

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the YEAR ENDED JUNE 30, 2017
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
For the YEAR ENDED JUNE 30, 2017

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STATE OF NEW MEXICO
VILLAGE OF TULAROSA
For the YEAR ENDED JUNE 30, 2017

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STATE OF NEW MEXICO
VILLAGE OF TULAROSA
OFFICIAL ROSTER
JUNE 30, 2017

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



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner
Tony Morán, CPA, Partner
Christopher Salcido, CPA, Partner
J. David Beasley, J.D., Partner

INDEPENDENT AUDITORS' REPORT

Wayne A. Johnson, State Auditor
and the Mayor and Village Trustees of the
Village of Tularosa, New Mexico

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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, 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, New Mexico, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider 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 the missing information.

Accounting principles generally accepted in the United States of America require that schedules related to net pension liability, pages 50 - 53 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Tularosa, New Mexico's basic financial statements. The combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2018 on our consideration of Village of Tularosas' 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 Village of Tularosa' internal control over financial reporting and compliance.


Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
March 12, 2018

GOVERNMENT - WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business- type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Current assets			
Cash and cash equivalents	\$ 1,106,514	\$ 512,544	\$ 1,619,058
Accounts receivable	8,261	226,322	234,583
Taxes receivable	<u>132,487</u>	<u>2,728</u>	<u>135,215</u>
Total current assets	1,247,262	741,594	1,988,856
Non-current assets			
Restricted assets - cash	108,726	83,710	192,436
Capital assets	13,738,565	15,968,090	29,706,655
Less accumulated depreciation	<u>(4,896,531)</u>	<u>(7,045,344)</u>	<u>(11,941,875)</u>
Total non-current assets	<u>8,950,760</u>	<u>9,006,456</u>	<u>17,957,216</u>
Total assets	10,198,022	9,748,050	19,946,072
Deferred outflows			
Contribution after measurement date	54,597	-	54,597
Change in proportion	-	25,056	25,056
Deferred outflows	<u>282,730</u>	<u>129,752</u>	<u>412,482</u>
Total deferred outflows	<u>337,327</u>	<u>154,808</u>	<u>492,135</u>
Total assets and deferred outflows	<u>\$ 10,535,349</u>	<u>\$ 9,902,858</u>	<u>\$ 20,438,207</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2017

	Governmental Activities	Business- type Activities	Total
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
Current liabilities			
Accounts payable	\$ 321,280	\$ -	\$ 321,280
Accrued salaries	5,745	1,976	7,721
Current portion of long-term debt	35,720	142,799	178,519
Compensated absences	<u>32,048</u>	<u>14,391</u>	<u>46,439</u>
Total current liabilities	394,793	159,166	553,959
Non-current liabilities			
Compensated absences	21,190	2,771	23,961
Net pension liability	934,048	428,659	1,362,707
Customer deposits	-	68,830	68,830
Long-term debt, less current maturities	<u>539,218</u>	<u>388,102</u>	<u>927,320</u>
Total non-current liabilities	<u>1,494,456</u>	<u>888,362</u>	<u>2,382,818</u>
Total liabilities	1,889,249	1,047,528	2,936,777
Deferred inflows			
Deferred inflows	<u>23,150</u>	<u>10,624</u>	<u>33,774</u>
Total deferred inflows	<u>23,150</u>	<u>10,624</u>	<u>33,774</u>
Total liabilities and deferred inflows	1,912,399	1,058,152	2,970,551
NET POSITION			
Net investment in capital assets	8,267,096	8,475,555	16,742,651
Restricted for:			
Capital improvements	12,021	-	12,021
Special revenue funds	275,985	-	275,985
Unrestricted	<u>67,848</u>	<u>369,151</u>	<u>436,999</u>
Total net position	<u>8,622,950</u>	<u>8,844,706</u>	<u>17,467,656</u>
Total liabilities, deferred inflows and net position	<u>\$ 10,535,349</u>	<u>\$ 9,902,858</u>	<u>\$ 20,438,207</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
STATEMENT OF ACTIVITIES
For the YEAR ENDED JUNE 30, 2017

FUNCTIONAL/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 206,901	\$ 37,015	\$ 4,700	\$ 327,817	\$ 162,631	\$ -	\$ 162,631
Public safety	940,893	-	23,600	167,266	(750,027)	-	(750,027)
Public works	186,625	-	-	124,680	(61,945)	-	(61,945)
Culture and recreation	566,097	3,358	234,552	311,937	(16,250)	-	(16,250)
Total governmental activities	1,900,516	40,373	262,852	931,700	(665,591)	-	(665,591)
Business-type activities:							
Water	957,306	743,475	-	-	-	(213,831)	(213,831)
Sewer	340,191	204,771	-	-	-	(135,420)	(135,420)
Solid Waste	232,596	210,680	-	-	-	(21,916)	(21,916)
Total business-type activities	1,530,093	1,158,926	-	-	-	(371,167)	(371,167)
Total primary government	\$ 3,430,609	\$ 1,199,299	\$ 262,852	\$ 931,700	(665,591)	(371,167)	(1,036,758)
General Revenues and Transfers:							
Taxes							
					195,051	-	195,051
					29,641	-	29,641
					26,783	-	26,783
					771,603	79,764	851,367
					48,085	-	48,085
					93,852	-	93,852
					177,449	-	177,449
					16,379	26,474	42,853
Total general revenues and transfers					1,358,843	106,238	1,465,081
Changes in net position					693,252	(264,929)	428,323
Net position, beginning of year					7,929,698	9,109,635	17,039,333
Net position, end of year					\$ 8,622,950	\$ 8,844,706	\$ 17,467,656

See independent auditors' report and accompanying notes to financial statements.

GOVERNMENTAL FUND STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
BALANCE SHEET - GOVERNMENTAL FUNDS
As of JUNE 30, 2017

	General Fund	Municipal Streets	Capital Projects	RUS Waste Water Plant	Total Non- Major Funds	Total Governmental Funds
ASSETS						
Assets						
Cash and cash equivalents	\$ 471,450	\$ 127,482	\$ 187,591	\$ 106,670	\$ 160,162	\$ 1,053,355
Investments	161,885	-	-	-	-	161,885
Tax receivables	117,996	14,491	-	-	-	132,487
Other receivable	-	-	-	-	8,261	8,261
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 751,331</u>	<u>\$ 141,973</u>	<u>\$ 187,591</u>	<u>\$ 106,670</u>	<u>\$ 168,423</u>	<u>\$ 1,355,988</u>
LIABILITIES, DEFERRED INFLAWS AND FUND BALANCE						
Liabilities						
Accounts payable	\$ 5,308	\$ 32,812	\$ 181,472	\$ 100,768	\$ 920	\$ 321,280
Payroll wages payable	<u>5,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>679</u>	<u>5,745</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	10,374	32,812	181,472	100,768	1,599	327,025
Fund balances:						
Restricted for capital projects	-	-	6,119	5,902	-	12,021
Restricted for special revenue	-	109,161	-	-	166,824	275,985
Unassigned	<u>740,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>740,957</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>740,957</u>	<u>109,161</u>	<u>6,119</u>	<u>5,902</u>	<u>166,824</u>	<u>1,028,963</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows and fund balances	<u>\$ 751,331</u>	<u>\$ 141,973</u>	<u>\$ 187,591</u>	<u>\$ 106,670</u>	<u>\$ 168,423</u>	<u>\$ 1,355,988</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances - governmental funds \$ 1,028,963

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 in the funds:

The cost of capital assets	13,738,565	
Accumulated depreciation	<u>(4,896,531)</u>	8,842,034

Deferred outflows - contributions made after the measurement date, will be recognized as a reduction of net pension liability	54,597
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Deferred outflows	282,730
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Other long-term liabilities 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:

Net pension liability	(934,048)	
Notes payable	(574,938)	
Compensated absences	<u>(53,238)</u>	(1,562,224)

Deferred inflows due to actual non-investment experience that was better than expected and changes in benefits or assumption which result in a decrease to net pension liability:

Deferred inflows	<u>(23,150)</u>
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Total net position - governmental activities **\$ 8,622,950**

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the YEAR ENDED JUNE 30, 2017

	General Fund	Municipal Streets	Capital Projects	RUS Waste Water Plant	Total Non-Major Funds	Total Governmental Funds
REVENUES						
Motor vehicle registration	\$ 29,641	\$ -	\$ -	\$ -	\$ -	\$ 29,641
Gross receipts tax	732,397	39,206	-	-	-	771,603
Property taxes	195,051	-	-	-	-	195,051
Franchise taxes	48,085	-	-	-	-	48,085
Gasoline tax	-	26,783	-	-	-	26,783
Small cities assistance	177,449	-	-	-	-	177,449
Charges for services	37,015	-	-	-	18,305	55,320
State allocation	-	-	-	-	261,776	261,776
Federal grants	-	-	-	-	66,566	66,566
State grants	18,705	124,680	382,738	261,716	78,371	866,210
Licenses and permits	12,580	-	-	-	-	12,580
Fines and forfeitures	66,325	-	-	-	-	66,325
Rental income	-	-	-	-	5,514	5,514
Investment income	1,021	147	41	-	154	1,363
Miscellaneous	<u>7,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,770</u>	<u>9,502</u>
Total revenues	1,326,001	190,816	382,779	261,716	432,456	2,593,768
EXPENDITURES						
Current						
General government	382,499	-	-	-	-	382,499
Public safety	626,697	-	-	-	151,415	778,112
Public works	39,345	24,100	12,222	-	-	75,667
Culture and recreation	237,848	-	-	-	256,490	494,338
Debt service:						
Debt principal	-	-	-	-	34,453	34,453
Interest	-	-	8,475	-	-	8,475
Capital outlay	<u>-</u>	<u>229,082</u>	<u>542,105</u>	<u>255,814</u>	<u>5,500</u>	<u>1,032,501</u>
Total expenditures	<u>1,286,389</u>	<u>253,182</u>	<u>562,802</u>	<u>255,814</u>	<u>447,858</u>	<u>2,806,045</u>
Excess (deficiency) of revenues over expenditures	39,612	(62,366)	(180,023)	5,902	(15,402)	(212,277)

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS - (CONTINUED)
For the YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Municipal Streets</u>	<u>Capital Projects</u>	<u>RUS Waste Water Plant</u>	<u>Total Non- Major Funds</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	85,288	-	246,695	-	85,652	417,635
Transfers out	<u>(332,347)</u>	<u>-</u>	<u>(85,288)</u>	<u>-</u>	<u>-</u>	<u>(417,635)</u>
 Total other financing sources (uses)	<u>(247,059)</u>	<u>-</u>	<u>161,407</u>	<u>-</u>	<u>85,652</u>	<u>-</u>
 Net change in fund balance	(207,447)	(62,366)	(18,616)	5,902	70,250	(212,277)
 Fund balance at beginning of year	<u>948,404</u>	<u>171,527</u>	<u>24,735</u>	<u>-</u>	<u>96,574</u>	<u>1,241,240</u>
 Fund balance at end of year	<u>\$ 740,957</u>	<u>\$ 109,161</u>	<u>\$ 6,119</u>	<u>\$ 5,902</u>	<u>\$ 166,824</u>	<u>\$ 1,028,963</u>

See independent auditors' report and accompanying notes to financial statements.

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

Net change in fund balances - total governmental funds \$ (212,277)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital assets reported as capital outlay expenditures	1,032,501	
Depreciation expense	<u>(356,679)</u>	675,822
Change in deferred outflows		235,816
Change in deferred inflows		5,659
Change in net pension liability		(37,807)
Change in accrued interest		1,974
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		34,453
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).		<u>(10,388)</u>
Change in net position of governmental activities		<u>\$ 693,252</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
For the YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Franchise taxes	\$ 50,583	\$ 50,583	\$ 48,085	\$ (2,498)
Gross receipts taxes-municipal	752,894	752,894	614,401	(138,493)
Property taxes	186,181	186,181	195,051	8,870
Motor vehicle registration	33,484	33,484	29,641	(3,843)
Licenses and permits	8,155	8,155	12,580	4,425
Charges for services	6,319	6,319	37,015	30,696
Small cities assistance	185,154	185,154	177,449	(7,705)
State grants	-	-	18,705	18,705
Fines and Forfeits	264	264	66,325	66,061
Investment income	-	-	1,021	1,021
Miscellaneous	<u>58,968</u>	<u>70,776</u>	<u>7,732</u>	<u>(63,044)</u>
Total revenues	1,282,002	1,293,810	1,208,005	(85,805)
EXPENDITURES:				
Current				
General government	408,120	441,898	376,414	65,484
Public safety	610,236	628,441	626,697	1,744
Public works	39,345	39,345	39,345	-
Culture and recreation	<u>224,753</u>	<u>237,848</u>	<u>237,848</u>	<u>-</u>
Total expenditures	<u>1,282,454</u>	<u>1,347,532</u>	<u>1,280,304</u>	<u>67,228</u>
Excess (deficiency) of revenues over expenditures	<u>(452)</u>	<u>(53,722)</u>	<u>(72,299)</u>	<u>(18,577)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	96,004	171,599	85,288	(86,311)
Transfers out	<u>(95,552)</u>	<u>(332,347)</u>	<u>(332,347)</u>	<u>-</u>
Total other financing sources (uses)	<u>452</u>	<u>(160,748)</u>	<u>(247,059)</u>	<u>(86,311)</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND (CONTINUED)
For the YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Net changes in fund balance Non-GAAP basis	-	(214,470)	(319,358)	(104,888)
Fund balance - beginning	<u>1,137,398</u>	<u>948,404</u>	<u>948,404</u>	<u>-</u>
Fund balance - ending	<u>\$ 948,404</u>	<u>\$ 733,934</u>	<u>\$ 629,046</u>	<u>\$ (104,888)</u>
Reconciliation in fund balance - budgetary basis				
Net change in fund balance - budgetary basis			\$ (319,358)	
Revenue accrual			117,996	
Expenditure accrual			<u>(6,085)</u>	
Net change in fund balance - GAAP basis			<u>\$ (207,447)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BUDGET AND ACTUAL ON BUDGETARY BASIS
MUNICIPAL STREETS FUND
For the YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Gross receipts taxes	\$ 30,967	\$ 30,967	\$ 39,206	\$ 8,239
Gas tax	20,773	20,773	26,783	6,010
State grants	106,167	804,892	110,189	(694,703)
Miscellaneous	18,722	38,594	147	(38,447)
Total revenues	176,629	895,226	176,325	(718,901)
EXPENDITURES:				
Current				
Public safety	260,551	782,878	24,100	758,778
Capital outlay	-	196,270	196,270	-
Total expenditures	260,551	979,148	220,370	758,778
Excess (deficiency) of revenues over expenditures	(83,922)	(83,922)	(44,045)	39,877
Net change in fund balance Non-GAAP basis	(83,922)	(83,922)	(44,045)	39,877
Fund balance at beginning of year	171,527	171,527	171,527	-
Fund balance at end of year	\$ 87,605	\$ 87,605	\$ 127,482	\$ 39,877
Reconciliation in fund balance - budgetary basis				
Net change in fund balance - budgetary basis			\$ (44,045)	
Revenue accrual			14,491	
Expenditure accrual			(32,812)	
Excess of revenues over expenditures - GAAP basis			\$ (62,366)	

See independent auditors' report and accompanying notes to financial statements.

PROPRIETARY FUNDS

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
ASSETS AND DEFERRED OUTFLOWS				
Current assets				
Cash and cash equivalents	\$ 190,100	\$ 132,167	\$ 190,277	\$ 512,544
Accounts receivable	145,597	40,468	40,257	226,322
Taxes receivable	<u>-</u>	<u>-</u>	<u>2,728</u>	<u>2,728</u>
Total current assets	335,697	172,635	233,262	741,594
Non-current assets				
Restricted assets - cash	68,830	14,880	-	83,710
Capital assets	7,151,190	8,328,921	487,979	15,968,090
Less accumulated depreciation	<u>(4,301,760)</u>	<u>(2,470,540)</u>	<u>(273,044)</u>	<u>(7,045,344)</u>
Total non-current assets	<u>2,918,260</u>	<u>5,873,261</u>	<u>214,935</u>	<u>9,006,456</u>
Total assets	3,253,957	6,045,896	448,197	9,748,050
Deferred outflows				
Subsequent contributions	17,534	4,958	2,564	25,056
Deferred outflows	<u>90,799</u>	<u>25,676</u>	<u>13,277</u>	<u>129,752</u>
Total deferred outflows	<u>108,333</u>	<u>30,634</u>	<u>15,841</u>	<u>154,808</u>
Total assets and deferred outflows	<u>\$ 3,362,290</u>	<u>\$ 6,076,530</u>	<u>\$ 464,038</u>	<u>\$ 9,902,858</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
JUNE 30, 2017

	Water	Sewer	Solid Waste	Total Proprietary
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
Current liabilities				
Accrued payroll	\$ 1,642	\$ 156	\$ 178	\$ 1,976
Current portion of long term debt	69,454	71,345	2,000	142,799
Compensated absences	<u>13,527</u>	<u>216</u>	<u>648</u>	<u>14,391</u>
Total current liabilities	84,623	71,717	2,826	159,166
Non-current liabilities				
Customer deposits	68,830	-	-	68,830
Compensated absences	2,771	-	-	2,771
Net pension liability	299,972	84,822	43,865	428,659
Long term debt, less current maturities	<u>228,401</u>	<u>16,655</u>	<u>143,046</u>	<u>388,102</u>
Total non-current liabilities	<u>599,974</u>	<u>101,477</u>	<u>186,911</u>	<u>888,362</u>
Total liabilities	684,597	173,194	189,737	1,047,528
Deferred inflows				
Deferred inflows	<u>7,435</u>	<u>2,102</u>	<u>1,087</u>	<u>10,624</u>
Total deferred inflows	<u>7,435</u>	<u>2,102</u>	<u>1,087</u>	<u>10,624</u>
Total liabilities and deferred inflows	<u>692,032</u>	<u>175,296</u>	<u>190,824</u>	<u>1,058,152</u>
NET POSITION				
Net investment in capital assets	2,620,405	5,785,261	69,889	8,475,555
Unrestricted	<u>49,853</u>	<u>115,973</u>	<u>203,325</u>	<u>369,151</u>
Total net position	<u>2,670,258</u>	<u>5,901,234</u>	<u>273,214</u>	<u>8,844,706</u>
Total liabilities, deferred inflows and net position	<u>\$ 3,362,290</u>	<u>\$ 6,076,530</u>	<u>\$ 464,038</u>	<u>\$ 9,902,858</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the YEAR ENDED JUNE 30, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
OPERATING REVENUES				
Charges for services	\$ 743,475	\$ 204,771	\$ 210,680	\$ 1,158,926
Gross receipts tax municipal	63,904	-	15,860	79,764
Miscellaneous	<u>17,613</u>	<u>5,384</u>	<u>3,477</u>	<u>26,474</u>
Total operating revenues	824,992	210,155	230,017	1,265,164
OPERATING EXPENSES				
Personnel services	592,650	92,705	68,641	753,996
Other operating expenses	220,770	78,032	131,423	430,225
Depreciation expense	<u>143,886</u>	<u>169,454</u>	<u>32,532</u>	<u>345,872</u>
Total operating expenses	<u>957,306</u>	<u>340,191</u>	<u>232,596</u>	<u>1,530,093</u>
Change in net position	(132,314)	(130,036)	(2,579)	(264,929)
Net position, beginning of year	<u>2,802,572</u>	<u>6,031,270</u>	<u>275,793</u>	<u>9,109,635</u>
Net position, end of year	<u>\$ 2,670,258</u>	<u>\$ 5,901,234</u>	<u>\$ 273,214</u>	<u>\$ 8,844,706</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the YEAR ENDED JUNE 30, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
Cash flows from operating activities:				
Cash received from agencies and customers	\$ 695,085	\$ 153,398	\$ 210,819	\$ 1,059,302
Cash paid to suppliers for goods and services	(437,219)	(258,026)	(165,172)	(860,417)
Cash payments to employees for services	<u>(301,724)</u>	<u>(11,279)</u>	<u>(110,526)</u>	<u>(423,529)</u>
Net cash provided by (used in) operating activities	(43,858)	(115,907)	(64,879)	(224,644)
Cash flows from investing activities:				
Change in capital assets	<u>143,886</u>	<u>169,454</u>	<u>32,532</u>	<u>345,872</u>
Net cash used in investing activities	<u>143,886</u>	<u>169,454</u>	<u>32,532</u>	<u>345,872</u>
Cash flows from financing activities:				
Principal payment on debt	<u>(68,244)</u>	<u>(1,000)</u>	<u>(1,999)</u>	<u>(71,243)</u>
Net cash used in financing activities	<u>(68,244)</u>	<u>(1,000)</u>	<u>(1,999)</u>	<u>(71,243)</u>
Net increase (decrease) in cash	31,784	52,547	(34,346)	49,985
CASH, Beginning of year	<u>227,146</u>	<u>94,500</u>	<u>224,623</u>	<u>546,269</u>
CASH, End of year	<u>\$ 258,930</u>	<u>\$ 147,047</u>	<u>\$ 190,277</u>	<u>\$ 596,254</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
For the YEAR ENDED JUNE 30, 2017

Reconciliation of operating income to net cash provided (used in) by operating activities:

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
Cash flows from operating activities				
Operating income (loss)	\$ (132,314)	\$ (130,036)	\$ (2,579)	\$ (264,929)
Adjustments to reconcile change in net assets to net cash				
Changes in working capital components:				
(Increase) Decrease in:				
Accounts receivables	(23,909)	(26,123)	(19,198)	(69,230)
Other Assets	(108,333)	(30,634)	(15,841)	(154,808)
Increase (Decrease) in:				
Accounts payable	(72,563)	(10,540)	(1,217)	(84,320)
Other liabilities	303,973	83,739	(24,716)	362,996
Accrued expenses and other liabilities	<u>(10,712)</u>	<u>(2,313)</u>	<u>(1,328)</u>	<u>(14,353)</u>
Net cash provided by operating activities	<u>\$ (43,858)</u>	<u>\$ (115,907)</u>	<u>\$ (64,879)</u>	<u>\$ (224,644)</u>

See independent auditors' report and accompanying notes to financial statements.

FIDUCIARY FUNDS

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
FIDUCIARY FUNDS LISTING
JUNE 30, 2017

MVD Fund - These funds are used to account for monies held by the Village in a custodial capacity.

Municipal Court Funds - To account for the collection and disbursement of funds.

STATE OF NEW MEXICO
 VILLAGE OF TULAROSA
 STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 JUNE 30, 2017

	MVD	Municipal Court	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 3,192	\$ 10,844	\$ 14,036
Total assets	3,192	10,844	14,036
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	3,192	10,844	14,036
Total liabilities	\$ 3,192	\$ 10,844	\$ 14,036

NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Tularosa (the "Village") was established by the laws of the State of New Mexico in 1918, under the provisions of the act now referred to as Sections 4-9-1 and 4-9-2 of the New Mexico Statutes Annotated, 1978 Compilation. The Village operates under the Board of Trustees form of government and provides the following services as authorized in the grant of powers: public safety (corrections, fire and law enforcement), public works (streets), water, sewer and sanitation, health and welfare services, culture and recreation, and general administration services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial reporting standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Village's accounting policies are described below.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-34. The first criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village has no component units, and is not a component unit of another governmental agency.

B. Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers for utility and other services provided, fines and forfeitures from the courts, licenses and permits issued and funds from the small city assistance program. 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular department or function of the Village. Taxes and other items not properly included among program revenues are reported instead as general revenues.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

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

B. Basis of Presentation (continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

C. Measurement Focus, Basis of Accounting, and Fund Financial Statements

Government-wide and Fiduciary Financial Statements - The government-wide, and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes and property taxes, grants and entitlements. On an accrual basis, revenue from property taxes, net of estimated refunds and uncollectible amounts, is recognized as revenues in the year for which they are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements are met.

Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Village considers all revenues to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues not considered available are recorded as deferred inflows. Property taxes, gross receipts taxes, franchise taxes, and interest are considered susceptible to accrual. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

For this purpose, the government considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government because they are not measurable or reasonably estimable.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

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

C. Measurement Focus, Basis of Accounting, and Fund Financial Statements
(Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Government funds are used to account for the Village's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general capital assets and the servicing of general long-term debt. Governmental funds include:

General Fund - This is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Village except for items included in other funds.

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

Capital Projects Funds - To account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 34, the County is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which includes funds that were not required to be presented as major but were at the discretion of management:

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Fund Financial Statements
(Continued)

Municipal Streets Fund - To account for the receipts and expenditures of special gas line 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)

Capital Projects Fund - The Capital Projects Fund issued to account for the revenue and expenditures related to capital improvements.

RUS Waste Water Plant - To account for loan and grant proceeds and expenditures of the construction of the RUS Water Plant.

Proprietary Funds - To account for business type activities, i.e. joint utilities, water, sewer and solid waste operations generating revenues. This fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues, such as charges for services, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include operating subsidies, investment earnings, interest expense, and transactions that result from non-exchange transactions.

The proprietary funds account for services to the general public where all or most of the costs including depreciation are to be financed or recovered from users of such services. The Village maintains separate funds for gas, water, sewer and solid waste utility operations. These are reported as the Joint Utility Fund and are considered a major fund.

Those revenues susceptible to accrual are property taxes, gross receipts taxes, investment income and charges for services. Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditures are recorded as liabilities when they are incurred, except for non-matured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The accrual basis of accounting is utilized by the proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Fund Financial Statements
(Continued)

The Village reports deferred inflows on its combined balance sheet. Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Village before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria methods are met or when the Village has a legal claim to the resources, the liability for deferred inflows is removed from the combined balance sheet and revenue is recognized.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments:

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.

- a. State statutes authorize the Village to invest in Certificates of Deposit, obligations of the U.S. Government, and fully collateralized repurchase agreements.
- b. Investments for the Village are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2. Receivables and Payables:

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as inter-fund balance. Long term advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable from available resources.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (continued)

3. Capital Assets:

Capital assets, which include land, buildings and improvements, machinery and equipment, and infrastructure assets are reported in the applicable governmental column in the government-wide financial statements.

Capital assets including computer software are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government-wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets that have been disposed of are recorded as deletions on the government-wide financial statements. Accumulated depreciation is removed for all deleted capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. No computer software has been developed in-house.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Capital assets of the primary government are depreciated using the straight-line method over their useful lives.

4. Deferred Inflows:

The Village defers revenue from non-exchange transactions. The amount deferred results from the difference between the receivable recognized on an accrual basis and the related revenue recognized on the modified accrual basis. Revenue is recognized as the receivables are collected.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

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

D. Assets, Liabilities and Net Position or Equity (continued)

5. Compensated Absences:

Village employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation cost become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements.

6. Long-Term Obligations:

In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of position. The face amount of debt issued is reported as other financing sources.

7. Net Position:

The government-wide and business-type activities fund financial statements utilize a net position presentation. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, and then unrestricted resources as needed.

Investment in capital assets, net of related debt - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - Restricted net position results from the constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category reflects net assets of the Village, not restricted for any project or other purpose.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

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

D. Assets, Liabilities and Net Position or Equity (continued)

8. Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Village records reserves to indicate that a portion of fund balance is legally restricted for a specific future use or is not available for appropriation and/or expenditure.

Reserved, designated for subsequent year's expenditures - Represents the amounts, other than carryover expenditures, which are required to be designated for subsequent year's expenditures.

Unreserved, undesignated - Amounts that have not been reserved or designated for any purpose. These funds are available for unrestricted use by the Village.

9. Inter-Fund Transactions:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements are reported as transfers. All other inter-fund transfers are reported as operating transfers.

10. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets for the Village are prepared prior to June 1 and must be approved by the Board of Trustees and the New Mexico Department of Finance and Administration (DFA), Local Government Division (LGD). Once the budget has been formally approved, the Village Board of Trustees, DFA LGD must also approve any amendments. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds.

The Village is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principals applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principals, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year-ended June 30, 2017 is presented.

Implementation of New Accounting Standards

In 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Implementation of New Accounting Standards (Continued)

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Village is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Village is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The Village implemented this pronouncement in current year and did not note any abatements to disclose.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Implementation of New Accounting Standards (Continued)

In March 2016, GASB Statement No. 81 Irrevocable Split-Interest Agreements, was issued. Effective Date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The Center has determined that this pronouncement will not affect the financial statements.

In November 2016, GASB Statement No. 83 Certain Asset Retirement Obligation (ARO's), was issued. Effective Date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after June 15, 2018. Earlier application is encouraged. The Center is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84 Fiduciary Activities, was issued. Effective Date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2018. Earlier application is encouraged. The Center is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85 Omnibus 2017, was issued. Effective Date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after June 15, 2017. Earlier application is encouraged. The Center is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86 Certain Debt Extinguishments Issues, was issued. Effective Date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after June 15, 2017, and should be applied retroactively. Earlier application is encouraged. The Center has determined that this pronouncement will not affect the financial statements.

In June 2017, GASB Statement No. 87 Leases, was issued. Effective Date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2019. Earlier application is encouraged. The Center is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

<u>Depository Account</u>	<u>Bank Balance</u>
FDIC Insured	\$ 506,829
Collateralized	
Cash held by pledging bank	1,087,204
Uninsured and uncollateralized	<u>224,967</u>
Total Cash and Investments, Primary Government	<u>\$ 1,819,000</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$1,312,171 of the Village's bank balance of \$1,819,000 was exposed to custodial credit risk as follows:

Cash held by pledging bank's trust	<u>\$1,087,204</u>
Total Cash and Investments, Primary Government	<u>\$1,312,171</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017, consist of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Accounts receivable	\$ 8,261	\$ 226,322	\$ 234,583
Taxes receivable	<u>132,487</u>	<u>2,728</u>	<u>135,215</u>
Net receivables	<u>\$ 140,748</u>	<u>\$ 229,050</u>	<u>\$ 369,798</u>

The Village has booked allowance for uncollectible accounts totaling \$23,008 that is netted against the utility receivables. All other receivables are considered collectible.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

5. **CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2017, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and Construction in Progress is not subject to depreciation.

Governmental fund capital asset activity for the year was as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
Government activities					
Capital assets not being depreciated:					
Land	\$ 588,363	\$ -	\$ -	\$ -	\$ 588,363
Construction in progress	<u>78,670</u>	<u>836,060</u>	<u>-</u>	<u>-</u>	<u>914,730</u>
Total	<u>667,033</u>	<u>836,060</u>	<u>-</u>	<u>-</u>	<u>1,503,093</u>
Other capital assets being depreciated					
Buildings	6,923,054	-	-	-	6,923,054
Infrastructure	1,610,801	93,708	-	-	1,704,509
Machinery and equipment	<u>3,505,176</u>	<u>102,733</u>	<u>-</u>	<u>-</u>	<u>3,607,909</u>
Total	<u>12,039,031</u>	<u>196,441</u>	<u>-</u>	<u>-</u>	<u>12,235,472</u>
Accumulated depreciation					
Buildings	1,659,591	107,861	-	-	1,767,452
Infrastructure	317,444	52,102	-	-	369,546
Machinery and equipment	<u>2,562,817</u>	<u>196,716</u>	<u>-</u>	<u>-</u>	<u>2,759,533</u>
Total accumulated depreciation	<u>4,539,852</u>	<u>356,679</u>	<u>-</u>	<u>-</u>	<u>4,896,531</u>
Total capital assets	<u>\$ 8,166,212</u>	<u>\$ 675,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,842,034</u>

Depreciation expense, for the year ended June 30, 2017 was charged as follows:

General government	\$ 11,181
Public safety	162,781
Public works	110,958
Culture and recreation	<u>71,759</u>
Total depreciation expense	<u>\$ 356,679</u>

Depreciation expense relating to Government Activities for the year-ended June 30, 2017 totaled \$356,679.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

5. **CAPITAL ASSETS (CONTINUED)**

Enterprise fund capital asset activity for the year was as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
Business-type activities					
<u>Water</u>					
Capital assets being depreciated					
Water system	\$ 7,139,137	\$ -	\$ -	\$ -	\$ 7,139,137
Machinery and equipment	12,053	-	-	-	12,053
Total	<u>7,151,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,151,190</u>
Accumulated depreciation					
Water system	4,155,771	142,783	-	-	4,298,554
Machinery and equipment	2,103	1,103	-	-	3,206
Total accumulated depreciation	<u>4,157,874</u>	<u>143,886</u>	<u>-</u>	<u>-</u>	<u>4,301,760</u>
Total capital assets	<u>\$ 2,993,316</u>	<u>\$ (143,886)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,849,430</u>
	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
Business-type activities					
<u>Sewer</u>					
Capital assets being depreciated					
Sewer system	\$ 8,310,136	\$ -	\$ -	\$ -	\$ 8,310,136
Machinery and equipment	18,785	-	-	-	18,785
Total	<u>8,328,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,328,921</u>
Accumulated depreciation					
Water system	2,282,301	169,454	-	-	2,451,755
Machinery and equipment	18,785	-	-	-	18,785
Total accumulated depreciation	<u>2,301,086</u>	<u>169,454</u>	<u>-</u>	<u>-</u>	<u>2,470,540</u>
Total capital assets	<u>\$ 6,027,835</u>	<u>\$ (169,454)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,858,381</u>
	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
Business-type activities					
<u>Solid Waste</u>					
Capital assets being depreciated					
Machinery and equipment	\$ 487,979	\$ -	\$ -	\$ -	\$ 487,979
Total	<u>487,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>487,979</u>
Accumulated depreciation					
Machinery and equipment	240,512	32,532	-	-	273,044
Total accumulated depreciation	<u>240,512</u>	<u>32,532</u>	<u>-</u>	<u>-</u>	<u>273,044</u>
Total capital assets	<u>\$ 247,467</u>	<u>\$ (32,532)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,935</u>

Depreciation expense relating to business-like activities for the year-ended June 30, 2017 totaled \$345,872.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

6. LONG TERM DEBT

During the year-end June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Funds	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
NMFA Fire Station	\$ 227,527	\$ -	\$ 12,311	\$ 215,216	\$ 12,311
NMFA Fire Pumper	<u>381,864</u>	<u>-</u>	<u>22,142</u>	<u>359,722</u>	<u>23,409</u>
Total	<u>\$ 609,391</u>	<u>\$ -</u>	<u>\$ 34,453</u>	<u>\$ 574,938</u>	<u>\$ 35,720</u>

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Compensated absences	<u>\$ 42,850</u>	<u>\$ 50,738</u>	<u>\$ 40,350</u>	<u>\$ 53,238</u>	<u>\$ 32,048</u>

Compensated absences typically have been liquidated in the General Fund or Water Fund.

The annual requirements to amortize the above loans as of June 30, 2017, including interest payments are as follows:

June 30:	Principal	Interest	Total
2018	\$ 35,720	\$ 4,157	\$ 39,877
2019	36,053	3,777	39,830
2020	36,480	3,434	39,914
2021	36,887	3,082	39,969
2021	24,669	2,678	27,347
2023 - 2023	<u>405,129</u>	<u>6,585</u>	<u>411,714</u>
	<u>\$ 574,938</u>	<u>\$ 23,713</u>	<u>\$ 598,651</u>

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

6. LONG TERM DEBT (CONTINUED)

Proprietary Fund	Balance			Balance June 30, 2017	Due Within One Year
	June 30, 2016	Additions	Reductions		
NMED 96-03	\$ 120,053	\$ -	\$ 22,613	\$ 97,440	\$ 23,291
NMED 93-11R	29,837	-	14,698	15,139	15,139
NMFA- 2	101,253	-	24,473	76,780	24,564
NMFA- 11	29,821	-	1,755	28,066	1,755
NMFA- 13	76,498	-	4,250	72,248	4,250
NMFA- 15	8,637	-	455	8,182	455
USDA 92-05	89,000	-	1,000	88,000	2,000
NMFA- 10	214,218	-	69,172	145,046	71,345
Total	\$ 669,317	\$ -	\$ 138,416	\$ 530,901	\$ 142,799

Proprietary Fund	Balance			Balance June 30, 2017	Due Within One Year
	June 30, 2016	Additions	Reductions		
Compensated absences	\$ 28,611	\$ 22,059	\$ 33,508	\$ 17,162	\$ 14,931

Compensated absences typically have been liquidated in the proprietary fund.

The annual requirements to amortize the above loans as of June 30, 2017, including interest payments are as follows:

<u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 142,799	\$ 13,115	\$ 155,914
2019	131,455	8,660	140,115
2020	59,235	5,805	65,040
2021	34,756	4,189	38,945
2022	8,460	3,320	11,780
2023 - 2027	42,300	15,310	57,610
2028 - 2032	48,041	12,940	60,981
2033 - 2037	25,855	9,790	35,645
2038 - 2042	20,000	5,950	25,950
2043 - 2247	18,000	1,150	19,150
	<u>\$ 530,901</u>	<u>\$ 80,229</u>	<u>\$ 611,130</u>

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

7. RISK MANAGEMENT

The Village of Tularosa is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters.

The Village has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insured Fund, a public entity risk pool currently operating as a common risk management and insurance program for local government. The Village pays an annual premium to New Mexico Self-Insured Fund for general insurance coverage and all risk of loss is transferred.

8. PERA PENSION PLAN

Plan Description - Substantially all of Village's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's Website at <http://www.pera.state.nm.us>.

Funding Policy - Plan members are required to contribute 7% for municipal employees and 13.5% of gross salaries for law enforcement employees. The Village is required to contribute 9.15% for law enforcement plan members and 9.15% for all other plan members. The contribution requirements of plan members and Village of Tularosa are established in State Statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Village's contribution to PERA for the years ended June 30, 2017, 2016 and 2015 were \$25,293, \$36,320, and \$-, respectively, equal the amount of the required contributions for the fiscal year. The fiscal year ended June 30, 2009 was the first year the Village participated in the retirement plan.

The Village adopted GASB 68 during the year ended June 30, 2015. GASB 68, *Accounting and Financial Reporting for Pensions*, requires contributing employers of cost-sharing multiple employer defined benefit pension plans to include the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources related to their share of the pension plan in their government-wide financial statement presentation. PERA engaged their financial statement auditors to prepare a schedule allocating these obligations to the contributing employers as of the year ended June 30, 2014.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

8. PERA PENSION PLAN (CONTINUED)

	<u>Municipal</u>	
	Deferred outflows of resources	Deferred inflows of resources
	<u> </u>	<u> </u>
Changes in assumptions	\$ 53,775	\$ 152
Net difference between projected and actual earnings on pension plan investments	168,737	-
Changes in proportion and differences between Village of Tularosa contributions and proportionate share of contributions	4,442	-
Difference between expected and actual experience	45,820	8,950
Village of Tularosa contributions subsequent to the measurement date	<u>79,653</u>	<u>-</u>
Total	<u>\$ 352,427</u>	<u>\$ 9,102</u>

	<u>Police</u>	
	Deferred outflows of resources	Deferred inflows of resources
	<u> </u>	<u> </u>
Changes in assumptions	\$ 29,517	\$ 8,037
Net difference between projected and actual earnings on pension plan investments	70,482	-
Changes in proportion and differences between Village of Tularosa contributions and proportionate share of contributions	6,992	16,635
Difference between expected and actual experience	32,717	-
Village of Tularosa contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 139,708</u>	<u>\$ 24,672</u>

STATE OF NEW MEXICO
 VILLAGE OF TULAROSA
 NOTES TO BASIC FINANCIAL STATEMENTS
 As of and For the YEAR ENDED JUNE 30, 2017

8. PERA PENSION PLAN (CONTINUED)

	<u>Liability Proportion</u>
Municipal General Division	0.0574 %
Municipal Police Division	0.0604 %

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the Village of Tularosa, calculated using the discount rate of 7.75 percent, as well as what Village's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease <u>6.75%</u>	Current <u>7.75%</u>	1% Increase <u>8.75%</u>
Net Pension Liability	\$ 2,022,913	\$ 1,362,707	\$ 817,529

In June 30, 2016 \$79,653, deferred outflows - contributions made after measurement date, will be recognized as a reduction of net pension liability. Other deferred amounts to be recognized in fiscal years following the reporting date are below:

Year Ended June 30:

2016	\$ 85,833
2017	85,833
2018	146,752
2019	\$ 60,290

Additional information on PERA, and the Actuarial assumptions may be found at:
<http://s3.amazonaws.com/boardaudio/Final-Version-2016-PERA-GASB-68-Report.pdf>

9. POST-EMPLOYMENT BENEFITS

The Village of Tularosa did not participate in the Retiree Health Care Act Program during the fiscal year ending June 30, 2017.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the YEAR ENDED JUNE 30, 2017

10. FEDERAL AND STATE GRANTS

In the normal course of operations, the Village receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material.

11. INTER-FUND TRANSFERS AND BALANCES

There were the following inter-fund transfers during the year ended June 30, 2017.

<u>Amount</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
\$ 37,031	General Fund	Recreation	To fund operations
246,695	General Fund	Capital Projects	To fund operations
48,621	General Fund	Old American Fund	To fund operations
\$ 85,288	Capital Project Funds	General Fund	To transfer capital assets

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 12, 2018 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS
For the YEAR ENDED JUNE 30, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
The Village of Tularosa' proportion of the net pension liability	\$ 442,297	\$ 583,204	\$ 917,058
The Village of Tularosa' proportionate share of the net pension liability	0.0285%	0.0332%	0.0335%
The Village of Tularosa' covered-employee payroll	\$ 599,910	\$ 634,768	\$ 620,307
The Village of Tularosa' proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.74 %	0.92 %	1.48 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %

*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 of Tularosa will present information for those years for which information is available.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA POLICE DIVISION
LAST 10 FISCAL YEARS
For the YEAR ENDED JUNE 30, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
The Village of Tularosa' proportion of the net pension liability	\$ 203,103	\$ 313,037	\$ 445,649
The Village of Tularosa' proportionate share of the net pension liability	0.0285%	0.0332%	0.0335%
The Village of Tularosa' covered-employee payroll	\$ 220,735	\$ 218,410	\$ 256,558
The Village of Tularosa' proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.92 %	1.43 %	1.74 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.90 %	69.18 %

*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 of Tularosa will present information for those years for which information is available.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF VILLAGE OF TULAROSA'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
For the YEAR ENDED JUNE 30, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 45,426	\$ 46,973	\$ 87,821
Contributions in relation to the contractually required contribution	<u>45,426</u>	<u>46,973</u>	<u>87,821</u>
Contribution deficiency (excess)	-	-	-
The Village of Tularosa' covered-employee payroll	<u>\$ 599,910</u>	<u>\$ 634,768</u>	<u>\$ 620,307</u>
Contributions as a percentage of covered-employee payroll	<u>7.57 %</u>	<u>7.40 %</u>	<u>14.16 %</u>

* 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 of Tularosa will present information for those years for which information is available.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF VILLAGE OF TULAROSA' CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA POLICE DIVISION
LAST 10 FISCAL YEARS*
For the YEAR ENDED JUNE 30, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 23,888	\$ 22,715	\$ 36,323
Contributions in relation to the contractually required contribution	<u>23,888</u>	<u>22,715</u>	<u>36,323</u>
Contribution deficiency (excess)	-	-	-
The Village of Tularosa' covered-employee payroll	<u>\$ 220,735</u>	<u>\$ 218,410</u>	<u>\$ 256,558</u>
Contributions as a percentage of covered-employee payroll	<u>10.82 %</u>	<u>10.40 %</u>	<u>14.16 %</u>

* 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 of Tularosa 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, 2017

Changes of benefit terms- The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 on page 21 of the PERA FY16 audit available at https://www.saonm.org/media/audits/366-B_PERA_Schedules_of_Employer_Allocations_and_Pension_Amounts_FY16.pdf.

Changes of assumptions- The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2016 is available at <http://s3.amazonaws.com/boardaudio/Final-Version-2016-PERA-GASB-68-Report.pdf>.

Changes in assumptions resulted in a increase of \$717 thousand to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2016. See more details of actuarial methods and assumptions on Note 2 on page 22 of PERA's Schedule of Employer Allocations and Pension amounts at https://www.saonm.org/media/audits/366-B_PERA_Schedules_of_Employer_Allocations_and_Pension_Amounts_FY16.pdf.

SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUNDS

CORRECTIONS FUND - To account for judicial fees and administration costs (NMSA 35-14-11).

FIRE FUND - To account for the revenues allocated by the state to the Village and the expenditure for maintaining and operating a volunteer fire department authorized by NMSA Section 59A-53-1.

LAW ENFORCEMENT PROTECTION FUND - State Statutes Section 29-13 provides for the distribution of funds from the State Law Enforcement Protection Fund to municipal and village police and sheriff department for the maintenance and improvement of those departments in order to enhance the efficiency and effectiveness of law enforcement services provided. The fund is used to account for specific law enforcement expenditures not included in the general fund. Financing is provided by a state allocation and can only be used for law enforcement equipment and personnel training (NMSA 29-13-3).

RECREATION FUND - To account for operations of summer recreation programs. Financing is provided by cigarette tax, a joint powers agreement from Luna County, and service charges (NMSA 7-12-6.11).

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 them out of Tularosa during the summer months when school nutritional facilities are not available. The fund was created by the authority of state grant provisions.

OLDER AMERICAN FUND - To account for the receipts and expenditures related to the Senior Citizens Center. The fund was created by the Village ordinance.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL TYPES
SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Correction	Fire	Law Enforcement Protection	Recreation	Old American	Summer Food Program	Total
ASSETS AND DEFERRED OUTFLOWS							
Assets							
Cash and cash equivalents	\$ 56,001	\$ 11,183	\$ 1,569	\$ 8,860	\$ 82,349	\$ 200	\$ 160,162
Other receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,261</u>	<u>-</u>	<u>8,261</u>
Total assets	<u>\$ 56,001</u>	<u>\$ 11,183</u>	<u>\$ 1,569</u>	<u>\$ 8,860</u>	<u>\$ 90,610</u>	<u>\$ 200</u>	<u>\$ 168,423</u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 920	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 920
Accrued salaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>152</u>	<u>516</u>	<u>11</u>	<u>679</u>
Total liabilities	920	-	-	152	516	11	1,599
Fund balance							
Restricted for special revenue funds	<u>55,081</u>	<u>11,183</u>	<u>1,569</u>	<u>8,708</u>	<u>90,094</u>	<u>189</u>	<u>166,824</u>
Total fund balance	<u>55,081</u>	<u>11,183</u>	<u>1,569</u>	<u>8,708</u>	<u>90,094</u>	<u>189</u>	<u>166,824</u>
Total liabilities and fund balance	<u>\$ 56,001</u>	<u>\$ 11,183</u>	<u>\$ 1,569</u>	<u>\$ 8,860</u>	<u>\$ 90,610</u>	<u>\$ 200</u>	<u>\$ 168,423</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL TYPES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Correction	Fire	Law Enforcement Protection	Recreation	Old American Program	Summer Food Program	Total
REVENUES							
Charges for services	\$ 14,947	\$ -	\$ -	\$ -	\$ 3,245	\$ 113	\$ 18,305
State allocation	-	167,266	23,600	-	58,526	12,384	261,776
Federal grants	-	-	-	-	66,566	-	66,566
State grants	-	-	-	-	78,371	-	78,371
Contributions/donations	-	-	-	5,514	-	-	5,514
Investment income	50	51	17	7	29	-	154
Miscellaneous income	-	1,770	-	-	-	-	1,770
Total revenues	14,997	169,087	23,617	5,521	206,737	12,497	432,456
EXPENDITURES							
Public safety	10,800	113,250	27,365	-	-	-	151,415
Culture and recreation	-	-	-	51,010	193,292	12,188	256,490
Capital outlay	-	5,500	-	-	-	-	5,500
Principal debt payment	-	34,453	-	-	-	-	34,453
Total expenditures	10,800	153,203	27,365	51,010	193,292	12,188	447,858
Excess (deficiency) of revenues over (under) expenditures	4,197	15,884	(3,748)	(45,489)	13,445	309	(15,402)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	-	37,031	48,621	-	85,652
Total other financing source (uses)	-	-	-	37,031	48,621	-	85,652
Net change in fund balance	4,197	15,884	(3,748)	(8,458)	62,066	309	70,250
Fund balance, beginning of year	50,884	(4,701)	5,317	17,166	28,028	(120)	96,574
Fund balance, end of year	\$ 55,081	\$ 11,183	\$ 1,569	\$ 8,708	\$ 90,094	\$ 189	\$ 166,824

See independent auditors' report and accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF DEPOSITORIES
JUNE 30, 2017

	<u>Type</u>	<u>Amount Per Bank</u>	<u>Plus DIT</u>	<u>Outstanding Checks</u>	<u>Balance Per Books</u>
First National Bank					
General - Operating	CK	\$ 463,507	\$ -	\$ 4,793	\$ 458,714
General - Payroll	CK	51,540	-	39,870	11,670
General - Clearing	CK	1,066	-	-	1,066
Law Enforcement	CK	1,569	-	-	1,569
Old American Program	CK	85,742	-	3,394	82,348
Recreation	CK	9,058	-	198	8,860
Correction	CK	56,561	-	560	56,001
Fire	CK	15,519	-	4,335	11,184
Gas Tax	CK	127,519	-	37	127,482
MVD - Agency	CK	4,624	-	1,432	3,192
Municipal Court - Agency	CK	10,844	-	-	10,844
Summer Food Program	CK	2,171	-	1,971	200
Capital Projects	CK	187,591	-	-	187,591
Sewer - Reserved	CK	5,545	-	-	5,545
Sewer - Operating	CK	132,772	-	605	132,167
Water	CK	191,683	744	10,599	181,828
Solid Waste	CK	155,115	-	839	154,276
Sewer CD - Reserved	CD	9,335	-	-	9,335
General CD - Reserve	CD	50,410	-	-	50,410
Western Bank					
General CD	CD	53,448	-	-	53,448
Water CD	CD	58,680	-	-	58,680
Wells Fargo					
Solid Waste	CD	36,002	-	-	36,002
Capital Projects - RUS	CK	<u>108,699</u>	-	<u>2,029</u>	<u>106,670</u>
Total		<u>\$ 1,819,000</u>	<u>\$ 744</u>	<u>\$ 70,662</u>	<u>\$ 1,749,082</u>
Reconciliation:					
Cash held at banks					\$ 1,735,046
NMFA					18,421
State Treasurer's Office					<u>58,027</u>
Total Government Wide Cash					1,811,494
Agency - Cash					<u>14,036</u>
Total					<u>\$ 1,825,530</u>

Type:
CK= Checking
SV= Savings
CD= Certificate of Deposit

	<u>1st New Mexico Bank</u>
Amount held in bank June 30, 2017	\$ 1,819,000
Less FDIC Insurance	<u>506,829</u>
Uninsured Public Funds	<u>1,312,171</u>
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	656,086
Pledged Securities	<u>431,119</u>
Over (Under) Collateralized	<u>\$ (224,967)</u>

STATE OF NEW MEXICO
 VILLAGE OF TULAROSA
 SCHEDULE OF DEPOSITORIES
 JUNE 30, 2017

<u>Description of Pledged Collateral</u>	<u>Amount</u>	<u>First National Bank of Alamogordo, NM</u>
FHLMC , CUSIP #3128E3TX2, Maturing 11/1/2025	\$ 70,977	First New Mexico Bank
Questa New Mexico Independent School District, CUSIP # 748352DA6, Maturing 9/1/2027	<u>360,142</u>	First New Mexico Bank
Total pledged securities	<u>\$431,119</u>	

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	MVD	Municipal Court	Total Agency Funds
Beginning Cash	\$ 3,192	\$ 10,226	\$ 13,418
Additions	93,604	96,746	190,350
Deletions	<u>(93,604)</u>	<u>(96,128)</u>	<u>(189,732)</u>
Ending Cash	<u>\$ 3,192</u>	<u>\$ 10,844</u>	<u>\$ 14,036</u>
Beginning Liabilities	\$ 3,192	\$ 10,226	13,418
Additions	93,604	96,746	190,350
Deletions	<u>(93,604)</u>	<u>(96,128)</u>	<u>(189,732)</u>
Ending Liabilities	<u>\$ 3,192</u>	<u>\$ 10,844</u>	<u>\$ 14,036</u>

COMPLIANCE SECTION



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner
Tony Morán, CPA, Partner
Christopher Salcido, CPA, Partner
J. David Beasley, J.D., Partner

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*

Wayne A. Johnson, State Auditor
and the Mayor and the Village Council of the
Village of Tularosa
Tularosa, New Mexico

We were engaged to audit, 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, and the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of Village of Tularosa, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Village of Tularosa' basic financial statements, and the combining and individual funds and related budgetary comparisons of Village of Tularosa presented as supplemental information, and have issued our report thereon dated March 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village of Tularosa' 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 Village of Tularosa' internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Tularosa' 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 entity'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 is 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 preceding paragraph 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 questioned costs that we consider to be significant deficiencies. (2015-001) (2016-002) (2017-001) (2017-002) (2017-005)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Tularosa' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs. (2017-003) (2017-004) (2017-006) (2017-007).

Village of Tularosas' Response to Findings

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

Purpose of this Report

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


Beasley, Mitchell & Co.
Las Cruces, New Mexico
March 12, 2018

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

Section I - Financial Statements Findings

PRIOR YEAR FINDINGS

2015-001	Per Diem	Revised and Repeated
2015-003	Expenditures	Resolved
2016-001	Certified Chief Procurement Officers	Resolved
2016-002	Clearing Account not Reconciling to Zero-Compliance	Revised and Repeated
2016-003	I-9's Compliance & Internal Control	Resolved

CURRENT YEAR FINDINGS

2017-001	Finance officer can sign and reconciles bank
2017-002	Journal Entry
2017-003	Missing Agency Funds (Courts, MVD)
2017-004	Capital Asset Listing not in Village Hall
2017-005	Late Audit Submission
2017-006	Hiring without advertising or proper approval
2017-007	Pledged Collateral

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2017

Per Diem - Compliance and Internal Control (2015-001) - Significant Deficiency

CONDITION	The Village paid 100% of per diem before the trip is taken on 3 checks totaling \$531.40. The Village has not made progress in 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	The Village does not have accounting policy and procedures in place.
EFFECT	There is a violation of State law.
RECOMMENDATION	It is recommended that the Village draft an accounting policies including procedures on Per Diem.
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
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2017

Expenditures-Compliance and Internal Control (2016-002) - Significant Deficiency

CONDITION	Payroll Clearing not reconciling to \$0 or a set amount (7/1/16 started with balance of \$10,672.52 and by 6/30/17 it was \$11,670.05). There was no progress to correcting this finding during 2017. Clearing account continues with a balance. It was also noted that the Village does not maintain an adequate listing of accounts payables.
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 each month.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2017

Segregation of Duties (2017-001) - Significant Deficiency

CONDITION	It was noted that the Finance Officer has the authority to sign checks and reconciles bank.
CRITERIA	Systems of internal control with the most favorable designs allow for an adequate segregation of duties to reduce the risk of error or fraud because they are structured using a combination of controls designed to either detect instances of error or fraud that occur, or optimally, to prevent instances of error or fraud before they occur (AU 325).
CAUSE	Authorization to sign checks includes the Mayor, Clerk and Finance Director
EFFECT	Checks and balances are minimal when all upper management has the ability to sign checks, in particular the person in charge of reconciling the bank accounts.
RECOMMENDATION	It is recommended that the person who reconciles the bank do not have check signing authority.
RESPONSE	The Village will implement accounting policies and procedures that include review by the Village Clerk of bank reconciliations after the preparation by the Finance Director.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2017

Journal Entry (2017-002) - Significant Deficiency

CONDITION	During testwork it was noted that the Village does not have a proper approval process for Journal Entries.
CRITERIA	NMAC 2.20.5.8 states that each local body shall establish and maintain an internal control structure to provide management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. The internal control structure shall include written administrative controls. The entity should establish sufficient internal controls over journal entries and other adjustments.
CAUSE	The Village does not have accounting policy and procedures in place.
EFFECT	Lack of approval process can lead to management override and fraud.
RECOMMENDATION	It is recommended that the Village draft an accounting policies and procedures manual that includes a Journal Entry Approval Process.
RESPONSE	The Village will implement accounting policies an procedures that include the review and approval of any manual Journal Entries.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2017

Missing Agency Funds (Courts, MVD) (2017-003) - Other Matters

CONDITION	During testwork it was noted that MVD and Court agency funds were not reported in the prior year financial statements; however, they are tracked in the internal accounting system at the Village.
CRITERIA	The Codification of Statements on Auditing Standards (AU-C) Section 200 paragraph .05 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.
CAUSE	The Village does not have accounting policy and procedures in place.
EFFECT	Missing Funds make the prior year statements to be improperly presented and is missing accounts held by the Village for other entitles.
RECOMMENDATION	It is recommended that the Village draft an accounting policies and procedures manual and for the management to attend more training.
RESPONSE	The Village will implement accounting policies an procedures as well as schedule more training throughout the year.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2017

Capital Asset Listing not in Village Hall (2017-004) - Other Matters

CONDITION	The Village does not maintain a capital asset listing internally and relied on prior Auditor. The listing was not made readily available. Further and annual inventory has not been completed by the Village since they did not have a listing.
CRITERIA	GASB 34 requires movements to report general infrastructure assets in the Statement of Net Position. State law requires an annual inventory of capital assets be performed. Section 12-6-10, NMSA 1978, requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year.
CAUSE	The Village does not have accounting policy and procedures in place.
EFFECT	Improper maintenance of capital assets listing may create errors in their accounting an reporting and may cause the financial statements to be improperly stated.
RECOMMENDATION	It is recommended that the Village draft an accounting policies and procedures manual that includes the maintenance and treatment of capital assets.
RESPONSE	The Village will implement accounting policies an procedures that include maintenance and treatment of Capital Assets.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2017

Late Audit Submission (2017-005) - Significant Deficiency

CONDITION	The audit report was not submitted to the Office of the State Auditor by the December 15 deadline.
CRITERIA	Per Section 2.2.2.8 NMAC, the local public body the IPA recommendation and audit contract should be delivered to the state by May 15th before the year end.
CAUSE	The Village submitted a late contract with the State and it resulted in late submission.
EFFECT	The City will submit their FYE 2017 audit after the deadline and will be added on to the at risk list. Late audits result in untimely reporting.
RECOMMENDATION	It is recommended that the Village go through the Audit contract process as soon as it is available as well as schedule early fieldwork time.
RESPONSE	The Village will work with the State Auditors Office as well as the Auditors to complete the Audit on time.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2017

Internal Control - Hiring without advertising or proper approval (2017-006) - Other Matters

CONDITION	We made inquiries with the Village Clerk and reviewed minutes and though approval for hiring was noted, we could not verify if the Mayor and Trustees were made aware that the advertising requirement was circumvented before the recommended employment candidate was hired.
CRITERIA	Section 20.02 (A) from the Villages Personnel Policies and Procedures states: When ever filling a position the Department Head will submit a request to hire to the Mayor standing his request, the Village will post the opening transmitting an announcement to the Village Departments. The position will then be posted with the local newspaper. The exception to this policy is in Section 20.02 (B) which states: In house posting is waived, with the approval of the Mayor and three out of four members of the Board of Trustees.
CAUSE	Village verbally inquired with the Mayor about circumventing policy but failed to document the boards knowledge prior to approval for hiring.
EFFECT	Missing controls may cause hiring of employees without proper vetting and approval.
RECOMMENDATION	BMC suggests that all approvals from Mayor and or Village trustees be properly documented.
RESPONSE	The Village will implement accounting policies an procedures that include proper documentation of hiring approvals.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2017

Pledge Collateral (2017-007) - Other Matters

CONDITION	During testwork it was noted 1 out of 12 was not properly collateralized, Village's pledge collateral at June 30, 2017 of \$431,120 was not enough to cover the \$656,086 required.
CRITERIA	Any bank designated as a depository of public money shall deliver pledged collateral with a value equal to one half of the public money in excess of insurance, to a custodial bank and a joint safekeeping receipt issued by the custodial bank to the City (Section 6-10-17 NMSA 1978). Monitoring collateralization of the City's funds is essential in ensuring compliance with State of New Mexico Statutes.
CAUSE	The Village does not have accounting policy and procedures in place.
EFFECT	There is a violation of State law.
RECOMMENDATION	It is recommended that the Village draft an accounting policies and procedures manual that includes the procedures to maintain proper collateralization.
RESPONSE	The Village will work with the Bank to insure proper collateralization.
IMPLEMENTATION	Expected Completion: June 30, 2018 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
ENTRANCE AND EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2017

An entrance conference was held on November 14, 2017 in a closed meeting with Beasley, Mitchell & Co., LLP, with the following Village officials:

Ray Cordova	Mayor
Monica Voorbach	Clerk

Beasley, Mitchell & Co., LLP

Dahlia Garcia, CPA	Audit Supervisor
Juan Garcia	Audit Senior

An exit conference was held on March 7, 2018 in a closed meeting with Beasley, Mitchell & Co., LLP, with the following Village officials:

Ray Cordova	Mayor
Monica Voorbach	Clerk
Valerie Delgado	Finance Director
Sonya Gillard	Procurement Officer

Beasley, Mitchell & Co., LLP

Juan Garcia	Audit Senior
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The financial statements presented in this report were compiled with the assistance of the auditors, Beasley, Mitchell & Co., LLP. However, the contents of the financial statements remain the responsibility of management.