to Recreation	(37,031)	(37,031)	(37,031)	0
Due to Capital Projects	0	0	(6,468)	(6,468)
Total Other Financing Sources (Uses)	<u>(85,652)</u>	<u>(85,652)</u>	<u>(91,350)</u>	<u>(5,698)</u>
Net Change in Cash Balance	(102,218)	(102,218)	(3,465)	98,753
Cash Balance Beginning of Year	<u>912,435</u>	<u>912,435</u>	<u>912,435</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 810,217</u>	<u>\$ 810,217</u>	<u>\$ 908,970</u>	<u>\$ 98,753</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (3,465)	
Net Change in Taxes Receivable			(8,556)	
Net Change in Accounts Payable			1,398	
Net Change in Accrued Salaries & Benefits			(8,573)	
Net Change in Due to Capital Projects			6,468	
Net Change in Fund Balance			<u>\$ (12,728)</u>	

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

State of New Mexico  
**Village of Tularosa**  
Special Revenue Fund-Fire  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 186,176	\$ 186,176	\$ 186,177	\$ 1
Miscellaneous	4,540	4,540	3,805	(735)
Loan Proceeds	0	381,864	381,864	0
Total Revenues	<u>190,716</u>	<u>572,580</u>	<u>571,846</u>	<u>(734)</u>
<b>Expenditures</b>				
<b>Public Safety</b>				
Operating	205,166	197,666	190,944	6,722
Capital Outlay	0	395,200	395,200	0
<b>Debt Service</b>				
Principal	12,253	12,253	12,110	143
Interest	534	534	676	(142)
Total Expenditures	<u>217,953</u>	<u>605,653</u>	<u>598,930</u>	<u>6,723</u>
Excess (Deficiency) of Revenues Over Expenditures	(27,237)	(33,073)	(27,084)	5,989
Cash Balance Beginning of Year	<u>33,109</u>	<u>33,109</u>	<u>33,109</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 5,872</u>	<u>\$ 36</u>	<u>\$ 6,025</u>	<u>\$ 5,989</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (27,084)	
Net Change in Accounts Payable			<u>(10,718)</u>	
Net Change in Fund Balance			<u>\$ (37,802)</u>	

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

State of New Mexico  
**Village of Tularosa**  
Special Revenue Fund-Older American  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget (Budgetary Basis) and Actual  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Program Income	\$ 42,100	\$ 42,100	\$ 38,373	\$ (3,727)
Local Grant	11,214	11,214	12,244	1,030
County Subsidy	31,000	31,000	26,625	(4,375)
State Grant	104,155	104,155	107,289	3,134
Federal Grants				
IIIB	18,610	18,610	17,800	(810)
IIIC-1	30,362	30,362	29,294	(1,068)
IIIC-2	10,821	10,821	10,815	(6)
Cash in Lieu of Commodities	17,561	17,561	17,561	0
Miscellaneous	0	0	55	55
Total Revenues	<u>265,823</u>	<u>265,823</u>	<u>260,056</u>	<u>(5,767)</u>
Expenditures				
Culture and Recreation				
Salaries	165,485	165,485	156,845	8,640
Benefits	58,454	58,454	62,506	(4,052)
Food	50,525	50,525	46,981	3,544
Other	47,480	47,480	30,785	16,695
Total Expenditures	<u>321,944</u>	<u>321,944</u>	<u>297,117</u>	<u>24,827</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(56,121)</u>	<u>(56,121)</u>	<u>(37,061)</u>	<u>19,060</u>
Other Financing Sources (Uses)				
Transfer From General Fund	<u>48,621</u>	<u>48,621</u>	<u>47,851</u>	<u>(770)</u>
Total Other Financing Sources	<u>48,621</u>	<u>48,621</u>	<u>47,851</u>	<u>(770)</u>
Net Change in Cash Balance	(7,500)	(7,500)	10,790	18,290
Cash Balance Beginning of Year	<u>7,606</u>	<u>7,606</u>	<u>7,606</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 106</u>	<u>\$ 106</u>	<u>\$ 18,396</u>	<u>\$ 18,290</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ 10,790	
Net Change in Receivables			3,462	
Net Change in Accounts Payable			283	
Net Change in Accrued Salaries and Benefits			(859)	
Net Change in Fund Balance			<u>\$ 13,676</u>	

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

State of New Mexico  
**Village of Tularosa**  
Proprietary Funds  
Statement of Net Position  
June 30, 2016

Assets	Water	Sewer	Solid Waste	Total
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 182,744	\$ 89,107	\$ 147,841	\$ 419,692
Receivables (net of allowance for uncollectible accounts)				
Accounts	61,799	14,345	22,773	98,917
Interfund Balances	59,889	0	0	59,889
Taxes	0	0	1,014	1,014
<b>Total Current Assets</b>	<u>304,432</u>	<u>103,452</u>	<u>171,628</u>	<u>579,512</u>
<b>Noncurrent Assets</b>				
Restricted Cash	44,402	5,393	76,782	126,577
Capital Assets	7,151,190	8,328,921	487,979	15,968,090
Less: Accumulated Depreciation	<u>(4,157,874)</u>	<u>(2,301,086)</u>	<u>(240,512)</u>	<u>(6,699,472)</u>
<b>Total Noncurrent Assets</b>	<u>3,037,718</u>	<u>6,033,228</u>	<u>324,249</u>	<u>9,395,195</u>
<b>Total Assets</b>	<u>3,342,150</u>	<u>6,136,680</u>	<u>495,877</u>	<u>9,974,707</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	72,563	10,540	1,217	84,320
Accrued Salaries & Benefits	8,690	574	913	10,177
Accrued Interest	3,664	1,895	593	6,152
Compensated Absences	22,067	3,401	3,143	28,611
Current Portion of Long-Term Debt	68,244	1,000	69,173	138,417
<b>Total Current Liabilities</b>	<u>175,228</u>	<u>17,410</u>	<u>75,039</u>	<u>267,677</u>
<b>Noncurrent Liabilities</b>				
Customer Deposits	66,495	0	0	66,495
Long Term Debt	297,855	88,000	145,045	530,900
<b>Total Noncurrent Liabilities</b>	<u>364,350</u>	<u>88,000</u>	<u>145,045</u>	<u>597,395</u>
<b>Total Liabilities</b>	<u>539,578</u>	<u>105,410</u>	<u>220,084</u>	<u>865,072</u>
<b>Net Position</b>				
Net Investment in Capital Assets	2,671,619	5,942,333	254,483	8,868,435
Unrestricted	130,953	88,937	21,310	241,200
<b>Total Net Position</b>	<u>\$ 2,802,572</u>	<u>\$ 6,031,270</u>	<u>\$ 275,793</u>	<u>\$ 9,109,635</u>

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

State of New Mexico  
**Village of Tularosa**  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2016

	Water	Sewer	Solid Waste	Total
<b>Operating Revenues</b>				
Sales & Service	\$ 683,117	\$ 153,041	\$ 268,334	\$ 1,104,492
Fees	28,925	4,300	0	33,225
Miscellaneous	2,965	71	815	3,851
<b>Total Operating Revenues</b>	<u>715,007</u>	<u>157,412</u>	<u>269,149</u>	<u>1,141,568</u>
<b>Operating Expenses</b>				
Salaries	310,147	33,783	21,413	365,343
Benefits	108,233	14,707	15,668	138,608
Operating Expenses	253,482	197,241	113,092	563,815
Bad Debts	4,342	1,206	1,862	7,410
Depreciation	143,885	169,455	32,532	345,872
<b>Total Operating Expenses</b>	<u>820,089</u>	<u>416,392</u>	<u>184,567</u>	<u>1,421,048</u>
<b>Operating Income (Loss)</b>	<u>(105,082)</u>	<u>(258,980)</u>	<u>84,582</u>	<u>(279,480)</u>
<b>Nonoperating Revenue (Expenses)</b>				
Environmental Gross Receipts Tax	0	0	15,623	15,623
Interest Expense	(9,001)	(3,810)	(8,900)	(21,711)
State Grant	741,151	43,172	0	784,323
Federal Grant	442,676	99,832	0	542,508
<b>Total Nonoperating Revenue (Expense)</b>	<u>1,174,826</u>	<u>139,194</u>	<u>6,723</u>	<u>1,320,743</u>
<b>Change in Net Position</b>	1,069,744	(119,786)	91,305	1,041,263
<b>Total Net Position - Beginning</b>	<u>1,732,828</u>	<u>6,151,056</u>	<u>184,488</u>	<u>8,068,372</u>
<b>Total Net Position - Ending</b>	<u>\$ 2,802,572</u>	<u>\$ 6,031,270</u>	<u>\$ 275,793</u>	<u>\$ 9,109,635</u>

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

State of New Mexico  
**Village of Tularosa**  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2016

	<u>Water</u>	<u>Sewer</u>
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 713,242	\$ 260,106
Cash Paid to Suppliers and Employees	(658,036)	(355,829)
Net Cash Provided by Operating Activities	<u>55,206</u>	<u>(95,723)</u>
Cash Flows from Noncapital Financing Activities		
Environmental Gross Receipts Tax	<u>0</u>	<u>0</u>
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>
Cash Flows from Capital & Related Financing Activities		
Capital Grants	1,183,827	99,832
Purchase of Capital Assets	(1,194,680)	0
Loan Proceeds	8,800	0
Principal Paid	(71,811)	(1,000)
Interest Paid	(9,001)	(3,810)
Net Cash Provided by Capital & Related Financing Activities	<u>(82,865)</u>	<u>95,022</u>
Net Increase (Decrease) in Cash	(27,659)	(701)
Cash, Beginning of Year	<u>254,805</u>	<u>95,201</u>
Cash, End of Year	<u>\$ 227,146</u>	<u>\$ 94,500</u>
Reconciliation of Cash		
Cash and Cash Equivalents	\$ 182,744	\$ 89,107
Restricted Assets	44,402	5,393
	<u>\$ 227,146</u>	<u>\$ 94,500</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (105,082)	\$ (258,980)
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities		
Depreciation	143,885	169,455
Bad Debts	4,342	1,206
Change in Assets and Liabilities		
(Increase) Decrease in Taxes Receivable	0	0
(Increase) Decrease in Accounts Receivable	(1,917)	7,234
(Increase) Decrease in Interfund Balance	(59,889)	0
Increase (Decrease) in Accounts Payable	70,922	(15,469)
Increase (Decrease) in Accrued Salaries and Benefits	3,957	72
Increase (Decrease) in Accrued Interest	(886)	(20)
Increase (Decrease) in Compensated Absences	(276)	779
Increase (Decrease) in Customer Deposits	150	0
Net Cash Provided by Operating Activities	<u>\$ 55,206</u>	<u>\$ (95,723)</u>

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

State of New Mexico  
**Village of Tularosa**  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2016

	Solid Waste	Total
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 269,420	\$ 1,242,768
Cash Paid to Suppliers and Employees	(153,181)	(1,167,046)
Net Cash Provided by Operating Activities	<u>116,239</u>	<u>75,722</u>
Cash Flows from Noncapital Financing Activities		
Environmental Gross Receipts Tax	15,623	15,623
Net Cash Provided by Noncapital Financing Activities	<u>15,623</u>	<u>15,623</u>
Cash Flows from Capital & Related Financing Activities		
Capital Grants	0	1,283,659
Purchase of Capital Assets	0	(1,194,680)
Loan Proceeds	0	8,800
Principal Paid	(67,221)	(140,032)
Interest Paid	(8,900)	(21,711)
Net Cash Provided by Capital & Related Financing Activities	<u>(76,121)</u>	<u>(63,964)</u>
Net Increase (Decrease) in Cash	55,741	27,381
Cash, Beginning of Year	<u>168,882</u>	<u>518,888</u>
Cash, End of Year	<u>\$ 224,623</u>	<u>\$ 546,269</u>
Reconciliation of Cash		
Cash and Cash Equivalents	\$ 147,841	\$ 419,692
Restricted Assets	76,782	126,577
	<u>\$ 224,623</u>	<u>\$ 546,269</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 84,582	\$ (279,480)
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities		
Depreciation	32,532	345,872
Bad Debts	1,862	7,410
Change in Assets and Liabilities		
(Increase) Decrease in Taxes Receivable	126	126
(Increase) Decrease in Accounts Receivable	270	5,587
(Increase) Decrease in Interfund Balance	0	(59,889)
Increase (Decrease) in Accounts Payable	(2,878)	52,575
Increase (Decrease) in Accrued Salaries and Benefits	394	4,423
Increase (Decrease) in Accrued Interest	(163)	(1,069)
Increase (Decrease) in Compensated Absences	(486)	17
Increase (Decrease) in Customer Deposits	0	150
Net Cash Provided by Operating Activities	<u>\$ 116,239</u>	<u>\$ 75,722</u>

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



**A. Summary of Significant Accounting Policies**

The financial statements of the Village of Tularosa (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 Village's accounting policies are described below.

**Financial Reporting Entity**

The Village was incorporated under the laws of the State of New Mexico. The Village operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The Village has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Village members are financially accountable. There are no other primary governments with which the Village Board Members are financially accountable. There are no other primary governments with which the Village has a significant relationship.

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the Village are classified into three categories: governmental, proprietary, and fiduciary. In turn, each category is divided into separate fund types.

**Measurement Focus and Basis of Accounting**

***Government-Wide Financial Statements (GWFS)***

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Village. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

Amounts reported as program revenue in the government-wide financial statements include: (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) operating such as Small Cities Assistance, Fire Protection, EMS, LEPF grants and contributions, and (3) capital grants and contributions. The Village's operating grants include the Small Cities Assistance Grant and State Grants.

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

The specific revenue recognition policy for property taxes are recognized when levied, derived tax revenue (such as gross receipts tax) are recognized when the underlying transaction takes place, and grants are recognized when all of the eligibility requirements have been met.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

#### **Proprietary Fund - Enterprise Funds Financial Statements**

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following major governmental funds:

The Village has presented the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the Village and accounts for all revenues and expenditures of the Village not encompassed within other funds.

**Fire Protection Fund**-To account for the operation and maintenance of the Village Fire Department. Financing is primarily from an annual state fire allotment. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

**Older American Fund**-To account for the receipts and expenditures related to the Senior Citizens Center. The fund was created by the Village ordinance.

**Capital Projects Fund**-The Capital Projects Funds is used to account for the revenue and expenditures related to capital improvements.

Additionally, the Village reports the following non-major funds types:

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

**Measurement Focus and Basis of Accounting**

The government wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenue, such as franchise and sales tax revenue, is recognized when the underlying exchange transaction occurs.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Property taxes, sales taxes, franchise tax, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreement, the Village funds certain programs by a combination of specific cost reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**Budgetary Control**

1. Prior to June 1, the Village's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing
2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.
3. The Village treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Trustees and the State Department of Finance and Administration.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. The level of budget authority is at the fund level.
6. The cash basis is used to present the budgetary comparisons.

**Cash and Cash Equivalents**

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Village is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

The Village implemented Governmental Accounting Standard No. 72, Fair Value Measurements and Application. This standard generally requires investments to be measured at fair value. The statement also requires the disclosures in relation to fair value measurements, the fair value hierarchy and valuation techniques. The Village also early adopted Governmental Accounting Standards No. 79, Certain External Investment Pools and Pool Participants conforming to the early adoption of the standard by the State Treasurer. This standard allows the State Treasurer and Pool Participants to report qualifying short term investments at amortized cost rather than adjusting such assets to fair value each reporting period. Accordingly, the short term investments in the State Treasurer's Local Government Investment Pool (LGIP) are reported at amortized cost, which approximates fair value. The Village's investment assets are measured at fair value.

Prepaid Items

Prepaid balances are for payments made by the Village in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Infrastructure	30 Years
Buildings	50 Years
Building Improvements	20 Years
Vehicles	2-15 Years
Equipment	3-15 Years
Information Technology Equipment and Software	3-5 Years

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The Village does not have any activity in short-term debt.

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet. There are no outstanding Capital Leases.

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Unearned and Unavailable Revenue

The Village reports unearned and unavailable revenues on its Statement of Net Position and Fund Balance Sheet. Unearned revenues arise when resources are received by the Village before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Village has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized. Unavailable revenues also occur in the fund financial statements when revenue is earned but is not available such as property taxes. The revenue becomes available if received within 30 days of the fiscal year end.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then.

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then.

Compensated Absences

Each employee that has been employed between 1 and 5 years is entitled to 4 hrs. of vacation pay per pay period, 6 to 10 years is 6 hours per pay period and 11 years or more is 8 hours per pay period. Sick leave is determined for all employees no matter the length of employment is 4 hours per pay period. Sick leave will be granted only from the duty because of personal illness, legal quarantine or medical, dental or optical appointments. Also for family members that include spouse, parents, spouses parents, children and grandchildren.

Net Position

Net Position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt 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 positions are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments.

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed on net positions use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

Reconciliation of Budgetary Basis to GAAP Basis Statements

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are included on each Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual Schedules.

**B. Deposits and Investments**

The Village is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<u>Name of Account</u>	<u>Balance Per Bank 6/30/16</u>	<u>Reconciled Balance</u>	<u>Type</u>
General Fund	\$ 745,661	\$ 735,915	Checking-Interest Bearing
General Fund CD	50,376	50,376	Savings-Interest Bearing
Disbursement	921	921	Checking-Interest Bearing
Payroll	19,512	10,673	Checking-Non Interest Bearing
Fire Department	6,166	6,002	Checking-Interest Bearing
Law Enforcement	5,827	5,317	Checking-Interest Bearing
Local Government Correction	52,724	51,004	Checking-Interest Bearing
Special Gas Tax	172,330	168,407	Checking-Interest Bearing
Recreation Fund	18,600	18,536	Checking-Interest Bearing
Summer Food Program	5,514	131	Checking-Non Interest Bearing
Older American Program	21,854	18,395	Checking-Interest Bearing
Capital Projects	84,259	16,260	Checking-Interest Bearing
Water	132,951	124,181	Checking-Interest Bearing
Sewer	81,599	79,778	Checking-Interest Bearing
Sewer Fund-CD	9,328	9,328	Savings-Interest Bearing
WWP Phase 2 Reserve	5,250	5,250	Checking-Non Interest Bearing
Solid Waste	119,572	111,872	Checking-Interest Bearing
TOTAL Deposited	<u>1,532,444</u>	<u>\$ 1,412,346</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	1,282,444		
50% collateral requirement	641,222		
Pledged securities	<u>707,711</u>		
Over (Under) requirement	<u>\$ 66,489</u>		

There is \$200 cash on hand.

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged at 1st National Bank, the custodian of the securities is FHLB in Dallas, Texas:

<u>Description</u>	<u>CUSIP #</u>	<u>Fair Market Value</u>	<u>Maturity Date</u>
Santa Fe NM Water Utility System	802169BH4	336,771	06/01/2024
Questa ISD	748352DA6	370,940	09/01/2027
		<u>\$ 707,711</u>	

The difference between the bank balance and reconciled balance is outstanding deposits, outstanding checks, and pending bank adjustments.

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<b>Wells Fargo</b>			
<u>Name of Account</u>	Balance Per Bank 6/30/16	Reconciled Balance	<u>Type</u>
Rural Utility Service Fund	\$ 143	\$ 143	Checking-Non Interest Bearing
Solid Waste	35,969	35,969	Savings-Interest Bearing
TOTAL Deposited	<u>36,112</u>	<u>\$ 36,112</u>	
Less: FDIC Coverage	<u>(36,112)</u>		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	<u>\$ 0</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

<b>Western Bank</b>			
<u>Name of Account</u>	Balance Per Bank 6/30/16	Reconciled Balance	<u>Type</u>
General-CD	\$ 53,342	\$ 53,342	Savings-Interest Bearing
Water-CD	25,354	25,354	Savings-Interest Bearing
WB-CD	33,210	33,210	Savings-Interest Bearing
TOTAL Deposited	<u>111,906</u>	<u>\$ 111,906</u>	
Less: FDIC Coverage	<u>(111,906)</u>		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	<u>\$ 0</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

<b>Bank of America</b>			
<u>Name of Account</u>	Balance Per Bank 6/30/16	Reconciled Balance	<u>Type</u>
Village of Tularosa-Fire Department	\$ 23	\$ 23	Savings
Village of Tularosa-Water	44,401	44,401	Savings
Village of Tularosa-Solid Waste	76,781	76,781	Savings
TOTAL Deposited	<u>121,205</u>	<u>\$ 121,205</u>	

Bank of America is the fiscal agent for New Mexico Finance Authority (NMFA). NMFA is responsible for pledged securities.



**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 398,018
Collateralized:	
Collateral held by the pledging bank in Village's name	707,711
Uninsured and uncollateralized	695,938
Total Deposits	<u>\$ 1,801,667</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2016 \$695,938 of the Village's bank balance of \$1,801,667 was exposed to custodial credit risk.

**New Mexico State Treasurer**

<u>Name of Account</u>	<u>Fair Market Value 6/30/16</u>	<u>Reconciled Balance</u>	<u>Type</u>
Village of Tularosa	\$ 57,746	\$ 57,746	Investment
	<u>\$ 57,746</u>	<u>\$ 57,746</u>	

GASB Statement No. 40, Deposit and Investment Risk Disclosures, relates to how deposits and investments are reported in the annual financial statements of governmental 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 risk (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:

1. With respect to credit risk, the LGIP, a government investment pool, 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.
2. 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. However, our investment portfolio is posted on the State Treasurer's Office website, [www.nmsto.gov](http://www.nmsto.gov), and available for review by participants at any time.
3. GASB Statement No. 40 defines interest rate risk as the risk that interest rate variations may adversely affect the fair value of an investment. According to GASB Statement No. 40, 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 LGIP is identified on the monthly LGIP investment report found on the State Treasurer's Office website at [www.nmsto.org](http://www.nmsto.org). As of June 30, 2016, the LGIP WAM(R) is 44 days and WAM(F) is 77 days.
4. Finally, with respect to foreign currency risk, all investments in the LGIP are in U.S. dollar denominated assets. Therefore, the LGIP has no foreign currency risk.

**C. Receivables**

Receivables as of June 30, 2016, were as follows:

	General	Gasoline Tax	Older Americans	Capital Projects	Utilities
Franchise Taxes	\$ 8,821	\$ 0	\$ 0	\$ 0	\$ 0
Gross Receipts	49,286	2,028	0	0	0
Property Taxes	5,248	0	0	0	0
Gasoline Taxes	0	1,826	0	0	0
Other Taxes	843	0	0	0	1,014
Accounts Receivable	0	0	0	0	98,917
Due from Grantor	0	0	13,205	67,599	0
	<u>\$ 64,198</u>	<u>\$ 3,854</u>	<u>\$ 13,205</u>	<u>\$ 67,599</u>	<u>\$ 99,931</u>

All receivable balances are expected to be collected within one year.

**D. Interfund Receivables, Payables and Transfers**

Due to		Due from	
Utilities	<u>\$ 59,889</u>	Capital Projects	<u>\$ 59,889</u>

This loan is expected to be repaid within one year.

Transfer from		Transfer to	
General	\$ 37,031	Recreation	\$ 37,031
General	47,621	Older Americans	47,851
	<u>\$ 84,652</u>		<u>\$ 84,882</u>

**E. Capital Assets**

Capital Assets Balances and Activity for the Year Ended June 30, 2016, is as follows:

	Beginning Balance 6/30/15	Increases	Decreases	Ending Balance 6/30/16
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated				
Land	\$ 588,363	\$ 0	\$ 0	\$ 588,363
Construction in Progress	7,233	78,669	7,233	78,669
Capital Assets, being Depreciated				
Infrastructure	1,538,333	72,469	0	1,610,802
Buildings & Improvements	6,915,826	7,233	0	6,923,059
Equipment	3,059,530	445,641	0	3,505,171
Total Capital Assets	<u>12,109,285</u>	<u>604,012</u>	<u>7,233</u>	<u>12,706,064</u>
Less Accumulated Depreciation				
Buildings & Improvements	1,553,292	50,258	0	1,603,550
Infrastructure	267,186	106,299	0	373,485
Equipment	2,369,910	192,907	0	2,562,817
Total Accumulated Depreciation	<u>3,859,866</u>	<u>349,464</u>	<u>0</u>	<u>4,539,852</u>
Capital Assets, net	<u>\$ 8,249,419</u>	<u>\$ 254,548</u>	<u>\$ 7,233</u>	<u>\$ 8,166,212</u>

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Depreciation expense was charged to the following functions:

General	\$ 7,987
Public Safety	73,571
Public Works	147,041
Culture & Recreation	120,865
	<u>\$ 349,464</u>

<b>Business-Type Activities</b>	Beginning Balance 6/30/15	Increases	Decreases	Ending Balance 6/30/16
<b>Water</b>				
Water System	\$ 5,946,510	\$ 1,192,627	\$ 0	\$ 7,139,137
Equipment	10,000	2,053	0	12,053
Total Capital Assets	<u>5,956,510</u>	<u>1,194,680</u>	<u>0</u>	<u>7,151,190</u>
Less Accumulated Depreciation				
Improvements	4,012,988	142,783	0	4,155,771
Equipment	1,000	1,103	0	2,103
Total Accumulated Depreciation	<u>4,013,988</u>	<u>143,886</u>	<u>0</u>	<u>4,157,874</u>
Capital Assets, net	<u>\$ 1,942,522</u>	<u>\$ 1,050,794</u>	<u>\$ 0</u>	<u>\$ 2,993,316</u>
<b>Sewer</b>				
Other Capital Assets				
Sewer System	\$ 8,266,964	\$ 43,172	\$ 0	\$ 8,310,136
Equipment	18,785	0	0	18,785
Total Capital Assets	<u>8,285,749</u>	<u>43,172</u>	<u>0</u>	<u>8,328,921</u>
Less Accumulated Depreciation				
Improvements	2,112,847	169,454	0	2,282,301
Equipment	18,785	0	0	18,785
Total Accumulated Depreciation	<u>2,131,632</u>	<u>169,454</u>	<u>0</u>	<u>2,301,086</u>
Capital Assets, net	<u>\$ 6,154,117</u>	<u>\$ (126,282)</u>	<u>\$ 0</u>	<u>\$ 6,027,835</u>
<b>Solid Waste</b>				
Other Capital Assets				
Equipment	\$ 487,979	\$ 0	\$ 0	\$ 487,979
Total Capital Assets	<u>487,979</u>	<u>0</u>	<u>0</u>	<u>487,979</u>
Less Accumulated Depreciation				
Equipment	207,980	32,532	0	240,512
Total Accumulated Depreciation	<u>175,448</u>	<u>32,532</u>	<u>0</u>	<u>240,512</u>
Capital Assets, net	<u>\$ 312,531</u>	<u>\$ (32,532)</u>	<u>\$ 0</u>	<u>\$ 247,467</u>

**F. Long-Term Liabilities and Other Liabilities**

A summary of activity in the Long-Term Debt is as follows:

	Beginning Balance 6/30/15	Additions	Decreases	Ending Balance 6/30/16	Amounts Due Within One Year
<b>Governmental Activities</b>					
Notes Payable					
NMFA Fire Station	\$ 239,780	\$ 0	\$ 12,253	\$ 227,527	12,311
NMFA Fire Pumper	0	381,864	0	381,864	22,142
	<u>239,780</u>	<u>381,864</u>	<u>12,253</u>	<u>609,391</u>	<u>34,453</u>
Other Liabilities					
Compensated Absences					
	\$ 53,364	\$ 59,189	\$ 69,703	\$ 42,850	42,850

The compensated absences will be liquidated by the General Fund or Water Fund.

The annual requirements to amortize the above loans as of June 30, 2016, including interest payments are as follows:

	Principal	Interest	Total
2017	\$ 34,453	\$ 5,516	\$ 39,969
2018	35,812	4,157	39,969
2019	36,192	3,777	39,969
2020	36,534	3,434	39,968
2021	36,887	3,082	39,969
2025-2026	191,451	8,396	199,847
2027-2031	199,779	791	200,570
2032-2034	38,283	77	38,360
	<u>\$ 609,391</u>	<u>\$ 29,230</u>	<u>\$ 638,621</u>

	Beginning Balance 6/30/15	Additions	Decreases	Ending Balance 6/30/16	Amounts Due Within One Year
<b>Business-Type Activities</b>					
Bonds Payable					
USDA RIP 96-03	142,007	0	21,954	120,053	22,613
USDA RIP 93-11	44,106	0	14,269	29,837	14,698
NMFA Water	124,668	0	23,415	101,253	24,474
NMFA for Match	33,331	0	3,510	29,821	1,755
NMFA Colonias-14	84,998	0	8,500	76,498	4,250
NMFA Colonias-16	0	8,800	163	8,637	455
USDA RUS 2004	90,000	0	1,000	89,000	1,000
NMFA Equipment	281,439	0	67,221	214,218	69,172
	<u>\$ 800,549</u>	<u>\$ 8,800</u>	<u>\$ 140,032</u>	<u>\$ 669,317</u>	<u>\$ 138,417</u>
Other Liabilities					
Compensated Absences					
	\$ 28,593	\$ 23,945	\$ 23,927	\$ 28,611	28,611

Utility Bonds

The following bonds were issued for the purpose of improving and expanding the Village's water utility system. The water utility fund charges a fee for water and services to retire the principal and interest on the bond issues.

Series	Maturity Date	Original Amount	Interest Rate	Balance
USDA RIP 93-11	09/25/2017	\$ 186,144	3%	120,053
USDA RIP 96-03	11/08/2020	390,000	3%	29,837
NMFA Water	05/01/2020	405,405	3.8%-5.83%	\$ 101,253
NMFA for Match	05/01/2033	35,086	0.00%	29,821
NMFA Colonias-14	05/01/2034	84,998	0.00%	76,498
NMFA Colonias-16	01/22/2016	8,800	0.00%	8,637
USDA RUS 2004	12/31/2044	100,000	4.25%	89,000
NMFA Equipment	05/01/2019	564,831	2.95%	214,218
				<u>\$ 669,317</u>

The annual requirements to amortize the above bonds as of June 30, 2016, including interest payments are as follows:

	Principal	Interest	Total
2017	\$ 138,417	\$ 18,951	\$ 157,368
2018	142,767	14,785	157,552
2019	131,744	10,355	142,099
2020	59,823	6,049	65,872
2021	33,910	4,254	38,164
2022-2026	42,295	16,160	58,455
2027-2031	44,290	14,000	58,290
2032-2036	33,071	11,070	44,141
3037-3041	19,000	7,610	26,610
2045-2045	24,000	3,020	27,020
	<u>\$ 669,317</u>	<u>\$ 106,254</u>	<u>\$ 775,571</u>

**G. Retirement Plan**

Summary of Significant Accounting Policies

*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, on the economic resources measurement focus and accrual basis of accounting. 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.

#### General Information about the Pension Plan

*Plan description.* The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA 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), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

*Benefits provided.* For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf).

*Contributions.* The contribution requirements of defined benefit plan members and the Village are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures in the PERA FY15 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf). The PERA coverage options that apply to Village are Municipal Plan 1 (Plan) and Police 2 (Police). Statutorily required contributions to the Plan were \$45,973 and to the Police \$22,715 for a total of \$69,688 for the year ended June 30, 2016.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

State of New Mexico  
**Village of Tularosa**  
Notes to the Financial Statements  
June 30, 2016

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The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

The Village reported a liability of \$583,204 for the Plan and \$313,037 for the Police for a total of \$896,241 at June 30, 2016, for its proportionate share of the net pension liability. At June 30, 2015, the Village's proportion was 0.0572% for the Plan which was an increase of 0.0012% and for the Police 0.0651% which was an increase of 0.0028% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Village recognized pension expense for the General Plan of \$34,973 and Police of \$16,804 for a total of \$51,777. At June 30, 2016, the Village reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	General Deferred Outflows of Resources	Police Deferred Outflows of Resources	Total Deferred Outflows of Resources
Differences between expected and actual experience	\$ 0	\$ 21,874	\$ 21,874
Net difference between projected and actual earnings on pension plan investments	0	0	0
Changes of assumptions	0	0	0
Changes in proportion and differences between the Village's contributions and proportionate share of	2,979	6,970	9,949
Village's contributions subsequent to the measurement date	<u>46,973</u>	<u>22,715</u>	<u>69,688</u>
Total	<u>\$ 49,952</u>	<u>\$ 51,559</u>	<u>\$ 101,511</u>

State of New Mexico  
**Village of Tularosa**  
Notes to the Financial Statements  
June 30, 2016

	General Deferred Inflows of Resources	Police Deferred Inflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual experience	\$ (12,918)	\$ 0	\$ (12,918)
Net difference between projected and actual earnings on pension plan investments	(1,845)	(868)	(2,713)
Changes of assumptions	(227)	(12,951)	(13,178)
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ (14,990)</u>	<u>\$ (13,819)</u>	<u>\$ (28,809)</u>

The Plan's \$46,973 and Police's \$22,715 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	General	Police	Total
2016	\$ (15,447)	\$ (2,665)	\$ (18,112)
2017	(15,447)	(2,665)	(18,112)
2018	(15,447)	(2,665)	(18,112)
2019	31,351	16,050	47,401
2020	0	0	0
Total	<u>\$ (14,990)</u>	<u>\$ 8,055</u>	<u>\$ (6,935)</u>

*Actuarial assumptions.* As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
(1) Investment rate of return	7.75% annual rate, net of investment expense
(2) Projected benefit payment	100 years
(3) Payroll growth	3.50% annual rate
(4) Projected salary increases	3.50 to 14.25% annual rate
(5) Includes inflation at	3.00% annual rate



(6) Mortality Assumption	RP-2000 Mortality Tables (combined table for healthy post-retirees, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
(7) Experience Study Dates	July 1, 2008 to June 30, 2013

The long-term expected rate of return on pension plan investments was determined using a statistical analysis 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 asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Village's net pension liability in the Municipal Plan 2 and Police 5 PERA Fund Divisions that the Village participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Village's proportionate share of the net pension liability for the General Plan	\$ 992,964	\$ 583,204	\$ 245,215

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
The Village's proportionate share of the net pension liability for Police	\$ 516,962	\$ 313,037	\$ 145,750

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**H. Retiree Health Care**

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico as authorized under Section 9D of Chapter 6, Laws of 1990. The village has elected not to participate in this plan.

**I. Risk Management**

The Village is exposed to various risks of losses 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 a commercial carrier to insure against potential losses and claims. The premiums are based on payroll and other expenditures, and are not directly related to claims filed. The policies are retrospectively rated and premiums may be adjusted after year end based on the ultimate level of expenditures.

The officials and certain employees of the Village are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

**J. Joint Powers Agreements**

The Village is a member of the Otero Regional Waste Authority and consequently does not account for landfill closure and post-closure care cost since the Authority is a separate entity that has its own accounting system. The Village has also hired a contractor for solid waste service pick-up, and therefore is also not subject to these accounting requirements.

**K. Commitments**

The Village is involved in various renovations and repairs.

**L. Subsequent Events**

Subsequent events were evaluated through November 21, 2016 which is the date the financial statements were available to be issued.

**M. Negative Fund Balances**

The Fire Fund had a negative fund balance of \$(4,701) and the Summer Food Program Fund had a negative fund balance of \$(120).

**Supplemental Information Related to  
Major Funds**

State of New Mexico  
**Village of Tularosa**  
Capital Projects Fund  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 973,239	\$ 973,239	\$ 28,442	\$ (944,797)
Total Revenues	<u>973,239</u>	<u>973,239</u>	<u>28,442</u>	<u>(944,797)</u>
Expenditures				
Capital Outlay	973,239	973,239	96,041	877,198
Total Expenditures	<u>973,239</u>	<u>973,239</u>	<u>96,041</u>	<u>877,198</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>(67,599)</u>	<u>(67,599)</u>
Other Financing Sources (Uses)				
Due from General	0	0	6,468	6,468
Due from Water	0	0	59,889	59,889
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>66,357</u>	<u>66,357</u>
Net Change in Cash Balance	0	0	(1,242)	(1,242)
Cash Balance Beginning of Year	<u>17,502</u>	<u>17,502</u>	<u>17,502</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 17,502</u>	<u>\$ 17,502</u>	<u>\$ 16,260</u>	<u>\$ (1,242)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance-Cash Basis			\$ (1,242)	
Net Change in Due from Grantor			67,599	
Net Change in Due from Water			(59,889)	
Net Change in Due from General			(6,468)	
Net Change in Fund Balance-GAAP Basis			<u>\$ 0</u>	

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

**Supplemental Information Related to  
Nonmajor Funds**

**Law Enforcement Fund**

To account for funds received from the State of New Mexico for law enforcement purposes. The fund was created by the authority of state grant provisions. (NMSA 29-13-3)

**Correction Fund**

To account for the collection of fines which are used to supplement the cost of prisoner housing. The fund was created by the authority of state statute. (Section 29-1301 NASA 1978)

**Municipal Streets Fund**

To account for the receipts and expenditures of special gasoline tax which is restricted for use in repairing and maintaining roads and streets within the municipality. The fund was created by the authority of state grant provisions. (NMSA 29-13-3)

**Recreation Fund**

To account for the operation and maintenance of the Village's youth recreation program. Financing is provided by the state shared cigarette tax. The fund was created by the authority of state statute. (NMSA 7-12-15)

**Summer Food Fund**

To account for the receipts and expenditures related to the state grants based upon agreement with the New Mexico Children, Youth and Families Department for the purpose of providing meals for the youth of Tularosa during the summer months when school nutritional facilities are not available. The fund was created by the authority of state grant provisions.

State of New Mexico  
**Village of Tularosa**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2016

	Special Revenue Funds		
	Law Enforcement	Correction	Municipal Streets
<b>Assets</b>			
Cash and Cash Equivalents	\$ 5,317	\$ 51,004	\$ 168,407
Receivables			
Taxes	0	0	3,854
Total Assets	<u>\$ 5,317</u>	<u>\$ 51,004</u>	<u>\$ 172,261</u>
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 120	\$ 734
Accrued Salaries & Benefits	0	0	0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>120</u>	<u>734</u>
<b>Fund Balance</b>			
Restricted for:			
Special Revenue Fund	5,317	50,884	171,527
Unassigned	0	0	0
Total Fund Balance	<u>5,317</u>	<u>50,884</u>	<u>171,527</u>
Total Liabilities and Fund Balance	<u>\$ 5,317</u>	<u>\$ 51,004</u>	<u>\$ 172,261</u>

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

State of New Mexico  
**Village of Tularosa**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2016

	<u>Special Revenue Funds</u>		
	<u>Recreation</u>	<u>Summer Food</u>	<u>Total</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 18,536	\$ 131	\$ 243,395
Receivables			
Taxes	0	0	3,854
Total Assets	<u>\$ 18,536</u>	<u>\$ 131</u>	<u>\$ 247,249</u>
<b>Liabilities</b>			
Accounts Payable	\$ 660	\$ 0	\$ 1,514
Accrued Salaries & Benefits	710	251	961
Interfund Balance	0	0	0
Total Liabilities	<u>1,370</u>	<u>251</u>	<u>2,475</u>
<b>Fund Balance</b>			
Restricted for:			
Special Revenue Fund	17,166	0	244,894
Unassigned	0	(120)	(120)
Total Fund Balance	<u>17,166</u>	<u>(120)</u>	<u>244,774</u>
Total Liabilities and Fund Balance	<u>\$ 18,536</u>	<u>\$ 131</u>	<u>\$ 247,249</u>

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



State of New Mexico  
**Village of Tularosa**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 For the Year Ended June 30, 2016

	Special Revenue Funds		
	Law Enforcement	Correction	Municipal Streets
Revenues			
Taxes			
Gross Receipts	\$ 0	\$ 0	\$ 31,259
Gasoline	0	0	20,768
Fines & Forfeitures	0	14,257	0
State & Local Grants	23,600	0	125,125
Miscellaneous	12	38	194
Total Revenues	<u>23,612</u>	<u>14,295</u>	<u>177,346</u>
Expenditures			
Current			
Public Safety	22,976	5,223	0
Public Works	0	0	8,113
Cultural & Recreation	0	0	0
Capital Outlay	0	0	72,470
Total Expenditures	<u>22,976</u>	<u>5,223</u>	<u>80,583</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>636</u>	<u>9,072</u>	<u>96,763</u>
Other Financing Sources (Uses)			
Transfers In (Out)	0	0	0
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	636	9,072	96,763
Fund Balance at Beginning of Year	<u>4,681</u>	<u>41,812</u>	<u>74,764</u>
Fund Balance End of Year	<u>\$ 5,317</u>	<u>\$ 50,884</u>	<u>\$ 171,527</u>

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

State of New Mexico  
**Village of Tularosa**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 For the Year Ended June 30, 2016

	<u>Special Revenue Funds</u>		
	<u>Recreation</u>	<u>Summer Food</u>	<u>Total</u>
Revenues			
Taxes			
Gross Receipts	\$ 0	\$ 0	\$ 31,259
Gasoline	0	0	20,768
Fines & Forfeitures	0	0	14,257
State & Local Grants	0	7,381	156,106
Miscellaneous	6,131	0	6,375
Total Revenues	<u>6,131</u>	<u>7,381</u>	<u>228,765</u>
Expenditures			
Current			
Public Safety	0	0	28,199
Public Works	0	0	8,113
Cultural & Recreation	40,274	8,897	49,171
Capital Outlay	0	0	72,470
Total Expenditures	<u>40,274</u>	<u>8,897</u>	<u>157,953</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(34,143)</u>	<u>(1,516)</u>	<u>70,812</u>
Other Financing Sources (Uses)			
Transfers In (Out)	37,031	0	37,031
Total Other Sources (Uses)	<u>37,031</u>	<u>0</u>	<u>37,031</u>
Net Change in Fund Balance	2,888	(1,516)	107,843
Fund Balance at Beginning of Year	<u>14,278</u>	<u>1,396</u>	<u>136,931</u>
Fund Balance End of Year	<u>\$ 17,166</u>	<u>\$ (120)</u>	<u>\$ 244,774</u>

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

State of New Mexico  
**Village of Tularosa**  
Special Revenue Fund-Law Enforcement  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 23,600	\$ 23,600	\$ 23,600	\$ 0
Miscellaneous	0	0	12	12
Total Revenues	<u>23,600</u>	<u>23,600</u>	<u>23,612</u>	<u>12</u>
Expenditures				
Public Safety				
Other	23,600	23,600	22,976	624
Total Expenditures	<u>23,600</u>	<u>23,600</u>	<u>22,976</u>	<u>624</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	636	636
Cash Balance Beginning of Year	<u>4,681</u>	<u>4,681</u>	<u>4,681</u>	<u>0</u>
Cash Balance End of Year	\$ <u>4,681</u>	\$ <u>4,681</u>	\$ <u>5,317</u>	\$ <u>636</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>636</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>636</u>	

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

State of New Mexico  
**Village of Tularosa**  
Special Revenue Fund-Correction  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Correction Fees	\$ 19,761	\$ 19,761	\$ 14,257	\$ (5,504)
Miscellaneous	0	0	39	39
Total Revenues	<u>19,761</u>	<u>19,761</u>	<u>14,296</u>	<u>(5,465)</u>
Expenditures				
Public Safety				
Other	19,761	19,761	5,104	14,657
Total Expenditures	<u>19,761</u>	<u>19,761</u>	<u>5,104</u>	<u>14,657</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	9,192	9,192
Cash Balance Beginning of Year	<u>41,812</u>	<u>41,812</u>	<u>41,812</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 41,812</u>	<u>\$ 41,812</u>	<u>\$ 51,004</u>	<u>\$ 9,192</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 9,192	
Net Change in Accounts Payable			<u>(120)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 9,072</u>	

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

State of New Mexico  
**Village of Tularosa**  
Special Revenue Fund-Municipal Streets  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Gross Receipts Tax	\$ 30,269	\$ 30,269	\$ 31,504	\$ 1,235
Gasoline Tax	21,719	21,719	20,758	(961)
State Grant	268,298	268,298	125,125	(143,173)
Other	0	0	194	194
Total Revenues	<u>320,286</u>	<u>320,286</u>	<u>177,581</u>	<u>(142,705)</u>
<b>Expenditures</b>				
Public Works	21,719	21,719	7,378	14,341
Capital Outlay	<u>310,040</u>	<u>310,040</u>	<u>72,470</u>	<u>237,570</u>
Total Expenditures	<u>331,759</u>	<u>331,759</u>	<u>79,848</u>	<u>237,570</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,473)	(11,473)	97,733	109,206
Cash Balance Beginning of Year	<u>70,674</u>	<u>70,674</u>	<u>70,674</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 59,201</u>	<u>\$ 59,201</u>	<u>\$ 168,407</u>	<u>\$ 109,206</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 97,733	
Net Change in Taxes Receivable			(236)	
Net Change in Accounts Payable			<u>(734)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 96,763</u>	

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

State of New Mexico  
**Village of Tularosa**  
Special Revenue Fund-Recreation  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Contributions/Donations	\$ 5,680	\$ 5,680	\$ 6,131	\$ 451
Total Revenues	<u>5,680</u>	<u>5,680</u>	<u>6,131</u>	<u>451</u>
<b>Expenditures</b>				
Culture & Recreation				
Salaries	23,899	23,899	24,170	(271)
Benefits	3,607	3,607	3,627	(20)
Other	23,747	23,747	12,642	11,105
Total Expenditures	<u>51,253</u>	<u>51,253</u>	<u>40,439</u>	<u>10,814</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(45,573)</u>	<u>(45,573)</u>	<u>(34,308)</u>	<u>11,265</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from General Fund	37,031	37,031	37,031	0
Total Other Financing Sources (Uses)	<u>37,031</u>	<u>37,031</u>	<u>37,031</u>	<u>0</u>
Net Change in Cash Balance	(8,542)	(8,542)	2,723	11,265
Cash Balance Beginning of Year	<u>15,813</u>	<u>15,813</u>	<u>15,813</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 7,271</u>	<u>\$ 7,271</u>	<u>\$ 18,536</u>	<u>\$ 11,265</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net Change in Cash Balance			\$ 2,723	
Net Change in Accounts Payable			448	
Net Change in Accrued Salaries & Benefits			(283)	
Net Change in Fund Balance			<u>\$ 2,888</u>	

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

State of New Mexico  
**Village of Tularosa**  
Special Revenue Fund-Summer Food  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget (Budgetary Basis) and Actual  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 13,472	\$ 13,472	\$ 7,381	\$ (6,091)
Total Revenues	<u>13,472</u>	<u>13,472</u>	<u>7,381</u>	<u>(6,091)</u>
Expenditures				
Cultural & Recreation				
Salaries	5,278	5,278	2,416	2,862
Benefits	404	404	187	217
Other	<u>7,790</u>	<u>7,790</u>	<u>8,574</u>	<u>(784)</u>
Total Expenditures	<u>13,472</u>	<u>13,472</u>	<u>11,177</u>	<u>2,295</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(3,796)	(3,796)
Cash Balance Beginning of Year	<u>3,927</u>	<u>3,927</u>	<u>3,927</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 3,927</u>	<u>\$ 3,927</u>	<u>\$ 131</u>	<u>\$ (3,796)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (3,796)	
Net Change in Accounts Payable			2,314	
Net Change in Accrued Salaries & Benefits			<u>(34)</u>	
Net Change in Fund Balance			<u>\$ (1,516)</u>	

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

**Required Supplemental Information**



**Schedule of the Village's Proportionate Share of the Net Pension Liability-General Plan**

Last 10 Fiscal Years\*

	2015	2016
Village's proportion of the net pension liability	0.05670%	0.05720%
Village's proportionate share of the net pension liability	\$ 442,297	\$ 583,204
Village's covered-employee payroll	599,910	634,768
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	73.73%	91.88%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	81.29%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

**Schedule of Village's Contributions-General Plan**

Last 10 Fiscal Years\*

Contractually required contribution	\$ 45,426	\$ 46,973
Contributions in relation to the contractually required contribution	45,426	46,973
Contribution deficiency (excess)	\$ 0	\$ 0
Village's covered-employee payroll	\$ 599,910	\$ 634,768
Contributions as a percentage of covered-employee payroll	7.57%	7.40%

\* These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

**Schedule of the Village's Proportionate Share of the Net Pension Liability-Police**

Last 10 Fiscal Years\*

Village's proportion of the net pension liability	0.06230%	0.06510%
Village's proportionate share of the net pension liability	\$ 203,103	\$ 313,037
Village's covered-employee payroll	\$ 220,735	\$ 218,410
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	92.01%	143.33%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	81.29%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

**Schedule of Village's Contributions-Police**

Last 10 Fiscal Years\*

Contractually required contribution	\$ 23,888	\$ 22,715
Contributions in relation to the contractually required contribution	23,888	22,715
Contribution deficiency (excess)	\$ 0	\$ 0
Village's covered-employee payroll	\$ 220,735	\$ 218,410
Contributions as a percentage of covered-employee payroll	10.82%	10.40%

\* These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

State of New Mexico

**Village of Tularosa**

Notes to Required Supplementary Information

For the Year Ended June 30, 2016

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Changes in Benefit Terms – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at:

[http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf).

Changes of Assumptions – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at:

[http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-302015%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-302015%20PERA%20Valuation%20Report_FINAL.pdf).

## Other Supplemental Information

**Proprietary Funds**

**Water, Sewer, and Solid Waste Funds-** The Water, Sewer and Solid Waste Funds are used to account for the provision of water, sewer, and solid waste services to the residents of the Village. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

State of New Mexico  
**Village of Tularosa**  
Proprietary Fund-Water  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Sales & Service	\$ 692,427	\$ 692,427	\$ 681,349	\$ (11,078)
Fees	13,861	13,861	28,925	15,064
State Grants	878,497	878,497	741,151	(137,346)
Federal Grants	485,664	485,664	442,676	(42,988)
Loan Proceeds	8,800	8,800	8,800	0
Miscellaneous	0	0	2,968	2,968
Total Revenues	<u>2,079,249</u>	<u>2,079,249</u>	<u>1,905,869</u>	<u>(173,380)</u>
<b>Expenditures</b>				
Salaries	274,842	274,842	306,467	(31,625)
Benefits	108,971	108,971	108,233	738
Other	290,774	290,774	251,251	39,523
Capital Outlay	1,364,161	1,364,161	1,125,991	238,170
Due from Capital Projects	0	0	59,889	59,889
Debt Service				
Principal	71,811	71,811	71,811	0
Interest	9,886	9,886	9,886	0
Total Expenditures	<u>2,120,445</u>	<u>2,120,445</u>	<u>1,933,528</u>	<u>306,695</u>
Excess (Deficiency) of Revenues Over Expenditures	(41,196)	(41,196)	(27,659)	13,537
Cash Balance Beginning of Year	<u>254,805</u>	<u>254,805</u>	<u>254,805</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 213,609</u>	<u>\$ 213,609</u>	<u>\$ 227,146</u>	<u>\$ 13,537</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (27,659)	
Depreciation			(143,885)	
Bad Debts			(4,342)	
Capital Outlay			1,194,680	
Loan Proceeds			(8,800)	
Principal Paid			71,811	
Due from Capital Projects			59,889	
Net Change in Accounts Receivable			1,917	
Net Change in Accounts Payable			(70,922)	
Net Change in Accrued Salaries & Benefits			(3,957)	
Net Change in Accrued Interest			886	
Net Change in Compensated Absences			276	
Net Change in Customer Deposits			(150)	
Change in Net Assets			<u>\$ 1,069,744</u>	

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

State of New Mexico  
**Village of Tularosa**  
Proprietary Fund-Sewer  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Sales & Service	\$ 161,201	\$ 161,201	\$ 160,274	\$ (927)
Fees	1,541	1,541	4,300	2,759
Federal Grants	361,405	361,405	99,832	(261,573)
State Grants	360,000	360,000	43,172	(316,828)
Miscellaneous	0	0	72	72
Total Revenues	<u>884,147</u>	<u>884,147</u>	<u>307,650</u>	<u>(576,497)</u>
<b>Expenditures</b>				
Salaries	28,080	28,080	32,930	(4,850)
Benefits	11,345	11,345	14,707	(3,362)
Other	496,737	496,737	212,713	284,024
Capital Outlay	360,000	360,000	43,171	316,829
Debt Service				
Principal	1,000	1,000	1,000	0
Interest	3,830	3,830	3,830	0
Total Expenditures	<u>900,992</u>	<u>900,992</u>	<u>308,351</u>	<u>592,641</u>
Excess (Deficiency) of Revenues Over Expenditures	(16,845)	(16,845)	(701)	16,144
Cash Balance Beginning of Year	<u>95,201</u>	<u>95,201</u>	<u>95,201</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 78,356</u>	<u>\$ 78,356</u>	<u>\$ 94,500</u>	<u>\$ 16,144</u>
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (701)	
Depreciation			(169,455)	
Bad Debts			(1,206)	
Capital Outlay			43,171	
Principal Payment			1,000	
Net Change in Accounts Receivable			(7,233)	
Net Change in Accounts Payable			15,469	
Net Change in Accrued Salaries & Benefits			(72)	
Net Change in Accrued Interest			20	
Net Change in Compensated Absences			(779)	
Change in Net Assets			<u>\$ (119,786)</u>	

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

State of New Mexico  
**Village of Tularosa**  
Proprietary Fund-Solid Waste  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Sales & Service	\$ 265,608	\$ 265,608	\$ 268,605	\$ 2,997
Environmental Gross Receipts Tax	15,132	15,132	15,750	618
Other	0	0	815	815
Total Revenues	<u>280,740</u>	<u>280,740</u>	<u>285,170</u>	<u>4,430</u>
<b>Expenditures</b>				
Salaries	31,120	31,120	21,506	9,614
Benefits	17,558	17,558	15,668	1,890
Other	146,745	146,745	115,971	30,774
Debt Service				
Principal	67,221	67,221	67,221	0
Interest	9,063	9,063	9,063	0
Total Expenditures	<u>271,707</u>	<u>271,707</u>	<u>229,429</u>	<u>42,278</u>
Excess (Deficiency) of Revenues Over Expenditures	9,033	9,033	55,741	46,708
Cash Balance Beginning of Year	<u>168,882</u>	<u>168,882</u>	<u>168,882</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 177,915</u>	<u>\$ 177,915</u>	<u>\$ 224,623</u>	<u>\$ 46,708</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 55,741	
Depreciation			(32,532)	
Bad Debts			(1,862)	
Principal Payment			67,221	
Net Change in Taxes Receivable			(126)	
Net Change in Accounts Receivable			(271)	
Net Change in Accounts Payable			2,878	
Net Change in Accrued Salaries & Benefits			(393)	
Net Change in Accrued Interest			163	
Net Change in Compensated Absences			486	
Change in Net Assets			<u>\$ 91,305</u>	

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

State of New Mexico  
**Village of Tularosa**  
 Vendor Schedule  
 For the Year Ended June 30, 2016

<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
	CONSTRUCTION	RMCI, INC	YES	1,427,550.00		PO Box 91447 Albuquerque, NM	YES	NO	UPDATING WATER PLANT	NA
	CONSTRUCTION	Smithco Const.	NO			Las Cruces, NM	YES	NO	UPDATING WATER PLANT	NA
		Morrow Enterprise Inc.	NO			Las Cruces, NM	YES	NO	UPDATING WATER PLANT	NA
	CONSTRUCTION	RMCI, INC	NO			P.O. Box 91447 Albuquerque, NM	YES	NO	REPAIRING HEAD WORKS	NA
	CONSTRUCTION	FILE CONSTRUCTION lic	NO			Albuquerque, NM	YES	NO	REPAIRING HEAD WORKS	NA
	CONSTRUCTION	HIGHLAND ENTERPRISE, INC	YES	128,230.00		Las Cruces, NM	YES	NO	REPAIRING HEAD WORKS	NA
	CONSTRUCTION	MORROW ENTERPRISES	NO			Las Cruces, NM	YES	NO	REPAIRING HEAD WORKS	NA
	CONSTRUCTION	C & C INDUSTRIAL	NO			Las Cruces, NM	YES	NO	REPAIRING HEAD WORKS	NA



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Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
In Accordance with *Government Auditing Standards*

Independent Auditor's Report

Mr. Tim Keller  
State Auditor of the State of New Mexico  
Board Members of the Village of Tularosa

Mr. Keller and Members of the Board

We have audited, in accordance with the 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, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Village of Tularosa (Village) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village, presented as supplemental information, and have issued our report thereon dated November 21, 2016.

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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2015-001, 2015-003, 2016-001, 2016-002, and 2016-003.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses; 2015-001, 2015-003, 2016-001, 2016-002, and 2016-003.

#### The Village's Responses to Findings

The Village's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. The Village's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

#### Purpose of this Report

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

 De'Ann Willoughby CPA PC

Clovis, New Mexico

November 21, 2016

**Financial Statement Audit Findings**

<b>Prior Year Audit Findings</b>	<b>Status</b>
<b>2015-001 Per Diem</b>	Repeated
<b>2015-002 Stale Dated Checks</b>	Resolved
<b>2015-003 Expenditures</b>	Repeated & Modified
<b>2015-004 Cash</b>	Resolved

**Current Year Audit Findings**

**2015-001 Per Diem -Compliance and Internal Control-Significant Deficiency Condition**

The Village is pay for 100% of per diem before the trip is taken. 11 checks totaling \$4,142.20. Management has made progress correcting this finding.

**Criteria**

2.42.2.10(A) NMAC-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 percent 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.

**Cause**

Management was not aware 100% of per diem could not be advanced before travel. Management corrected the problem after the prior year audit fieldwork. The 11 items included in the sample occurred before the prior year audit fieldwork. Travel after that date was not 100% advanced.

**Effect**

There is a violation of state law.

**Recommendation**

Only 80% of per diem should be advanced and after the trip the balance of 20% should be paid.

**Response**

Effective immediately the Village of Tularosa will start paying per diem at 80% in advance and 20% balance after the trip. A memo will be sent out.

The clerk is responsible for this finding and the issue has been corrected.

**2015-003 Expenditures-Compliance and Internal Control-Significant Deficiency Condition**

Of 311 expenditures sampled totaling \$2,087,318.93 we noted the following:

\*General 101-Of the 43 expenditures tested totaling \$138,355.02, 7 had invoices paid late totaling \$40,641.61 or 22.64%. 8 had PTO or reimbursements paid 100% in advance when the regulation only allows 80%, totaling \$2,586.20 or 1.87%.

\*Corrections 201-Of the 11 expenditures tested totaling \$5,104.00, 9 had paid invoices late totaling \$2,880.00 or 56.43%.

\*Fire 209-Of the 49 expenditures tested totaling \$174,083.77, 5 had invoices paid late totaling \$53,800.83 or 30.91%. 1 had a per diem or mileage reimbursement paid 100% in advance totaling \$182.00 or 0.10%.

\*LEPF 211-Of the 23 expenditures tested totaling \$21,678.85, 4 had invoices paid late totaling \$4,457.66 or 20.56%, 2 had per diem paid 100% in advance totaling \$1,374.00 or 6.34%.

\*Gas Tax 216-Of the 11 expenditures tested totaling \$77,827.27, 1 had paid an invoice late totaling \$815.91 or 1.05%.

\*Old American 219-of the 28 expenditures tested totaling \$15,604.31, 1 had a invoice paid late totaling \$1,365.00 or 8.75%.

\*Sewer 503-Of the 23 expenditures tested totaling \$75,628.97, 2 had paid invoices late totaling \$33,554.86 or 47.25%.

\*Solid Waste 504-Out of the 22 expenditures tested totaling \$66,310.31, 4 had invoices paid late totaling \$28,420.67 or 42.86%.

\*Water 505-Of the 24 expenditures tested totaling \$116,754.72, 5 had invoices paid late totaling \$39,771.72 or 34.06%.

\*Capital Projects 301-Of the 23 expenditures tested totaling \$1,238,062.24, 6 had invoices paid late totaling \$73,225.15 or 5.91%.

\*RUS 307-Out of the 12 expenditures tested totaling \$125,795.71, 8 had invoice paid late totaling \$56,797.33 or 45.15%.

Management has not made progress correcting this finding.

**Criteria**

NMAC 6.20.2.17 states that each municipality shall establish and implement written policies and procedures for purchasing, which shall be in compliance with the procurement code section 13-1-21, NMSA 1978.

**Cause**

The policy is to present the bills to the board for approval before they are mailed to the vendors. This process while very important causes some bills to be paid beyond 30 days.

**Effect**

Late paid invoices results in late fees, penalties and interest as well as damaging the Village's reputation of paying invoices timely.

**Recommendation**

A finance committee made up of board members that meets twice a month to review the bills would resolve this issue.

**Response**

We at the office will request from the Mayor and the Board approval to pay as soon as invoices come into the office.

The Clerk is responsible for this finding. It is not known when these issues will be resolved.

**2016-001 Certified Chief Procurement Officers-Compliance and Internal Control-Significant Deficiency Condition**

The Village has no certified chief procurement officer registered with the New Mexico General Services Department.

**Criteria**

NMAC 1.4.1.94 (D) - Chief procurement officer duties, responsibilities and obligations. On and after July 1, 2015, only certified chief procurement officers may: (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code; (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and (3) approve procurement pursuant to the Procurement Code; (4) provided that, persons using procurement cards may continue to issue purchase orders and authorize small purchases.

**Cause**

The village was unaware that they needed to have a certified chief procurement officer.

**Effect**

The purpose of the training was to improve the procurement process through gained knowledge.

**Recommendation**

We recommend that the village have at least one employee to obtain their certification.

**Response**

The Procurement Officer went to the schooling October 2016 but failed in the testing portion of the class. She will attend the next available school again.

The Clerk is responsible for this finding and believes it will be resolved as soon as the next school ends.

**2016-002 Clearing Account not Reconciling to Zero-Compliance and Internal Control-Significant Deficiency Condition**

**Condition**

Payroll Clearing not reconciling to 0 or a set amount (7/1/15 started with balance of \$5,402.63 and by 6/30/16 it was \$10,672.52).

**Criteria**

6.20.2.14.G. NMAC. Clearing accounts or pooled accounts may be used to combine more than one fund in one bank account. Clearing accounts shall reconcile to a zero balance at the end of each month. Bank reconciliations for clearing accounts shall be completed on a monthly basis.

**Cause**

The Villages' management did not ensure the clearing account was reconciled to a zero or a set amount each month.

**Effect**

Failing to reconcile clearing bank accounts to zero or a set amount each month does not give assurance the general ledger accounts are correct.

**Recommendation**

The clearing accounts and all bank accounts should be consolidated into one bank account resolving the issue.

**Response**

The Villages' management will work together along with the software company to see why this is not reconciling to zero or a set amount t each month.

The Clerk is responsible for this finding and believes it will be resolved quickly.

## **2016-003 I-9's-Compliance & Internal Control-Significant Deficiency**

### **Condition**

Out of 10 sampled we noted that 9 was not correct:

1 the employee completed before hire date, has NM as the issuing authority of SS Card.

1 had no expiration date on the List B item.

1 had no hire date.

2 had nm as issuing authority on SS Card.

1 had only one item on list B nothing on list C.

1 was not completed within 3 days of hire date.

1 employee did not date form, has NM as issuing authority for SS Card.

1 had list A and B item, no hire date entered.

### **Criteria**

NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, direct deposit authorizations, pay or position change notices and ERA plan application.

### **Cause**

The I-9 was completed before training.

### **Effect**

The District is subject to penalties. The penalties can include \$250 to \$3,000 for improper completion of the I-9 form. Improper completion, retention or making it available for inspection fines range from \$100 to \$1,100 for each I-9. Knowingly hiring or continuing to employ unauthorized workers fines range from \$250 up to \$11,000 per violation

### **Recommendation**

We recommend additional training, supervision and review. All I-9 should be reviewed and updated as necessary.

### **Response**

Memo has been issued to Payroll Dept. to double-check all I-9's and complete them as required.

The payroll clerk is responsible for this finding and believes it will be resolved quickly.

## **Financial Statement Preparation**

The financial statements were prepared by DeAun Willoughby, CPA. However, management is responsible for the contents of the Financial Statements.

## **Exit Conference**

An exit conference was held on November 21, 2016. In attendance were Ray Cordova-Mayor, Dianna Brusuelas-Guilez-Clerk/Treasurer, Monica Voorbach-Payroll Clerk, Valarie Delgado-Accounts Payable Clerk and De'Aun Willoughby, CPA.