

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the YEAR ENDED JUNE 30, 2018
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
For the YEAR ENDED JUNE 30, 2018

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VILLAGE OF TULAROSA
For the YEAR ENDED JUNE 30, 2018

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STATE OF NEW MEXICO
VILLAGE OF TULAROSA
OFFICIAL ROSTER
JUNE 30, 2018

Margaret Trujillo	Mayor
Patrick Garcia	Mayor Pro-Tem
Jeni Flores	Trustee
Robert Sainz	Trustee
Janie Portillo	Trustee
Billy Artiaga	Municipal Judge



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, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America 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 54 - 57 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 and any other schedule required by the Audit Rule 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 December 15, 2018 on our consideration of Village of Tularosa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Tularosa's internal control over financial reporting and compliance.

Beasley Mitchell & Co LLP
Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
December 15, 2018

GOVERNMENT - WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business- type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Current assets			
Cash and cash equivalents	\$ 1,178,874	\$ 832,626	\$ 2,011,500
Accounts receivable	72,055	227,147	299,202
Taxes receivable	130,079	2,603	132,682
	<u>1,381,008</u>	<u>1,062,376</u>	<u>2,443,384</u>
Total current assets			
Non-current assets			
Restricted assets - cash	-	87,903	87,903
Capital assets	14,705,064	16,404,137	31,109,201
Less accumulated depreciation	<u>(5,223,532)</u>	<u>(7,393,691)</u>	<u>(12,617,223)</u>
	<u>9,481,532</u>	<u>9,098,349</u>	<u>18,579,881</u>
Total non-current assets			
Total assets			
	10,862,540	10,160,725	21,023,265
Deferred outflows			
Contribution after measurement date	53,917	-	53,917
Change in proportion	-	21,021	21,021
Deferred outflows	<u>137,294</u>	<u>53,528</u>	<u>190,822</u>
	<u>191,211</u>	<u>74,549</u>	<u>265,760</u>
Total deferred outflows			
Total assets and deferred outflows			
	<u>\$ 11,053,751</u>	<u>\$ 10,235,274</u>	<u>\$ 21,289,025</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, 2018

	Governmental Activities	Business- type Activities	Total
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
Current liabilities			
Accounts payable	\$ 84,439	\$ -	\$ 84,439
Accrued salaries	37,321	12,637	49,958
Current portion of long-term debt	36,192	131,454	167,646
Compensated absences	<u>24,833</u>	<u>8,108</u>	<u>32,941</u>
Total current liabilities	182,785	152,199	334,984
Non-current liabilities			
Compensated absences	19,798	4,339	24,137
Net pension liability	745,351	290,613	1,035,964
Customer deposits	-	72,530	72,530
Long-term debt, less current maturities	<u>502,934</u>	<u>256,679</u>	<u>759,613</u>
Total non-current liabilities	<u>1,268,083</u>	<u>624,161</u>	<u>1,892,244</u>
Total liabilities	1,450,868	776,360	2,227,228
Deferred inflows			
Deferred inflows	<u>128,723</u>	<u>50,190</u>	<u>178,913</u>
Total deferred inflows	<u>128,723</u>	<u>50,190</u>	<u>178,913</u>
Total liabilities and deferred inflows	1,579,591	826,550	2,406,141
NET POSITION			
Net investment in capital assets	8,942,406	8,710,216	17,652,622
Restricted for:			
Capital improvements	31,254	-	31,254
Special revenue funds	447,890	-	447,890
Unrestricted	<u>52,610</u>	<u>698,508</u>	<u>751,118</u>
Total net position	<u>9,474,160</u>	<u>9,408,724</u>	<u>18,882,884</u>
Total liabilities, deferred inflows and net position	<u>\$ 11,053,751</u>	<u>\$ 10,235,274</u>	<u>\$ 21,289,025</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, 2018

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	\$ 489,656	\$ 34,701	\$ -	\$ 1,272,230	\$ 817,275	\$ -	\$ 817,275
Public safety	908,445	-	-	198,810	(709,635)	-	(709,635)
Public works	217,567	-	-	124,469	(93,098)	-	(93,098)
Culture and recreation	618,274	9,016	256,125	-	(353,133)	-	(353,133)
Total governmental activities	2,233,942	43,717	256,125	1,595,509	(338,591)	-	(338,591)
Business-type activities:							
Water	852,714	744,563	-	-	-	(108,151)	(108,151)
Sewer	290,054	184,279	-	-	-	(105,775)	(105,775)
Solid Waste	232,872	314,846	-	-	-	81,974	81,974
Total business-type activities	1,375,640	1,243,688	-	-	-	(131,952)	(131,952)
Total primary government	\$ 3,609,582	\$ 1,287,405	\$ 256,125	\$ 1,595,509	(338,591)	(131,952)	(470,543)
General Revenues and Transfers:							
Property taxes					191,924	-	191,924
Other taxes					130,593	-	130,593
Gross receipts taxes					859,910	156,000	1,015,910
License and fees					72,602	-	72,602
Small cities assistance					131,704	-	131,704
Insurance proceeds					191,258	-	191,258
Miscellaneous					29,285	30,333	59,618
Transfers					(417,475)	417,475	-
Total general revenues and transfers					1,189,801	603,808	1,793,609
Changes in net position					851,210	471,856	1,323,066
Net position, beginning of year					8,622,950	8,844,706	17,467,656
Restatement					-	92,162	92,162
Net position, beginning of year as restated					8,622,950	8,936,868	17,559,818
Net position, end of year					\$ 9,474,160	\$ 9,408,724	\$ 18,882,884

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, 2018

	General Fund	Municipal Streets	Capital Projects	Total Non- Major Funds	Total Governmental Funds
ASSETS					
Assets					
Cash and cash equivalents	\$ 536,741	\$ 221,638	\$ 60,239	\$ 197,493	\$ 1,016,111
Investments	162,763	-	-	-	162,763
Tax receivables	115,639	14,440	-	-	130,079
Other receivable	-	-	52,690	19,365	72,055
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 815,143</u>	<u>\$ 236,078</u>	<u>\$ 112,929</u>	<u>\$ 216,858</u>	<u>\$ 1,381,008</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 2,500	\$ -	\$ 81,904	\$ 35	\$ 84,439
Payroll wages payable	32,539	-	-	4,782	37,321
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	35,039	-	81,904	4,817	121,760
Fund balances:					
Restricted for capital projects	-	-	31,025	229	31,254
Restricted for special revenue	-	236,078	-	211,812	447,890
Unassigned	780,104	-	-	-	780,104
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>780,104</u>	<u>236,078</u>	<u>31,025</u>	<u>212,041</u>	<u>1,259,248</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 815,143</u>	<u>\$ 236,078</u>	<u>\$ 112,929</u>	<u>\$ 216,858</u>	<u>\$ 1,381,008</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, 2018

Total fund balances - governmental funds \$ 1,259,248

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	14,705,064	
Accumulated depreciation	<u>(5,223,532)</u>	9,481,532

Deferred outflows - contributions made after the measurement date, will be recognized as a reduction of net pension liability	53,917
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Deferred outflows	137,294
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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	(745,351)	
Notes payable	(539,126)	
Compensated absences	<u>(44,631)</u>	(1,329,108)

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>(128,723)</u>
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Total net position - governmental activities **\$ 9,474,160**

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, 2018

	General Fund	Municipal Streets	Capital Projects	Total Non-Major Funds	Total Governmental Funds
REVENUES					
Motor vehicle registration	\$ 31,352	\$ -	\$ -	\$ -	\$ 31,352
Gross receipts tax	825,984	33,926	-	-	859,910
Property taxes	191,924	-	-	-	191,924
Franchise taxes	49,796	-	-	-	49,796
Gasoline tax	-	49,445	-	-	49,445
Small cities assistance	131,704	-	-	-	131,704
Charges for services	34,701	-	-	20,981	55,682
State allocation	-	-	-	409,890	409,890
Federal grants	-	-	-	58,611	58,611
State grants	14,360	124,469	1,171,462	72,842	1,383,133
Licenses and permits	14,877	-	-	-	14,877
Fines and forfeitures	45,760	-	-	-	45,760
Rental income	-	-	-	4,108	4,108
Investment income	7,476	2,369	826	2,979	13,650
Miscellaneous	5,514	-	-	6,013	11,527
Total revenues	1,353,448	210,209	1,172,288	575,424	3,311,369
EXPENDITURES					
Current					
General government	410,124	-	-	-	410,124
Public safety	666,085	-	-	119,065	785,150
Public works	70,236	20,768	15,605	-	106,609
Culture and recreation	244,718	-	-	301,797	546,515
Debt service:					
Debt principal	-	-	-	35,812	35,812
Interest	-	-	-	4,158	4,158
Capital outlay	222,639	62,524	666,886	14,450	966,499
Total expenditures	1,613,802	83,292	682,491	475,282	2,854,867
Excess (deficiency) of revenues over expenditures	(260,354)	126,917	489,797	100,142	456,502

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, 2018

	General Fund	Municipal Streets	Capital Projects	Total Non-Major Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Transfers in	168,857	-	15,000	45,614	229,471
Transfers out	(60,614)	-	(479,891)	(106,441)	(646,946)
Insurance Proceeds	<u>191,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,258</u>
 Total other financing sources (uses)	 <u>299,501</u>	 <u>-</u>	 <u>(464,891)</u>	 <u>(60,827)</u>	 <u>(226,217)</u>
 Net change in fund balance	 39,147	126,917	24,906	39,315	230,285
 Fund balance at beginning of year	 <u>740,957</u>	<u>109,161</u>	<u>6,119</u>	<u>172,726</u>	<u>1,028,963</u>
 Fund balance at end of year	 <u>\$ 780,104</u>	<u>\$ 236,078</u>	<u>\$ 31,025</u>	<u>\$ 212,041</u>	<u>\$ 1,259,248</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, 2018

Net change in fund balances - total governmental funds \$ 230,285

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	966,499	
Depreciation expense	<u>(327,001)</u>	639,498
Change in deferred outflows		(146,116)
Change in deferred inflows		(105,573)
Change in net pension liability		188,697
Change in accrued interest		-
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		35,812
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>8,607</u>
Change in net position of governmental activities		<u>\$ 851,210</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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Franchise taxes	\$ 46,793	\$ 46,793	\$ 49,796	\$ 3,003
Gross receipts taxes-municipal	685,627	685,627	710,345	24,718
Property taxes	186,472	186,472	191,924	5,452
Motor vehicle registration	24,700	24,700	31,352	6,652
Licenses and permits	7,134	7,134	14,877	7,743
Charges for services	4,384	4,384	34,701	30,317
Small cities assistance	177,449	177,449	131,704	(45,745)
State grants	-	-	14,360	14,360
Fines and Forfeits	313	313	45,760	45,447
Investment income	-	-	7,476	7,476
Miscellaneous	49,127	71,282	5,514	(65,768)
Total revenues	1,181,999	1,204,154	1,237,809	33,655
EXPENDITURES:				
Current				
General government	397,730	478,393	410,124	68,269
Public safety	622,210	660,981	643,027	17,954
Public works	34,294	34,294	70,236	(35,942)
Culture and recreation	238,460	270,495	244,718	25,777
Capital outlay	-	-	222,639	(222,639)
Total expenditures	1,292,694	1,444,163	1,590,744	76,058
Excess (deficiency) of revenues over expenditures	(110,695)	(240,009)	(352,935)	109,713
OTHER FINANCING SOURCES (USES)				
Transfers in	275,159	290,159	168,857	(121,302)
Transfers out	(45,614)	(60,614)	(60,614)	-
Insurance proceeds	-	-	191,258	191,258
Total other financing sources (uses)	275,159	290,159	299,501	69,956

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Net changes in fund balance Non- GAAP basis	164,464	50,150	(53,434)	179,669
Fund balance - beginning	948,404	740,957	740,957	-
Fund balance - ending	\$ 905,421	\$ 791,107	\$ 687,523	\$ 179,669
Reconciliation in fund balance - budgetary basis				
Net change in fund balance - budgetary basis			\$ (53,434)	
Revenue accrual			115,639	
Expenditure accrual			(23,058)	
Net change in fund balance - GAAP basis			\$ 39,147	

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Gross receipts taxes	\$ 28,212	\$ 28,212	\$ 19,486	\$ (8,726)
Gas tax	21,828	21,828	49,445	27,617
State grants	679,370	679,370	124,469	(554,901)
Miscellaneous	<u>20,153</u>	<u>20,153</u>	<u>2,369</u>	<u>(17,784)</u>
Total revenues	749,563	749,563	195,769	(553,794)
EXPENDITURES:				
Current				
Public works	20,768	20,768	20,768	-
Capital outlay	<u>62,524</u>	<u>62,524</u>	<u>62,524</u>	<u>-</u>
Total expenditures	<u>772,031</u>	<u>772,031</u>	<u>83,292</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(22,468)</u>	<u>(22,468)</u>	<u>112,477</u>	<u>(553,794)</u>
Net change in fund balance Non-GAAP basis	(22,468)	(22,468)	112,477	(553,794)
Fund balance at beginning of year	<u>171,527</u>	<u>171,527</u>	<u>171,527</u>	<u>-</u>
Fund balance at end of year	<u>\$ 149,059</u>	<u>\$ 149,059</u>	<u>\$ 284,004</u>	<u>\$ (553,794)</u>
Reconciliation in fund balance - budgetary basis				
Net change in fund balance - budgetary basis			\$ 112,477	
Revenue accrual			<u>14,440</u>	
Excess of revenues over expenditures - GAAP basis			<u>\$ 126,917</u>	

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, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
ASSETS AND DEFERRED OUTFLOWS				
Current assets				
Cash and cash equivalents	\$ 274,338	\$ 170,913	\$ 387,375	\$ 832,626
Accounts receivable	134,082	36,566	56,499	227,147
Taxes receivable	<u>-</u>	<u>-</u>	<u>2,603</u>	<u>2,603</u>
Total current assets	408,420	207,479	446,477	1,062,376
Non-current assets				
Restricted assets - cash	72,530	15,373	-	87,903
Capital assets	7,169,762	8,746,396	487,979	16,404,137
Less accumulated depreciation	<u>(4,448,119)</u>	<u>(2,639,996)</u>	<u>(305,576)</u>	<u>(7,393,691)</u>
Total non-current assets	<u>2,794,173</u>	<u>6,121,773</u>	<u>182,403</u>	<u>9,098,349</u>
Total assets	3,202,593	6,329,252	628,880	10,160,725
Deferred outflows				
Subsequent contributions	16,866	2,134	2,021	21,021
Deferred outflows	<u>42,950</u>	<u>5,432</u>	<u>5,146</u>	<u>53,528</u>
Total deferred outflows	<u>59,816</u>	<u>7,566</u>	<u>7,167</u>	<u>74,549</u>
Total assets and deferred outflows	<u>\$ 3,262,409</u>	<u>\$ 6,336,818</u>	<u>\$ 636,047</u>	<u>\$ 10,235,274</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, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
Current liabilities				
Accrued payroll	\$ 10,066	\$ 1,384	\$ 1,187	\$ 12,637
Current portion of long term debt	55,753	2,000	73,701	131,454
Compensated absences	<u>7,805</u>	<u>-</u>	<u>303</u>	<u>8,108</u>
Total current liabilities	73,624	3,384	75,191	152,199
Non-current liabilities				
Customer deposits	72,530	-	-	72,530
Compensated absences	2,816	-	1,523	4,339
Net pension liability	233,170	29,498	27,945	290,613
Long term debt, less current maturities	<u>172,679</u>	<u>84,000</u>	<u>-</u>	<u>256,679</u>
Total non-current liabilities	<u>481,195</u>	<u>113,498</u>	<u>29,468</u>	<u>624,161</u>
Total liabilities	554,819	116,882	104,659	776,360
Deferred inflows				
Deferred inflows	<u>40,269</u>	<u>5,095</u>	<u>4,826</u>	<u>50,190</u>
Total deferred inflows	<u>40,269</u>	<u>5,095</u>	<u>4,826</u>	<u>50,190</u>
Total liabilities and deferred inflows	<u>595,088</u>	<u>121,977</u>	<u>109,485</u>	<u>826,550</u>
NET POSITION				
Net investment in capital assets	2,565,741	6,035,773	108,702	8,710,216
Unrestricted	<u>101,580</u>	<u>179,068</u>	<u>417,860</u>	<u>698,508</u>
Total net position	<u>2,667,321</u>	<u>6,214,841</u>	<u>526,562</u>	<u>9,408,724</u>
Total liabilities, deferred inflows and net position	<u>\$ 3,262,409</u>	<u>\$ 6,336,818</u>	<u>\$ 636,047</u>	<u>\$10,235,274</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, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
OPERATING REVENUES				
Charges for services	\$ 744,563	\$ 184,279	\$ 314,846	\$ 1,243,688
Gross receipts tax municipal	66,385	-	89,615	156,000
Miscellaneous	<u>23,133</u>	<u>1,907</u>	<u>5,293</u>	<u>30,333</u>
Total operating revenues	834,081	186,186	409,754	1,430,021
OPERATING EXPENSES				
Personnel services	433,792	23,666	38,982	496,440
Other operating expenses	272,563	96,932	161,358	530,853
Depreciation expense	<u>146,359</u>	<u>169,456</u>	<u>32,532</u>	<u>348,347</u>
Total operating expenses	<u>852,714</u>	<u>290,054</u>	<u>232,872</u>	<u>1,375,640</u>
Operating income (loss)	(18,633)	(103,868)	176,882	54,381
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>417,475</u>	<u>-</u>	<u>417,475</u>
Total other financing sources (uses)	<u>-</u>	<u>417,475</u>	<u>-</u>	<u>417,475</u>
Change in net position	(18,633)	313,607	176,882	471,856
Net position, beginning of year	2,670,258	5,901,234	273,214	8,844,706
Restatement	<u>15,696</u>	<u>-</u>	<u>76,466</u>	<u>92,162</u>
Net position, end of year	<u>\$ 2,667,321</u>	<u>\$ 6,214,841</u>	<u>\$ 526,562</u>	<u>\$ 9,408,724</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, 2018

	<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	\$ 897,813	\$ 213,156	\$ 393,637	\$ 1,504,606
Cash paid to suppliers for goods and services	(465,013)	(74,985)	(40,302)	(580,300)
Cash payments to employees for services	<u>(256,867)</u>	<u>(96,932)</u>	<u>(84,892)</u>	<u>(438,691)</u>
Net cash provided by (used in) operating activities	175,933	41,239	268,443	485,615
Cash flows from investing activities:				
Acquisition of capital assets	<u>(18,572)</u>	<u>(417,475)</u>	<u>-</u>	<u>(436,047)</u>
Net cash used in investing activities	<u>(18,572)</u>	<u>(417,475)</u>	<u>-</u>	<u>(436,047)</u>
Cash flows from financing activities:				
Transfers from governmental funds	-	417,475	-	417,475
Principal payment on debt	<u>(69,423)</u>	<u>(2,000)</u>	<u>(71,345)</u>	<u>(142,768)</u>
Net cash used in financing activities	<u>(69,423)</u>	<u>415,475</u>	<u>(71,345)</u>	<u>274,707</u>
Net increase (decrease) in cash	87,938	39,239	197,098	324,275
CASH, Beginning of year	<u>258,930</u>	<u>147,047</u>	<u>190,277</u>	<u>596,254</u>
CASH, End of year	<u>\$ 346,868</u>	<u>\$ 186,286</u>	<u>\$ 387,375</u>	<u>\$ 920,529</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, 2018

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)	\$ (18,633)	\$ (103,868)	\$ 176,882	\$ 54,381
Adjustments to reconcile change in net assets to net cash				
Depreciation	146,359	169,456	32,532	348,347
Restatement	15,696	-	76,466	92,162
Changes in working capital components:				
(Increase) Decrease in:				
Accounts receivables	11,515	3,902	(16,117)	(700)
Other Assets	48,517	23,068	8,674	80,259
Increase (Decrease) in:				
Other liabilities	(35,945)	(52,547)	(11,003)	(99,495)
Accrued expenses and other liabilities	<u>8,424</u>	<u>1,228</u>	<u>1,009</u>	<u>10,661</u>
Net cash provided by operating activities	<u>\$ 175,933</u>	<u>\$ 41,239</u>	<u>\$ 268,443</u>	<u>\$ 485,615</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, 2018

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, 2018

	MVD	Municipal Court	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 3,192	\$ 6,117	\$ 9,309
Total assets	3,192	6,117	9,309
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	3,192	6,117	9,309
Total liabilities	\$ 3,192	\$ 6,117	\$ 9,309

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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.

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018 is presented.

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VILLAGE OF TULAROSA
NOTES TO BASIC FINANCIAL STATEMENTS
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2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Implementation of New Accounting Standards

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 Village is still evaluating how this pronouncement will affect the financial statements.

In April 2018, GASB No. 88, Certain disclosures related to debt, including direct borrowings and direct placements, was issued. Effective date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements related to debt for periods beginning after June 15, 2018. Furthermore, GASB No. 88 clarifies which liabilities governments should include when disclosing information. Earlier application is encouraged. The Village is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Village is still evaluating how this pronouncement will affect the financial statements.

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2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Implementation of New Accounting Standards

In December 2018, GASB No. 90, Majority Equity Interests, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Village is still evaluating how this pronouncement will affect the financial statements.

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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	\$ 250,000
Collateralized	
Cash held by pledging bank	220,541
Uninsured and uncollateralized	<u>1,545,994</u>
Total Cash and Investments, Primary Government	<u>\$ 2,186,611</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, 2018, \$1,545,994 of the Village's bank balance of \$2,186,611 was exposed to custodial credit risk as follows:

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, consist of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Accounts receivable	\$ 72,055	\$ 227,147	\$ 299,202
Taxes receivable	<u>130,079</u>	<u>2,603</u>	<u>132,682</u>
Net receivables	<u>\$ 202,134</u>	<u>\$ 229,750</u>	<u>\$ 431,884</u>

The Village has booked allowance for uncollectible accounts totaling \$24,529 that is netted against the utility receivables. All other receivables are considered collectible.

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5. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018, 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:

	Balance June 30, 2017	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance June 30, 2018
Government activities					
Capital assets not being depreciated:					
Land	\$ 588,363	\$ -	\$ -	\$ -	\$ 588,363
Construction in progress	<u>914,730</u>	<u>682,881</u>	<u>-</u>	<u>(854,686)</u>	<u>742,925</u>
Total	<u>1,503,093</u>	<u>682,881</u>	<u>-</u>	<u>(854,686)</u>	<u>1,331,288</u>
Other capital assets being depreciated					
Buildings	6,923,054	-	-	602,163	7,525,217
Infrastructure	1,704,509	191,258	-	252,523	2,148,290
Machinery and equipment	<u>3,607,909</u>	<u>92,360</u>	<u>-</u>	<u>-</u>	<u>3,700,269</u>
Total	<u>12,235,472</u>	<u>283,618</u>	<u>-</u>	<u>854,686</u>	<u>13,373,776</u>
Accumulated depreciation					
Buildings	1,767,452	111,575	-	-	1,879,027
Infrastructure	317,444	52,102	-	-	369,546
Machinery and equipment	<u>2,562,817</u>	<u>163,324</u>	<u>-</u>	<u>-</u>	<u>2,726,141</u>
Total accumulated depreciation	<u>4,896,531</u>	<u>327,001</u>	<u>-</u>	<u>-</u>	<u>5,223,532</u>
Total capital assets	<u>\$ 8,842,034</u>	<u>\$ 639,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,481,532</u>

Depreciation expense, for the year ended June 30, 2018 was charged as follows:

General government	\$ 20,989
Public safety	123,295
Public works	110,958
Culture and recreation	<u>71,759</u>
Total depreciation expense	<u>\$ 327,001</u>

Depreciation expense relating to Government Activities for the year-ended June 30, 2018 totaled \$327,001.

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5. CAPITAL ASSETS (CONTINUED)

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

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Business-type activities					
<u>Water</u>					
Capital assets being depreciated					
Water system	\$ 7,139,137	\$ 18,572	\$ -	\$ -	\$ 7,157,709
Machinery and equipment	12,053	-	-	-	12,053
Total	7,151,190	18,572	-	-	7,169,762
Accumulated depreciation					
Water system	4,298,554	143,154	-	-	4,441,708
Machinery and equipment	3,206	3,205	-	-	6,411
Total accumulated depreciation	4,301,760	146,359	-	-	4,448,119
Total capital assets	<u>\$ 2,849,430</u>	<u>\$ (127,787)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,721,643</u>
Business-type activities					
<u>Sewer</u>					
Capital assets being depreciated					
Sewer system	\$ 8,310,136	\$ 417,475	\$ -	\$ -	\$ 8,727,611
Machinery and equipment	18,785	-	-	-	18,785
Total	8,328,921	417,475	-	-	8,746,396
Accumulated depreciation					
Water system	2,451,755	169,456	-	-	2,621,211
Machinery and equipment	18,785	-	-	-	18,785
Total accumulated depreciation	2,470,540	169,456	-	-	2,639,996
Total capital assets	<u>\$ 5,858,381</u>	<u>\$ 248,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,106,400</u>
Business-type activities					
<u>Solid Waste</u>					
Capital assets being depreciated					
Machinery and equipment	\$ 487,979	\$ -	\$ -	\$ -	\$ 487,979
Total	487,979	-	-	-	487,979
Accumulated depreciation					
Machinery and equipment	273,044	32,532	-	-	305,576
Total accumulated depreciation	273,044	32,532	-	-	305,576
Total capital assets	<u>\$ 214,935</u>	<u>\$ (32,532)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,403</u>

Depreciation expense relating to business-like activities for the year-ended June 30, 2018 totaled \$348,347.

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6. LONG TERM DEBT

During the year-end June 30, 2018, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Funds	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
NMFA Fire Station	\$ 215,216	\$ -	\$ 12,403	\$ 202,813	\$ 12,542
NMFA Fire Pumper	<u>359,722</u>	<u>-</u>	<u>23,409</u>	<u>336,313</u>	<u>23,650</u>
Total	<u>\$ 574,938</u>	<u>\$ -</u>	<u>\$ 35,812</u>	<u>\$ 539,126</u>	<u>\$ 36,192</u>

The annual requirements to amortize the above loans as of June 30, 2018, including interest payments are as follows:

June 30:	Principal	Interest	Total
2019	\$ 36,192	\$ 3,777	\$ 39,969
2020	36,534	3,434	39,968
2021	36,887	3,082	39,969
2022	37,290	2,678	39,968
2023	37,744	2,224	39,968
2024-2028	196,209	3,929	200,138
2029-2033	145,496	419	145,915
2034-2038	<u>12,774</u>	<u>13</u>	<u>12,787</u>
	<u>\$ 539,126</u>	<u>\$ 19,556</u>	<u>\$ 558,682</u>

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Compensated absences	<u>\$ 53,238</u>	<u>\$ 50,654</u>	<u>\$ 59,261</u>	<u>\$ 44,631</u>	<u>\$ 24,833</u>

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

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6. LONG TERM DEBT (CONTINUED)

Proprietary Funds	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
NMED 96-03	\$ 97,440	\$ -	\$ 23,291	\$ 74,149	\$ 23,990
NMED 93-11R	15,139	-	15,139	-	-
NMFA- 2	76,780	-	24,533	52,247	25,303
NMFA- 11	28,066	-	1,755	26,311	1,755
NMFA- 13	72,248	-	4,250	67,998	4,250
NMFA- 15	8,182	-	455	7,727	455
USDA 92-05	88,000	-	2,000	86,000	2,000
NMFA- 10	<u>145,046</u>	<u>-</u>	<u>71,345</u>	<u>73,701</u>	<u>73,701</u>
Total	<u>\$ 530,901</u>	<u>\$ -</u>	<u>\$ 142,768</u>	<u>\$ 388,133</u>	<u>\$ 131,454</u>

The annual requirements to amortize the above loans as of June 30, 2018, including interest payments are as follows:

June 30:	Principal	Interest	Total
2019	\$ 131,454	\$ 10,045	\$ 141,499
2020	59,234	5,886	65,120
2021	34,789	4,280	39,069
2022	8,460	3,400	11,860
2023	8,460	3,320	11,780
2024-2028	42,300	15,310	57,610
2029-2033	46,286	12,940	59,226
2034-2038	21,150	9,790	30,940
2039-2043	20,000	5,950	25,950
2044-2048	16,000	1,150	17,150
	<u>\$ 388,133</u>	<u>\$ 72,071</u>	<u>\$ 460,204</u>

Proprietary Fund	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Compensated absences	<u>\$ 17,162</u>	<u>\$ 22,380</u>	<u>\$ 27,095</u>	<u>\$ 12,447</u>	<u>\$ 8,108</u>

Compensated absences typically have been liquidated in the proprietary fund.

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VILLAGE OF TULAROSA
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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, 2018, 2017, 2016 and 2015 were \$23,888 \$22,715, \$36,323, and \$43,389, 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, 2017.

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8. PERA PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members.

The Village of Tularosa's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2018. Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

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8. PERA PENSION PLAN (CONTINUED)

For PERA Fund Municipal General Division, at June 30, 2018, the Village reported a liability of \$710,402 for its proportionate share of the net pension liability. At June 30, 2017, the Village's proportion was 0.0517 percent, which was decreased from its proportion measured as of June 30, 2016, by 0.0057 percent.

For the year ended June 30, 2018, the Village of Tularosa recognized PERA Fund Municipal General Division pension expense of \$72,857. At June 30, 2017, the Village reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Municipal</u>	
	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	\$ 32,760	\$ 7,341
Net difference between projected and actual earnings on pension plan investments	58,284	-
Changes in proportion and differences between Village of Tularosa contributions and proportionate share of contributions	2,647	48,445
Difference between expected and actual experience	27,914	36,385
Village of Tularosa contributions subsequent to the measurement date	51,387	-
Total	\$ 172,992	\$ 92,171

\$51,387 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 5,131
2020	\$ 46,438
2021	\$ (5,102)
2022	\$ (17,033)

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8. PERA PENSION PLAN (CONTINUED)

For PERA Fund Municipal Police Division, at June 30, 2018, the Village reported a liability of \$325,562 for its proportionate share of the net pension liability. At June 30, 2017, the Village's proportion was 0.0314 percent, which was decreased from its proportion measured as of June 30, 2016, by 0.0290 percent.

For the year ended June 30, 2018, the Village of Tularosa recognized PERA Fund Municipal Police Division pension expense of \$33,389. At June 30, 2017, the Village reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Police</u>	
	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	\$ 19,370	\$ 7,570
Net difference between projected and actual earnings on pension plan investments	26,220	-
Changes in proportion and differences between Village of Tularosa contributions and proportionate share of contributions	3,856	18,344
Difference between expected and actual experience	19,772	60,828
Village of Tularosa contributions subsequent to the measurement date	23,550	-
Total	\$ 92,768	\$ 86,742

\$23,550 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	(5,973)
2020	\$	8,459
2021	\$	(12,344)
2022	\$	(7,666)

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8. PERA PENSION PLAN (CONTINUED)

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2015 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll- forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
-Investment rate of return	7.75% annual rate, net of investment expense
-Projected benefit payment	100 years
-Payroll growth	2.75% for the first 10 years, then 3.25% all other years
-Projected salary increases	2.75% to 14.25% annual rate
Includes inflation at	2.25% annual rate first 10 years, 2.75% all other years
-Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA
-Experience study dates	July 1, 2008 to June 30, 2013(demographic) and July 1, 2010 through June 20, 2015 (economic)

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8. PERA PENSION PLAN (CONTINUED)

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

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

Discount rate: The discount rate used to measure the total pension liability was 7.51 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.51% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Village's net pension liability in each PERA Fund Division that the Village participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.51%) or one percentage point higher (8.51%) than the single discount rate.

PERA Fund Municipal General Division

	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
Village of Tularosa proportionate share of the Net Pension Liability	<u>\$ 1,113,434</u>	<u>\$ 710,402</u>	<u>\$ 375,224</u>

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8. PERA PENSION PLAN (CONTINUED)

PERA Fund Municipal Police Division

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Village of Tularosa proportionate share of the Net Pension Liability	\$ 519,181	\$ 325,562	\$ 166,669

9. POST-EMPLOYMENT BENEFITS

The Village of Tularosa did not participate in the Retiree Health Care Act Program during the fiscal year ending 2018.

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 2018.

Amount	From	To	Purpose
\$ 45,614	General Fund	Recreation	To fund operations
\$ 15,000	General Fund	Capital Projects	To fund operations
\$ 417,475	Capital Project Funds	Sewer Fund	To fund operations
\$ 168,857	Capital Project Funds	General Fund	To transfer capital assets

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2018 the date the financial statements were available to be issued.

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As of and For the YEAR ENDED JUNE 30, 2018

13. TAX ABATEMENT

There are no tax abatements to report under GASB 77.

14. RESTATEMENT

The Village of Tularosa had a restatement in the amount of \$15,696 in the Water Fund and \$76,466 in the Solid Waste Fund due to cash held by NMFA that was not recorded in the prior year.

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, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
The Village of Tularosa' proportion of the net pension liability	\$ 442,297	\$ 583,204	\$ 917,058	\$ 710,402
The Village of Tularosa' proportionate share of the net pension liability	0.0285%	0.0332%	0.0335%	0.0517%
The Village of Tularosa' covered-employee payroll	\$ 599,910	\$ 634,768	\$ 620,307	\$ 694,560
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 %	1.02 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %	73.74 %

*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, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
The Village of Tularosa' proportion of the net pension liability	\$ 203,103	\$ 313,037	\$ 445,649	\$ 325,562
The Village of Tularosa' proportionate share of the net pension liability	0.0285%	0.0332%	0.0335%	0.0314%
The Village of Tularosa' covered-employee payroll	\$ 220,735	\$ 218,410	\$ 256,558	\$ 312,049
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 %	1.04 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.90 %	69.18 %	73.74 %

*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, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 45,426	\$ 46,973	\$ 87,821	\$ 51,387
Contributions in relation to the contractually required contribution	<u>45,426</u>	<u>46,973</u>	<u>87,821</u>	<u>51,387</u>
Contribution deficiency (excess)	-	-	-	-
The Village of Tularosa' covered-employee payroll	<u>\$ 599,910</u>	<u>\$ 634,768</u>	<u>\$ 620,307</u>	<u>\$ 694,560</u>
Contributions as a percentage of covered-employee payroll	<u>7.57 %</u>	<u>7.40 %</u>	<u>14.16 %</u>	<u>7.40 %</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, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 23,888	\$ 22,715	\$ 36,323	\$ 23,550
Contributions in relation to the contractually required contribution	<u>23,888</u>	<u>22,715</u>	<u>36,323</u>	<u>23,550</u>
Contribution deficiency (excess)	-	-	-	-
The Village of Tularosa' covered-employee payroll	<u>\$ 220,735</u>	<u>\$ 218,410</u>	<u>\$ 256,558</u>	<u>\$ 312,049</u>
Contributions as a percentage of covered-employee payroll	<u>10.82 %</u>	<u>10.40 %</u>	<u>14.16 %</u>	<u>7.55 %</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, 2018

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 FY17 audit available at https://www.saonm.org/media/audits/366B_NM_PERA_Schedule_of_Employer_Allocation_FY2017.pdf

Changes of assumptions- The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2017 is available at <http://www.nmpera.org/assets/uploads/downloads/Schedule-of-Employer-Allocation-for-report-FY17-Edited.pdf>

Changes in assumptions resulted in a decrease of \$326,743 to the total pension liability for the PERA Fund and an decrease of 0.3154% to the funded ratio for the year ended June 30, 2017. 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/366B_NM_PERA_Schedule_of_Employer_Allocation_FY2017.pdf

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
NON-MAJOR GOVERNMENTAL TYPES
JUNE 30, 2018

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).

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

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.

CAPITAL PROJECTS FUNDS LISTING

RUS/WW USDA/RD - To account for federal grant activity for wastewater system improvements. Authority is by grant agreement. No budget was adopted for this fund, because no resolutions were adopted to change the budget to include the listed grants.

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL TYPES
JUNE 30, 2018

	Special Revenue Funds	Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS AND DEFERRED OUTFLOWS			
Assets			
Cash and cash equivalents	\$ 197,264	\$ 229	\$ 197,493
Due from other funds	<u>19,365</u>	<u>-</u>	<u>19,365</u>
Total assets	<u>\$ 216,629</u>	<u>\$ 229</u>	<u>\$ 216,858</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 35	\$ -	\$ 35
Accrued salaries	<u>4,782</u>	<u>-</u>	<u>4,782</u>
Total liabilities	4,817	-	4,817
Fund balance:			
Restricted for special revenue funds	211,812	-	211,812
Restricted for capital outlay	<u>-</u>	<u>229</u>	<u>229</u>
Total fund balance	<u>211,812</u>	<u>229</u>	<u>212,041</u>
Total liabilities and fund balances	<u>\$ 216,629</u>	<u>\$ 229</u>	<u>\$ 216,858</u>

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL TYPES
JUNE 30, 2018

	Special Revenue Funds	Capital Project Funds	Total
REVENUES			
Charges for services	\$ 20,981	\$ -	\$ 20,981
State allocation	309,122	100,768	409,890
Federal grants	58,611	-	58,611
State grants	72,842	-	72,842
Contributions/donations	4,108	-	4,108
Investment income	2,979	-	2,979
Miscellaneous income	6,013	-	6,013
Total revenues	474,656	100,768	575,424
EXPENDITURES			
General government	-	-	-
Public safety	119,065	-	119,065
Culture and recreation	301,797	-	301,797
Capital outlay	14,450	-	14,450
Principal	35,812	-	35,812
Interest	4,158	-	4,158
Total expenditures	475,282	-	475,282
Excess (deficiency) of revenues over (under) expenditures	(626)	100,768	100,142
OTHER FINANCING SOURCES (USES)			
Operating transfers in	45,614	-	45,614
Operating transfers out	-	(106,441)	(106,441)
Total other financing uses	45,614	(106,441)	(60,827)
Net change in fund balance	44,988	(5,673)	39,315
Fund balance, beginning of year	166,824	5,902	172,726
Fund balance end of year	\$ 211,812	\$ 229	\$ 212,041

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL TYPES
SPECIAL REVENUE FUNDS
JUNE 30, 2018

	SPECIAL REVENUE						CAPITAL PROJECT	Total
	Correction	Fire	Law Enforcement Protection	Recreation	Old American Program	Summer Food Program	RUS Waste Water Plant	
ASSETS AND DEFERRED OUTFLOWS								
Assets								
Cash and cash equivalents	\$ 60,370	\$ 42,841	\$ 5,546	\$ 28,196	\$ 59,239	\$ 1,072	\$ 229	\$ 197,493
Other receivables	-	-	-	-	19,365	-	-	19,365
Total assets	\$ 60,370	\$ 42,841	\$ 5,546	\$ 28,196	\$ 78,604	\$ 1,072	\$ 229	\$ 216,858
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ 35	\$ -	\$ -	\$ -	\$ 35
Accrued salaries	-	-	-	328	4,376	78	-	4,782
Total liabilities	-	-	-	363	4,376	78	-	4,817
Fund balance								
Restricted for special revenue funds	60,370	42,841	5,546	27,833	74,228	994	-	211,812
Restricted for capital outlay	-	-	-	-	-	-	229	229
Total fund balance	60,370	42,841	5,546	27,833	74,228	994	229	212,041
Total liabilities and fund balance	\$ 60,370	\$ 42,841	\$ 5,546	\$ 28,196	\$ 78,604	\$ 1,072	\$ 229	\$ 216,858

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, 2018

	SPECIAL REVENUE						CAPITAL PROJECT	Total
	Correction	Fire	Law Enforcement Protection	Recreation	Old American Program	Summer Food Program	RUS Waste Water Plant	
REVENUES								
Charges for services	\$ 11,965	\$ -	\$ -	\$ 3,330	\$ 5,686	\$ -	\$ -	\$ 20,981
State allocation	-	175,210	23,600	-	97,923	12,389	100,768	409,890
Federal grants	-	-	-	-	58,611	-	-	58,611
State grants	-	-	-	-	72,842	-	-	72,842
Contributions/donations	-	-	-	4,108	-	-	-	4,108
Investment income	740	1,031	175	137	896	-	-	2,979
Miscellaneous income	-	1,688	-	-	4,325	-	-	6,013
Total revenues	<u>12,705</u>	<u>177,929</u>	<u>23,775</u>	<u>7,575</u>	<u>240,283</u>	<u>12,389</u>	<u>100,768</u>	<u>575,424</u>
EXPENDITURES								
Public safety	7,416	91,851	19,798	-	-	-	-	119,065
Culture and recreation	-	-	-	34,064	256,149	11,584	-	301,797
Capital outlay	-	14,450	-	-	-	-	-	14,450
Debt Service								
Principal debt payment	-	35,812	-	-	-	-	-	35,812
Interest	-	4,158	-	-	-	-	-	4,158
Total expenditures	<u>7,416</u>	<u>146,271</u>	<u>19,798</u>	<u>34,064</u>	<u>256,149</u>	<u>11,584</u>	<u>-</u>	<u>475,282</u>
Excess (deficiency) of revenues over (under) expenditures	5,289	31,658	3,977	(26,489)	(15,866)	805	100,768	100,142

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, 2018

	SPECIAL REVENUE						CAPITAL PROJECT	
	Correction	Fire	Law Enforcement Protection	Recreation	Old American Program	Summer Food Program	RUS Waste Water Plant	Total
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	45,614	-	-	-	45,614
Operating transfers out	-	-	-	-	-	-	(106,441)	(106,441)
Total other financing source (uses)	-	-	-	45,614	-	-	(106,441)	(60,827)
Net change in fund balance	5,289	31,658	3,977	19,125	(15,866)	805	(5,673)	39,315
Fund balance, beginning of year	55,081	11,183	1,569	8,708	90,094	189	5,902	172,726
Fund balance, end of year	<u>\$ 60,370</u>	<u>\$ 42,841</u>	<u>\$ 5,546</u>	<u>\$ 27,833</u>	<u>\$ 74,228</u>	<u>\$ 994</u>	<u>\$ 229</u>	<u>\$ 212,041</u>

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, 2018

	<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	\$ 521,786	\$ -	\$ 1,184	\$ 520,602
General - Payroll	CK	47,504	-	33,354	14,150
General -	CK	984	-	-	984
Law Enforcement	CK	5,546	-	-	5,546
Old American Program	CK	62,286	-	3,048	59,238
Recreation	CK	28,108	-	-	28,108
Correction	CK	60,370	-	-	60,370
Fire	CK	43,453	-	909	42,544
Gas Tax	CK	221,638	-	-	221,638
MVD - Agency	CK	5,066	-	1,874	3,192
Municipal Court - Agency	CK	6,117	-	-	6,117
Summer Food Program	CK	2,730	-	1,659	1,071
Capital Projects	CK	90,289	-	30,050	60,239
WWP Phase II- Reserved	CK	6,024	-	-	6,024
Sewer	CK	172,122	49	2,386	169,785
Water	CK	191,460	1,995	5,479	187,976
Solid Waste	CK	270,677	-	-	270,677
Sewer CD - Reserved	CD	9,349	-	-	9,349
General CD - Reserve	CD	50,485	-	-	50,485
Western Bank					
General CD	CD	53,555	-	-	53,555
Water CD	CD	57,798	-	-	57,798
State Treasurers Office					
General	CD	58,723	-	-	58,723
Wells Fargo					
WWP Phase II	CD	229	-	-	229
Solid Waste CD	CK	<u>36,006</u>	<u>-</u>	<u>-</u>	<u>36,006</u>
Total Bank Held Cash		2,002,305	2,044	79,943	1,924,406
NMFA		<u>184,306</u>	<u>-</u>	<u>-</u>	<u>184,306</u>
Total Cash		<u>\$ 2,186,611</u>	<u>\$ 2,044</u>	<u>\$ 79,943</u>	<u>\$ 2,108,712</u>

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

Total Cash	\$ 2,186,611
Less NMFA	184,306
Less State Treasurers Office	58,723
Less Western (fully collateralized)	111,353
Less Wells Fargo (fully collateralized)	<u>36,235</u>
Total Deposit	1,795,994
Less FDIC Coverage	<u>250,000</u>
Uninsured Public Funds	<u>1,545,994</u>
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	772,997
Pledged Securities	<u>868,051</u>
Over (Under) Collateralized	<u>\$ 95,054</u>

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF DEPOSITORIES
JUNE 30, 2018

Description of Pledged Collateral	CUSIP	Maturity Date	Amount	First National Bank of Alamagordo, NM
FHLB FHLMC Pool 0966866	3128E3TX2	11/1/2025	\$ 60,854	First New Mexico Bank
FHLB FHLMC Pool #J18103	3128PYAC8	2/1/2027	311,917	First New Mexico Bank
FHLB FNMA Pool #685940	31400PBH9	8/1/2032	45,793	First New Mexico Bank
FHLB FNMA Pool #778981	31404UM64	5/1/1934	46,214	First New Mexico Bank
FHLB FHLCM Pool #781995	31349TGC9	10/1/1934	55,803	First New Mexico Bank
Questa New Mexico Independent School District	7483582DA6	9/1/2027	<u>347,470</u>	First New Mexico Bank
Total pledged securities			<u>\$ 868,051</u>	

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	MVD	Municipal Court	Total Agency Funds
Beginning Cash	\$ 3,192	\$ 6,117	\$ 9,309
Additions	116,631	60,107	176,738
Deletions	<u>(116,881)</u>	<u>(60,107)</u>	<u>(176,988)</u>
Ending Cash	<u>\$ 2,942</u>	<u>\$ 6,117</u>	<u>\$ 9,059</u>
Beginning Liabilities	\$ 3,192	\$ 6,117	9,309
Additions	116,631	60,107	176,738
Deletions	<u>(116,881)</u>	<u>(60,107)</u>	<u>(176,988)</u>
Ending Liabilities	<u>\$ 2,942</u>	<u>\$ 6,117</u>	<u>\$ 9,059</u>

COMPLIANCE SECTION



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
INDEPENDENT AUDITOR'S REPORT**

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, 2018, 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 December 15, 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 identify one deficiency in internal control that we consider to be material weaknesses (2018-003). 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), (2017-002), (2018-001).

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 (2017-004)(2018-002).

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
December 15, 2018

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

Section I - Financial Statements Findings

PRIOR YEAR FINDINGS

2015-001	Per Diem	Revised and Modified
2016-002	Clearing Account not Reconciling to Zero-Compliance	Resolved
2017-001	Finance officer can sign and reconciles bank	Resolved
2017-002	Journal Entry	Revised and Modified
2017-003	Missing Agency Funds	Resolved
2017-004	Capital Asset Listing not in Village Hall	Revised and Modified
2017-005	Accounts Payable	Resolved
2017-006	Hiring without advertising or approval	Resolved
2017-007	Collateral	Resolved

CURRENT YEAR FINDINGS

2018-001	Lack of supporting documentation for expenses	New
2018-002	Payroll	New
2018-003	Procurement	New

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2018

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

CONDITION	The Village paid 100% of per diem before the trip was taken on 2 checks for a total of \$316.44. Two of the samples selected were missing all proper authorization signatures. The Village implemented the corrective action plan after these two mileage items were paid out, and the samples tested near the fiscal year-end were properly paid out.
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	A corrective plan was implemented mid fiscal year 2018 to ensure that the policy executed in the prior years is put into effect.
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, 2018

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. The policy was worked on but not fully implemented by June 30, 2018.
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 and procedures that include the review and approval of any manual Journal Entries.
IMPLEMENTATION	Expected Completion: June 30, 2019 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2018

Capital Asset Listing not in Village Hall (2017-004) - Significant Deficiency

CONDITION	The Village does not maintain a capital asset listing internally and relied on prior Auditor. The listing was not made readily available. Further an annual inventory has not been completed by the Village since they did not have a listing. There was no progress during the FYE June 30, 2018.
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, 2019 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2018

Lack of Purchasing Authorization (2018-001)- Material Weakness

CONDITION	Several purchase orders and purchase requisitions were missing authorization signatures. 3 items had expenses that were incurred prior to the approval of a requisition or PO.
CRITERIA	The Auditing Standards (AU) Section 325 Exhibit B lists the following circumstance as a possible control deficiency, significant deficiency, or material weakness: "inadequate documentation of the components of internal control."
CAUSE	Village was not following proper purchasing processes due to employee push back.
EFFECT	Issuing PO's after the purchase can lead to waste, fraud, and or abuse.
RECOMMENDATION	It is recommended that no purchase be authorized without the proper procedures being followed according to the Villages purchasing policies.
RESPONSE	The Village will review purchasing procedures and instill a firm purchasing policy.
IMPLEMENTATION	Expected Completion: June 30, 2019 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2018

Payroll (2018-002) - Significant Deficiency

CONDITION	Three of 5 employee file samples did not have job descriptions, or employee pay rate change forms in the file. One sample did not have a resume in the file.
CRITERIA	The Auditing Standards (AU) Section 325 Exhibit B lists the following circumstance as a possible control deficiency, significant deficiency, or material weakness: "inadequate documentation of the components of internal control."
CAUSE	Village does not have adequate policies and procedures over file retention during hiring.
EFFECT	Improper file retention may cause abuse by employees, in particular without wage documentation, it created difficulty to identify unauthorized modification of wages.
RECOMMENDATION	It is recommended that the Village review all employee files for missing documentation.
RESPONSE	The Village will review all existing files for any missing documentation, and will also create a check list for all new employees to ensure all items required are provided.
IMPLEMENTATION	Expected Completion: June 30, 2019 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2018

Procurement (2018-003) - Material Weakness

CONDITION	Village was unable to provide procurement information timely in order to be tested. Vendor schedule was eventually provided but not with enough time to conduct proper testing.
CRITERIA	The New Mexico procurement code, NMSA 1978 requires formal solicitations of sealed bids or proposals for procurements expected to be greater than \$60,000. In addition section 13-1-28 states that the purchasing division and state purchasing agent shall be responsible for the procurement of services, construction and items of tangible personal property for all state agencies except as otherwise provided in the Procurement Code [13-1-28 NMSA 1978] and shall administer the Procurement Code for those state agencies not excluded from the requirement of procurement through the state purchasing agent.
CAUSE	Though Village has a Certified Procurement Officer it is apparent that proper controls and procedures are not in place that allow CPO to fully control the compliance with the New Mexico Procurement Code.
EFFECT	Not following the procurement code can facilitate improper, fraudulent and or wastefully purchases.
RECOMMENDATION	It is recommended that the Village structure the procurement process in a way that includes the Certified Procumbent Officer as the final approver of all procured expenses prior to board review and signature of checks.
RESPONSE	The Village will review its process for procurement including determining who in the Village will be the purchasing agent.
IMPLEMENTATION	Expected Completion: June 30, 2019 Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF TULAROSA
ENTRANCE AND EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2018

An entrance conference was held on October 9, 2018 in a closed meeting with Beasley, Mitchell & Co., LLP, with the following Village officials:

Margaret Trujillo	Mayor
Janie Portillo	Trustee
Margaret Lucero	Clerk
Sonya Gillard	Procurement Officer

Beasley, Mitchell & Co., LLP

Juan Garcia	Audit Senior
Ashley Tierney	Staff II Auditor

An exit conference was held on December 15, 2018 in a closed meeting with Beasley, Mitchell & Co., LLP, with the following Village officials:

Janie Portillo	Trustee
Margaret Lucero	Clerk
Valerie Delgado	Finance Director

Beasley, Mitchell & Co., LLP

Juan Garcia	Audit Senior
Ashley Tierney	Staff II Auditor

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.