

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
For the YEAR ENDED JUNE 30, 2019  
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
For the YEAR ENDED JUNE 30, 2019

<b>TABLE OF CONTENTS</b>	<b>Page</b>
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2 - 4
BASIC FINANCIAL STATEMENTS:	
Government - Wide Financial Statements:	
Statement of Net Position	6 - 7
Statement of Activities	8
Fund Financial Statements:	
Major Governmental Funds:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Government Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	12 - 14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	16 - 17
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual - Municipal Streets Fund	18
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual - Fire Fund	19
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual - Older American Fund	20
Proprietary Funds:	
Statement of Net Position	22 - 23

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
For the YEAR ENDED JUNE 30, 2019

<b>TABLE OF CONTENTS (CONTINUED)</b>	<b>Page</b>
Statement of Revenues, Expenditures, and Changes in Net Position"	24
Statement of Cash Flows	25 - 26
Fiduciary Funds:	
Fiduciary Funds Listing	28
Statement of Fiduciary Net Assets	29
Notes to the Financial Statements	31 - 54
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Proportionate Share of the Net Pension Liability	56 - 57
Schedule of Village of Tularosas' Contributions	58 - 59
Notes to the Required Supplementary Information	60
Supplementary Information:	
Non-Major Funds	62
Combining Balance Sheets - Non-Major Funds	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Funds	64
Combining Balance Sheets - Special Revenue Funds	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Special Revenue Fund	66 - 67
OTHER SUPPLEMENTAL INFORMATION	
Schedule of Depositories	69
Schedule of Collateral Pledged by Depository for Public Funds	70
Statement of Changes in Fiduciary Assets and Liabilities	71

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
For the YEAR ENDED JUNE 30, 2019

**TABLE OF CONTENTS (CONTINUED)**

**Page**

COMPLIANCE:

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	73 - 74
Schedule of Findings and Responses	75 - 85
Entrance and Exit Conference	86

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
OFFICIAL ROSTER  
JUNE 30, 2019

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

## INDEPENDENT AUDITORS' REPORT

Brian Colón, 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, 2019, 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.

### **Basis for Qualified Opinion**

During testwork, we were not able to verify the ending balances due to inadequate accounting records relating to the Village's capital assets, accumulated depreciation, and depreciation expense accounts as of and for the year ended June 30, 2019. We were unable to determine these amounts through the use of alternative procedures and, as such, we are unable to verify amounts related to capital assets as of June 30, 2019 and the depreciation accrual for the year then ended. The effect on assets, net position, and expenses of the governmental and business-type activities is not readily determinable.

During testwork, we were not able to verify ending cash balances related to utility receipts recorded in the general ledger for the year ended June 30, 2019 due to inaccurate cash receipting and reconciling processes. We were unable to determine these amounts through the use of alternative procedures and as such we are unable to verify ending cash balances for the water, waste water and solid waste funds. The effect on assets, net position, and revenues for business-type activities is not readily determinable.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis which is required to 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 56 - 59 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, schedule of depositories, schedule of pledged collateral and any other schedules required by Section 2.2.2. NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by Section 2.2.2. NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the supplementary information due to cash balances for utility receipts as detailed in the basis for qualification paragraph of the audit report, the other schedules required by Section 2.2.2. NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2020 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  
Las Cruces, New Mexico  
February 11, 2020



**GOVERNMENT - WIDE FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Current assets			
Cash and cash equivalents	\$ 2,016,203	\$ 838,382	\$ 2,854,585
Investments	164,307	104,277	268,584
Accounts receivable	80,414	204,694	285,108
Taxes receivable	<u>154,997</u>	<u>2,813</u>	<u>157,810</u>
Total current assets	2,415,921	1,150,166	3,566,087
Non-current assets			
Restricted assets - cash	-	112,519	112,519
Capital assets	15,097,670	17,136,574	32,234,244
Less accumulated depreciation	<u>(5,558,097)</u>	<u>(7,760,068)</u>	<u>(13,318,165)</u>
Total non-current assets	<u>9,539,573</u>	<u>9,489,025</u>	<u>19,028,598</u>
Total assets	11,955,494	10,639,191	22,594,685
Deferred outflows			
Contribution after measurement date	60,028	20,524	80,552
Deferred outflows	<u>301,237</u>	<u>102,995</u>	<u>404,232</u>
Total deferred outflows	<u>361,265</u>	<u>123,519</u>	<u>484,784</u>
Total assets and deferred outflows	<u>\$ 12,316,759</u>	<u>\$ 10,762,710</u>	<u>\$ 23,079,469</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, 2019

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>			
Current liabilities			
Accounts payable	\$ 3,367	\$ -	\$ 3,367
Accrued salaries	14,238	12,926	27,164
Current portion of long-term debt	57,533	127,885	185,418
Compensated absences	<u>31,014</u>	<u>11,380</u>	<u>42,394</u>
Total current liabilities	106,152	152,191	258,343
Non-current liabilities			
Compensated absences	18,255	5,989	24,244
Net pension liability	1,056,487	361,220	1,417,707
Customer deposits	-	73,680	73,680
Long-term debt, less current maturities	<u>787,009</u>	<u>775,366</u>	<u>1,562,375</u>
Total non-current liabilities	<u>1,861,751</u>	<u>1,216,255</u>	<u>3,078,006</u>
Total liabilities	1,967,903	1,368,446	3,336,349
Deferred inflows			
Deferred inflows	<u>87,530</u>	<u>29,927</u>	<u>117,457</u>
Total deferred inflows	<u>87,530</u>	<u>29,927</u>	<u>117,457</u>
Total liabilities and deferred inflows	2,055,433	1,398,373	3,453,806
<b>NET POSITION</b>			
Net investment in capital assets	8,695,031	8,473,255	17,168,286
Restricted for:			
Capital improvements	705,801	-	705,801
Special revenue funds	658,873	-	658,873
Unrestricted	<u>201,621</u>	<u>891,082</u>	<u>1,092,703</u>
Total net position	<u>10,261,326</u>	<u>9,364,337</u>	<u>19,625,663</u>
Total liabilities, deferred inflows and net position	<u>\$ 12,316,759</u>	<u>\$ 10,762,710</u>	<u>\$ 23,079,469</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, 2019

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	\$ 507,453	\$ 39,680	\$ -	\$ 661,468	\$ 193,695	\$ -	\$ 193,695
Public safety	979,664	-	-	202,462	(777,202)	-	(777,202)
Public works	347,461	-	-	392,135	44,674	-	44,674
Culture and recreation	691,934	12,592	220,850	-	(458,492)	-	(458,492)
Health and welfare	<u>9,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,460)</u>	<u>-</u>	<u>(9,460)</u>
Total governmental activities	2,535,972	52,272	220,850	1,256,065	(1,006,785)	-	(1,006,785)
Business-type activities:							
Water	867,930	588,414	-	-	-	(279,516)	(279,516)
Sewer	308,642	203,824	-	-	-	(104,818)	(104,818)
Solid Waste	<u>313,877</u>	<u>368,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,102</u>	<u>55,102</u>
Total business-type activities	<u>1,490,449</u>	<u>1,161,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(329,232)</u>	<u>(329,232)</u>
Total primary government	<u>\$ 4,026,421</u>	<u>\$ 1,213,489</u>	<u>\$ 220,850</u>	<u>\$ 1,256,065</u>	(1,006,785)	(329,232)	(1,336,017)
General Revenues and Transfers:							
Property taxes					201,167	-	201,167
Other taxes					136,247	-	136,247
Gross receipts taxes					834,038	154,328	988,366
License and fees					78,040	-	78,040
Small cities assistance					390,276	-	390,276
Insurance proceeds					37,898	-	37,898
Miscellaneous					152,598	94,204	246,802
Transfers					<u>(36,313)</u>	<u>36,313</u>	<u>-</u>
Total general revenues and transfers					<u>1,793,951</u>	<u>284,845</u>	<u>2,078,796</u>
Changes in net position					787,166	(44,387)	742,779
Net position, beginning of year					<u>9,474,160</u>	<u>9,408,724</u>	<u>18,882,884</u>
Net position, end of year					<u>\$ 10,261,326</u>	<u>\$ 9,364,337</u>	<u>\$ 19,625,663</u>

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, 2019

	<u>General Fund</u>	<u>Municipal Streets</u>	<u>Fire</u>	<u>Older American</u>	<u>Capital Projects</u>	<u>Total Non- Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Assets							
Cash and cash equivalents	\$ 687,949	\$ 174,095	\$ 320,544	\$ 11,282	\$ 705,572	\$ 116,761	\$ 2,016,203
Investments	164,307	-	-	-	-	-	164,307
Tax receivables	138,488	16,509	-	-	-	-	154,997
Other receivable	<u>54,417</u>	<u>5,255</u>	<u>-</u>	<u>20,742</u>	<u>-</u>	<u>-</u>	<u>80,414</u>
Total assets	<u>\$ 1,045,161</u>	<u>\$ 195,859</u>	<u>\$ 320,544</u>	<u>\$ 32,024</u>	<u>\$ 705,572</u>	<u>\$ 116,761</u>	<u>\$ 2,415,921</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>							
Liabilities							
Accounts payable	\$ 3,281	\$ -	\$ -	\$ 86	\$ -	\$ -	\$ 3,367
Payroll wages payable	<u>8,238</u>	<u>-</u>	<u>-</u>	<u>5,077</u>	<u>-</u>	<u>923</u>	<u>14,238</u>
Total liabilities	11,519	-	-	5,163	-	923	17,605
Fund balances:							
Restricted for capital projects	-	-	-	-	705,572	229	705,801
Restricted for special revenue	-	195,859	320,544	26,861	-	115,609	658,873
Unassigned	<u>1,033,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,033,642</u>
Total fund balances	<u>1,033,642</u>	<u>195,859</u>	<u>320,544</u>	<u>26,861</u>	<u>705,572</u>	<u>115,838</u>	<u>2,398,316</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,045,161</u>	<u>\$ 195,859</u>	<u>\$ 320,544</u>	<u>\$ 32,024</u>	<u>\$ 705,572</u>	<u>\$ 116,761</u>	<u>\$ 2,415,921</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, 2019

**Total fund balances - governmental funds** \$ 2,398,316

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	15,097,670	
Accumulated depreciation	<u>(5,558,097)</u>	9,539,573

Deferred outflows - contributions made after the measurement date, will be recognized as a reduction of net pension liability	60,028
-------------------------------------------------------------------------------------------------------------------------------	--------

Deferred outflows	301,237
-------------------	---------

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	(1,056,487)	
Notes payable	(844,542)	
Compensated absences	<u>(49,269)</u>	(1,950,298)

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>(87,530)</u>
------------------	-----------------

**Total net position - governmental activities** \$10,261,326

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, 2019

	<b>General Fund</b>	<b>Municipal Streets</b>	<b>Fire</b>	<b>Older American</b>	<b>Capital Projects</b>	<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>							
Motor vehicle registration	\$ 22,737	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,737
Gross receipts tax	801,197	32,841	-	-	-	-	834,038
Property taxes	201,167	-	-	-	-	-	201,167
Franchise taxes	49,149	-	-	-	-	-	49,149
Gasoline tax	-	64,361	-	-	-	-	64,361
Small cities assistance	390,276	-	-	-	-	-	390,276
Charges for services	39,680	-	-	4,576	-	21,379	65,635
State allocation	-	-	178,862	-	-	29,256	208,118
Federal grants	-	-	-	48,462	-	-	48,462
State grants	10,041	392,135	-	156,691	661,468	-	1,220,335
Licenses and permits	16,538	-	-	-	-	-	16,538
Fines and forfeitures	48,139	-	-	-	-	-	48,139
Rental income	-	-	-	-	-	910	910
Investment income	13,140	4,193	3,693	824	461	2,600	24,911
Miscellaneous	<u>87,706</u>	<u>-</u>	<u>1,400</u>	<u>37,671</u>	<u>-</u>	<u>-</u>	<u>126,777</u>
Total revenues	1,679,770	493,530	183,955	248,224	661,929	54,145	3,321,553

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, 2019

	<b>General Fund</b>	<b>Municipal Streets</b>	<b>Fire</b>	<b>Older American</b>	<b>Capital Projects</b>	<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>EXPENDITURES</b>							
Current							
General government	387,498	-	-	-	-	-	387,498
Public safety	693,529	-	127,472	-	-	30,248	851,249
Public works	55,451	171,754	-	-	77	-	227,282
Culture and recreation	249,507	-	-	317,624	-	44,685	611,816
Health and welfare	-	-	-	-	-	9,460	9,460
Debt service:							
Debt principal	-	-	36,192	-	3,631	-	39,823
Interest	-	-	5,887	-	3,688	-	9,575
Capital outlay	19,998	361,995	10,613	-	-	-	392,606
Total expenditures	<u>1,405,983</u>	<u>533,749</u>	<u>180,164</u>	<u>317,624</u>	<u>7,396</u>	<u>84,393</u>	<u>2,529,309</u>
Excess (deficiency) of revenues over expenditures	273,787	(40,219)	3,791	(69,400)	654,533	(30,248)	792,244

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, 2019

	<b>General Fund</b>	<b>Municipal Streets</b>	<b>Fire</b>	<b>Older American</b>	<b>Capital Projects</b>	<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Loan proceeds	-	-	272,041	-	73,198	-	345,239
Transfers in	15,000	-	1,871	22,033	-	51,114	90,018
Transfers out	(73,147)	-	-	-	(53,184)	-	(126,331)
Insurance Proceeds	<u>37,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,898</u>
 Total other financing sources (uses)	 <u>(20,249)</u>	 <u>-</u>	 <u>273,912</u>	 <u>22,033</u>	 <u>20,014</u>	 <u>51,114</u>	 <u>346,824</u>
 Net change in fund balance	 253,538	 (40,219)	 277,703	 (47,367)	 674,547	 20,866	 1,139,068
 Fund balance at beginning of year	 <u>780,104</u>	 <u>236,078</u>	 <u>42,841</u>	 <u>74,228</u>	 <u>31,025</u>	 <u>94,972</u>	 <u>1,259,248</u>
 Fund balance at end of year	 <u>\$ 1,033,642</u>	 <u>\$ 195,859</u>	 <u>\$ 320,544</u>	 <u>\$ 26,861</u>	 <u>\$ 705,572</u>	 <u>\$ 115,838</u>	 <u>\$ 2,398,316</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, 2019

**Net change in fund balances - total governmental funds** \$ 1,139,068

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	392,606	
Depreciation expense	<u>(334,565)</u>	58,041
Change in deferred outflows		170,054
Change in deferred inflows		41,193
Change in net pension liability		(311,136)
The issuance of long-term debt provides current financial resources to governmental funds.		(345,239)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		39,823
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>(4,638)</u>
Change in net position of governmental activities		<u>\$ 787,166</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, 2019

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES:</b>				
Franchise taxes	\$ 47,209	\$ 47,209	\$ 49,149	\$ 1,940
Gross receipts taxes-municipal	846,547	846,547	723,931	(122,616)
Property taxes	187,624	187,624	201,167	13,543
Motor vehicle registration	-	-	22,737	22,737
Licenses and permits	10,398	10,398	16,538	6,140
Charges for services	52,597	52,597	39,680	(12,917)
Small cities assistance	131,704	131,704	390,276	258,572
State grants	-	-	10,041	10,041
Fines and Forfeits	204	204	48,139	47,935
Investment income	-	-	13,140	13,140
Miscellaneous	<u>51,526</u>	<u>51,526</u>	<u>87,706</u>	<u>36,180</u>
Total revenues	1,327,809	1,327,809	1,602,504	274,695
<b>EXPENDITURES:</b>				
<b>Current</b>				
General government	350,082	390,262	387,498	2,764
Public safety	636,727	699,910	690,333	9,577
Public works	56,824	69,173	55,451	13,722
Culture and recreation	242,771	250,297	249,507	790
Capital outlay	<u>34,820</u>	<u>34,940</u>	<u>19,998</u>	<u>14,942</u>
Total expenditures	<u>1,321,224</u>	<u>1,444,582</u>	<u>1,402,787</u>	<u>41,795</u>
Excess (deficiency) of revenues over expenditures	<u>6,585</u>	<u>(116,773)</u>	<u>199,717</u>	<u>316,490</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	69,906	79,332	15,000	(64,332)
Transfers out	(67,647)	(73,147)	(73,147)	-
Insurance proceeds	<u>-</u>	<u>-</u>	<u>37,898</u>	<u>37,898</u>
Total other financing sources (uses)	<u>69,906</u>	<u>79,332</u>	<u>(20,249)</u>	<u>(26,434)</u>

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

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL ON BUDGETARY BASIS  
GENERAL FUND (CONTINUED)  
For the YEAR ENDED JUNE 30, 2019

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Net changes in fund balance Non- GAAP basis	76,491	(37,441)	179,468	290,056
Fund balance - beginning	780,104	780,104	780,104	-
Fund balance - ending	<u>\$ 856,595</u>	<u>\$ 742,663</u>	<u>\$ 959,572</u>	<u>\$ 290,056</u>
<b>Reconciliation in fund balance - budgetary basis</b>				
Net change in fund balance - budgetary basis			\$ 179,468	
Revenue accrual			77,266	
Expenditure accrual			(3,196)	
Net change in fund balance - GAAP basis			<u>\$ 253,538</u>	

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

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BUDGET AND ACTUAL ON BUDGETARY BASIS  
MUNICIPAL STREETS FUND  
For the YEAR ENDED JUNE 30, 2019

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES:</b>				
Gross receipts taxes	\$ 34,820	\$ 34,850	\$ 32,841	\$ (2,009)
Gas tax	49,155	49,155	64,361	15,206
State grants	585,526	585,526	384,811	(200,715)
Miscellaneous	24,440	24,440	4,193	(20,247)
Total revenues	693,941	693,971	486,206	(207,765)
<b>EXPENDITURES:</b>				
<b>Current</b>				
Public works	404,395	404,395	171,754	232,641
Capital outlay	361,995	361,995	361,995	-
Total expenditures	766,390	766,390	533,749	232,641
Excess (deficiency) of revenues over expenditures	(72,449)	(72,419)	(47,543)	24,876
Net change in fund balance Non-GAAP basis	(72,449)	(72,419)	(47,543)	24,876
Fund balance at beginning of year	236,078	236,078	236,078	-
Fund balance at end of year	\$ 163,629	\$ 163,659	\$ 188,535	\$ 24,876
<b>Reconciliation in fund balance - budgetary basis</b>				
Net change in fund balance - budgetary basis			\$ (47,543)	
Revenue accrual			7,324	
Excess of revenues over expenditures - GAAP basis			\$ (40,219)	

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  
FIRE FUNDS  
For the YEAR ENDED JUNE 30, 2019

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES:</b>				
State allotment	\$ 129,502	\$ 178,862	\$ 178,862	\$ -
Investment income	-	-	3,693	3,693
Miscellaneous	-	1,400	1,400	-
	129,502	180,262	183,955	3,693
<b>EXPENDITURES:</b>				
Current				
Public works	136,929	136,929	127,472	9,457
Debt service	39,970	39,970	42,079	2,109
Capital outlay	16,640	34,420	10,613	23,807
	193,539	211,319	180,164	35,373
Excess (deficiency) of revenues over expenditures	(64,037)	(31,057)	3,791	39,066
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	1,871	1,871
Loan proceeds	-	-	272,041	272,041
Total other financing sources (uses)	-	-	273,912	273,912
Net change in fund balance Non-GAAP basis	(64,037)	(31,057)	277,703	312,978
Fund balance at beginning of year	42,841	42,841	42,841	-
Fund balance at end of year	\$ (21,196)	\$ 11,784	\$ 320,544	\$ 312,978
<b>Reconciliation in fund balance - budgetary basis</b>				
Net change in fund balance - budgetary basis			\$ 277,703	
Excess of revenues over expenditures - GAAP basis			\$ 277,703	

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  
OLDER AMERICAN FUND  
For the YEAR ENDED JUNE 30, 2019

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES:</b>				
State grants	\$ 122,468	\$ 147,468	\$ 158,068	\$ 10,600
Federal grants	69,619	118,093	48,462	(69,631)
Charges for service	24,395	24,395	4,576	(19,819)
Miscellaneous	40,014	75,014	38,495	(36,519)
Total revenues	256,496	364,970	249,601	(115,369)
<b>EXPENDITURES:</b>				
<b>Current</b>				
Culture and recreation	255,777	364,252	318,411	45,841
Capital outlay	22,752	22,752	-	22,752
Total expenditures	278,529	387,004	318,411	68,593
Excess (deficiency) of revenues over expenditures	(22,033)	(22,034)	(68,810)	(46,776)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	22,033	22,033	22,033	-
Total other financing sources (uses)	22,033	22,033	22,033	-
Net change in fund balance Non-GAAP basis	-	-	(46,777)	(46,776)
Fund balance at beginning of year	74,228	74,228	74,228	-
Fund balance at end of year	\$ 74,228	\$ 74,228	\$ 27,451	\$ (46,776)

**Reconciliation in fund balance - budgetary basis**

Net change in fund balance - budgetary basis	\$ (46,777)
Revenue accrual	(1,377)
Expenditure accrual	787
Excess of revenues over expenditures - GAAP basis	\$ (47,367)

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, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
Current assets				
Cash and cash equivalents	\$ 162,940	\$ 213,053	\$ 462,389	\$ 838,382
Investments	58,890	9,377	36,010	104,277
Accounts receivable	45,244	47,886	111,564	204,694
Taxes receivable	<u>-</u>	<u>-</u>	<u>2,813</u>	<u>2,813</u>
Total current assets	267,074	270,316	612,776	1,150,166
Non-current assets				
Restricted assets - cash	106,495	6,024	-	112,519
Capital assets	7,562,716	8,746,396	827,462	17,136,574
Less accumulated depreciation	<u>(4,598,593)</u>	<u>(2,823,367)</u>	<u>(338,108)</u>	<u>(7,760,068)</u>
Total non-current assets	<u>3,070,618</u>	<u>5,929,053</u>	<u>489,354</u>	<u>9,489,025</u>
Total assets	3,337,692	6,199,369	1,102,130	10,639,191
Deferred outflows				
Subsequent contributions	20,113	16	395	20,524
Deferred outflows	<u>100,933</u>	<u>82</u>	<u>1,980</u>	<u>102,995</u>
Total deferred outflows	<u>121,046</u>	<u>98</u>	<u>2,375</u>	<u>123,519</u>
Total assets and deferred outflows	<u>\$ 3,458,738</u>	<u>\$ 6,199,467</u>	<u>\$ 1,104,505</u>	<u>\$ 10,762,710</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, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>				
Current liabilities				
Accrued payroll	\$ 10,156	\$ 1,385	\$ 1,385	\$ 12,926
Current portion of long term debt	83,176	2,000	42,709	127,885
Compensated absences	<u>10,183</u>	<u>-</u>	<u>1,197</u>	<u>11,380</u>
Total current liabilities	103,515	3,385	45,291	152,191
Non-current liabilities				
Customer deposits	73,680	-	-	73,680
Compensated absences	3,180	-	2,809	5,989
Net pension liability	353,988	285	6,947	361,220
Long term debt, less current maturities	<u>396,592</u>	<u>82,000</u>	<u>296,774</u>	<u>775,366</u>
Total non-current liabilities	<u>827,440</u>	<u>82,285</u>	<u>306,530</u>	<u>1,216,255</u>
Total liabilities	930,955	85,670	351,821	1,368,446
Deferred inflows				
Deferred inflows	<u>29,328</u>	<u>23</u>	<u>576</u>	<u>29,927</u>
Total deferred inflows	<u>29,328</u>	<u>23</u>	<u>576</u>	<u>29,927</u>
Total liabilities and deferred inflows	<u>960,283</u>	<u>85,693</u>	<u>352,397</u>	<u>1,398,373</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,484,355	5,839,029	149,871	8,473,255
Unrestricted	<u>14,100</u>	<u>274,745</u>	<u>602,237</u>	<u>891,082</u>
Total net position	<u>2,498,455</u>	<u>6,113,774</u>	<u>752,108</u>	<u>9,364,337</u>
Total liabilities, deferred inflows and net position	<u>\$ 3,458,738</u>	<u>\$ 6,199,467</u>	<u>\$ 1,104,505</u>	<u>\$ 10,762,710</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, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 588,414	\$ 203,824	\$ 368,979	\$ 1,161,217
Gross receipts tax municipal	65,593	-	88,735	154,328
Miscellaneous	<u>8,744</u>	<u>3,751</u>	<u>81,709</u>	<u>94,204</u>
Total operating revenues	662,751	207,575	539,423	1,409,749
<b>OPERATING EXPENSES</b>				
Personnel services	431,063	26,277	22,242	479,582
Other operating expenses	278,824	98,994	250,880	628,698
Depreciation expense	150,474	183,371	32,532	366,377
Principal Payments on long-term debt	<u>7,569</u>	<u>-</u>	<u>8,223</u>	<u>15,792</u>
Total operating expenses	<u>867,930</u>	<u>308,642</u>	<u>313,877</u>	<u>1,490,449</u>
Operating income (loss)	(205,179)	(101,067)	225,546	(80,700)
<b>OTHER FINANCING SOURCES</b>				
Transfer out	<u>36,313</u>	<u>-</u>	<u>-</u>	<u>36,313</u>
Total other financing sources (uses)	<u>36,313</u>	<u>-</u>	<u>-</u>	<u>36,313</u>
Change in net position	(168,866)	(101,067)	225,546	(44,387)
Net position, beginning of year	<u>2,667,321</u>	<u>6,214,841</u>	<u>526,562</u>	<u>9,408,724</u>
Net position, end of year	<u>\$ 2,498,455</u>	<u>\$ 6,113,774</u>	<u>\$ 752,108</u>	<u>\$ 9,364,337</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, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
<b>Cash flows from operating activities:</b>				
Cash received from agencies and customers	\$ 691,509	\$ 203,723	\$ 484,148	\$ 1,379,380
Cash paid to suppliers for goods and services	(286,393)	(98,994)	(259,103)	(644,490)
Cash payments to employees for services	<u>(318,354)</u>	<u>(60,561)</u>	<u>(40,320)</u>	<u>(419,235)</u>
Net cash provided by (used in) operating activities	<u>86,762</u>	<u>44,168</u>	<u>184,725</u>	<u>315,655</u>
<b>Cash flows from investing activities:</b>				
Acquisition of capital assets	(392,954)	-	(339,483)	(732,437)
Investment income	<u>(1,092)</u>	<u>(28)</u>	<u>(4)</u>	<u>(1,124)</u>
Net cash used in investing activities	<u>(394,046)</u>	<u>(28)</u>	<u>(339,487)</u>	<u>(733,561)</u>
<b>Cash flows from financing activities:</b>				
Transfers from governmental funds	36,313	-	-	36,313
Principal payment on debt	<u>251,336</u>	<u>(2,000)</u>	<u>265,782</u>	<u>515,118</u>
Net cash used in financing activities	<u>287,649</u>	<u>(2,000)</u>	<u>265,782</u>	<u>551,431</u>
Net increase (decrease) in cash	(19,635)	42,140	111,020	133,525
CASH, Beginning of year	<u>289,070</u>	<u>176,937</u>	<u>351,369</u>	<u>817,376</u>
CASH, End of year	<u>\$ 269,435</u>	<u>\$ 219,077</u>	<u>\$ 462,389</u>	<u>\$ 950,901</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, 2019

**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>
<b>Cash flows from operating activities</b>				
Operating income (loss)	\$ (205,179)	\$ (101,067)	\$ 225,546	\$ (80,700)
Adjustments to reconcile change in net assets to net cash				
Depreciation	150,474	183,371	32,532	366,377
Restatement	-	-	-	-
Changes in working capital components:				
(Increase) Decrease in:				
Accounts receivables	88,838	(11,320)	(55,275)	22,243
Other Assets	(61,230)	7,468	4,792	(48,970)
Increase (Decrease) in:				
Other liabilities	113,769	(34,285)	(23,068)	56,416
Accrued expenses and other liabilities	<u>90</u>	<u>1</u>	<u>198</u>	<u>289</u>
Net cash provided by operating activities	<u>\$ 86,762</u>	<u>\$ 44,168</u>	<u>\$ 184,725</u>	<u>\$ 315,655</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, 2019

**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, 2019

	<b>MVD</b>	<b>Municipal Court</b>	<b>Total</b>
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 2,668	\$ 7,591	\$ 10,259
Total assets	2,668	7,591	10,259
<b>LIABILITIES</b>			
CURRENT LIABILITIES:			
Accounts payable	2,668	7,591	10,259
Total liabilities	\$ 2,668	\$ 7,591	\$ 10,259

**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, 2019

**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.

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.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

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

A. Reporting Entity

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.

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.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

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

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.

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.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

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

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

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 Village 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:

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.

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

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.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

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

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

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.

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.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

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

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.

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.



STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

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

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

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.

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.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

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

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

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.

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.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

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

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

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.

**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.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

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

*Budgetary Information (continued)*

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.

*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 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.

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.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

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

*Implementation of New Accounting Standards (continued)*

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.

**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	1,054,145
Uninsured and uncollateralized	<u>1,871,351</u>
Total Cash and Investments Per Bank, Primary Government	<u>\$ 3,348,056</u>

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

**3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

*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, \$1,871,351 of the Village's bank balance of \$3,348,056 was exposed to custodial credit risk.

**Investments**

As of June 30, 2019, the Village's investments were as follows:

<b>Investment Type</b>	<b>Maturity Date</b>	<b>Fair Value</b>	<b>Rating **</b>	<b>Concentration of Credit Risk</b>
First National Bank CD's	Less than 1 year	\$60,014	FDIC Insured	22.34%
Western Bank CD's	Less than 1 year	112,552	FDIC Insured	41.91%
Wells Fargo Bank CD's	Less than 1 year	36,010	FDIC Insured	13.41%
New Mexico LGIP**	Less than 1 year	60,008	AAAm	22.34%
Total investments		\$268,584		

\*\* LGIP, collateralized by State

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

**Interest Rate Risk** – GASB Statement No. 40 defines interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Village's investments.

According to the Statement an acceptable method for reporting interest rate risk is weighted average of maturity (WAM). The State Treasurer's Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer's Office website at [www.nmsto.gov](http://www.nmsto.gov)

**4. ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2019, consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts receivable	\$ 80,414	\$ 204,694	\$ 285,108
Taxes receivable	154,997	2,813	157,810
Net receivables	<u>\$ 235,411</u>	<u>\$ 207,507</u>	<u>\$ 442,918</u>

The Village has booked allowance for uncollectible accounts totaling \$24,637 that is netted against the utility receivables. All other receivables are considered collectible.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

**5. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2019, 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:

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2019</b>
<b>Government activities</b>					
Capital assets not being depreciated:					
Land	\$ 588,363	\$ -	\$ -	\$ -	\$ 588,363
Construction in progress	<u>742,925</u>	<u>318,808</u>	<u>-</u>	<u>(318,808)</u>	<u>742,925</u>
Total	<u>1,331,288</u>	<u>318,808</u>	<u>-</u>	<u>(318,808)</u>	<u>1,331,288</u>
Other capital assets being depreciated					
Buildings	7,525,217	30,611	-	-	7,555,828
Infrastructure	2,148,290	43,187	-	318,808	2,510,285
Machinery and equipment	<u>3,700,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,700,269</u>
Total	<u>13,373,776</u>	<u>73,798</u>	<u>-</u>	<u>318,808</u>	<u>13,766,382</u>
Accumulated depreciation					
Buildings	1,879,028	114,284	-	-	1,993,312
Infrastructure	421,647	96,260	-	-	517,907
Machinery and equipment	<u>2,922,857</u>	<u>124,021</u>	<u>-</u>	<u>-</u>	<u>3,046,878</u>
Total accumulated depreciation	<u>5,223,532</u>	<u>334,565</u>	<u>-</u>	<u>-</u>	<u>5,558,097</u>
Total capital assets	<u>\$ 9,481,532</u>	<u>\$ 58,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,539,573</u>

Depreciation expense, for the year ended June 30, 2019 was charged as follows:

General government	\$ 5,853
Public safety	128,415
Public works	120,179
Culture and recreation	<u>80,118</u>
Total depreciation expense	<u>\$ 334,565</u>

Depreciation expense relating to Government Activities for the year-ended June 30, 2019 totaled \$334,565.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

**5. CAPITAL ASSETS (CONTINUED)**

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

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2019</b>
<b>Business-type activities</b>					
<u>Water</u>					
Capital assets being depreciated					
Water system	\$ 7,157,709	\$ 343,690	\$ -	\$ -	\$ 7,501,399
Machinery and equipment	12,053	49,264	-	-	61,317
Total	7,169,762	392,954	-	-	7,562,716
Accumulated depreciation					
Water system	4,441,708	143,154	-	-	4,584,862
Machinery and equipment	6,411	7,320	-	-	13,731
Total accumulated depreciation	4,448,119	150,474	-	-	4,598,593
Total capital assets	<u>\$ 2,721,643</u>	<u>\$ 242,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,964,123</u>

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2019</b>
<b>Business-type activities</b>					
<u>Sewer</u>					
Capital assets being depreciated					
Sewer system	\$ 8,727,611	\$ -	\$ -	\$ -	\$ 8,727,611
Machinery and equipment	18,785	-	-	-	18,785
Total	8,746,396	-	-	-	8,746,396
Accumulated depreciation					
Water system	2,621,211	183,371	-	-	2,804,582
Machinery and equipment	18,785	-	-	-	18,785
Total accumulated depreciation	2,639,996	183,371	-	-	2,823,367
Total capital assets	<u>\$ 6,106,400</u>	<u>\$ (183,371)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,923,029</u>

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2019</b>
<b>Business-type activities</b>					
<u>Solid Waste</u>					
Capital assets being depreciated					
Machinery and equipment	\$ 487,979	\$ 339,483	\$ -	\$ -	\$ 827,462
Total	487,979	339,483	-	-	827,462
Accumulated depreciation					
Machinery and equipment	305,576	32,532	-	-	338,108
Total accumulated depreciation	305,576	32,532	-	-	338,108
Total capital assets	<u>\$ 182,403</u>	<u>\$ 306,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,354</u>

Depreciation expense relating to business-like activities for the year-ended June 30, 2019 totaled \$366,377.



STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

**6. LONG TERM DEBT**

During the year-end June 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

<b>Governmental Funds</b>	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>
	<b>June 30, 2018</b>	<b>Additions</b>	<b>Reductions</b>		
NMFA Fire Station 3085	\$ 202,813	\$ -	\$ 12,542	\$ 190,271	\$ 12,596
NMFA Fire Pumper 3428	336,313	-	23,650	312,663	23,938
NMFA PPRF 4889	-	272,041	-	272,041	17,367
NMFA CI 3517	-	73,198	3,631	69,567	3,632
<b>Total</b>	<b>\$ 539,126</b>	<b>\$ 345,239</b>	<b>\$ 39,823</b>	<b>\$ 844,542</b>	<b>\$ 57,533</b>

The annual requirements to amortize the above loans as of June 30, 2019, including interest payments are as follows:

<b>June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 57,533	\$ 3,434	\$ 60,967
2021	58,706	3,082	61,788
2022	59,968	2,678	62,646
2023	61,322	2,224	63,546
2024	62,767	1,722	64,489
2025-2029	336,281	2,366	338,647
2030-2034	192,878	273	193,151
2035-2039	15,087	-	15,087
	<b>\$ 844,542</b>	<b>\$ 15,779</b>	<b>\$ 860,321</b>

	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>	<b>Due Within</b>
	<b>June 30, 2018</b>			<b>June 30, 2019</b>	<b>One Year</b>
Compensated absences	\$ 44,631	\$ 53,724	\$ (49,086)	\$ 49,269	\$ 31,014

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

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

**6. LONG TERM DEBT (CONTINUED)**

<b>Proprietary Funds</b>	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2019</b>	<b>Due Within One Year</b>
NMED 96-03	\$ 74,149	\$ -	\$ 23,989	\$ 50,160	\$ 24,709
NMED 93-11R	-	-	-	-	-
NMFA- 2	52,247	-	25,593	26,654	26,654
NMFA- 11	26,311	-	1,754	24,557	1,755
NMFA- 13	67,998	-	4,250	63,748	4,250
NMFA- 15	7,727	-	455	7,272	455
USDA 92-05	86,000	-	2,000	84,000	2,000
NMFA- 10	73,701	-	73,701	-	-
Cap Corp 8604	-	339,483	-	339,483	42,709
Cap Corp 8616	-	307,377	-	307,377	25,353
<b>Total</b>	<b>\$ 388,133</b>	<b>\$ 646,860</b>	<b>\$ 131,742</b>	<b>\$ 903,251</b>	<b>\$ 127,885</b>

The annual requirements to amortize the above loans as of June 30, 2019, including interest payments are as follows:

<b>June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 127,885	\$ 33,110	\$ 160,995
2021	104,837	28,648	133,485
2022	82,374	24,781	107,155
2023	85,485	21,590	107,075
2024	88,728	18,257	106,985
2025-2029	318,963	43,698	362,661
2030-2034	45,530	12,340	57,870
2035-2039	17,447	9,110	26,557
2040-2044	21,000	4,420	25,420
2045-2049	11,000	-	11,000
	<b>\$ 903,249</b>	<b>\$ 195,954</b>	<b>\$ 1,099,203</b>

<b>Proprietary Fund</b>	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2019</b>	<b>Due Within One Year</b>
Compensated absences	\$ 12,447	\$ 7,589	\$ (2,665)	\$ 17,369	\$ 11,380

Compensated absences typically have been liquidated in the proprietary fund.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

**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 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, 2018.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

**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, 2018. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018.

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, 2019. Only employer contributions for the pay period end dates that fell within the period of July 1, 2018 to June 30, 2019 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 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.

**For PERA Fund Municipal General Division,** at June 30, 2019, the Village reported a liability of \$1,007,642 for its proportionate share of the net pension liability. At June 30, 2018, the Village's proportion was 0.0632 percent, which was an increase from its proportion measured as of June 30, 2017 of 0.0517 percent.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

**8. PERA PENSION PLAN (CONTINUED)**

For the year ended June 30, 2019, the Village of Tularosa recognized PERA Fund Municipal General Division pension expense of \$129,193. At June 30, 2018, the Village reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	29,123	26,455
Changes in assumptions	\$ 91,357	\$ 5,794
Net difference between projected and actual earnings on pension plan investments	74,732	-
Changes in proportion and differences between Village of Tularosa contributions and proportionate share of contributions	106,905	31,565
Village of Tularosa contributions subsequent to the measurement date	<u>57,253</u>	<u>-</u>
Total	<u>\$ 359,370</u>	<u>\$ 63,814</u>

\$57,253 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date June 30, 2019 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	126,230
2021	\$	62,905
2022	\$	45,064
2023	\$	4,104

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

**8. PERA PENSION PLAN (CONTINUED)**

**For PERA Fund Municipal Police Division**, at June 30, 2019, the Village reported a liability of \$410,065 for its proportionate share of the net pension liability. At June 30, 2018, the Village's proportion was 0.0601 percent, which was decreased from its proportion measured as of June 30, 2017 of 0.0314 percent.

For the year ended June 30, 2019, the Village of Tularosa recognized PERA Fund Municipal Police Division pension expense of \$52,576. At June 30, 2018, the Village reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Police</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	20,075	40,648
Changes in assumptions	\$ 46,789	\$ 2,507
Net difference between projected and actual earnings on pension plan investments	28,218	-
Changes in proportion and differences between Village of Tularosa contributions and proportionate share of contributions	7,033	10,488
Village of Tularosa contributions subsequent to the measurement date	<u>23,299</u>	<u>-</u>
Total	<u>\$ 125,414</u>	<u>\$ 53,643</u>

\$23,299 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	28,382
2021	\$	6,931
2022	\$	11,661
2023	\$	1,498

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

**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, 2017 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, 2018 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, 2018. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 year smoothed market value
Actuarial assumptions:	
-Investment rate of return	7.25% annual rate, net of investment expense
-Projected benefit payment	100 years
-Payroll growth	3.00% annual rate
-Projected salary increases	3.00% to 13.50% annual rate
Includes inflation at	2.25% annual rate
-Mortality assumption	Assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
-Experience study dates	Experience study for the five-year period ending June 30, 2013

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

**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 7.25 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 7.25% 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 (6.25%) or one percentage point higher (8.25%) than the single discount rate.

**PERA Fund Municipal General Division**

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Village of Tularosa proportionate share of the Net Pension Liability	<u>\$ 1,552,709</u>	<u>\$ 1,007,642</u>	<u>\$ 557,057</u>



STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

**8. PERA PENSION PLAN (CONTINUED)**

**PERA Fund Municipal Police Division**

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Village of Tularosa proportionate share of the Net Pension Liability	\$ 630,512	\$ 410,065	\$ 230,349

**9. POST-EMPLOYMENT BENEFITS**

The Village of Tularosa did not participate in the Retiree Health Care Act Program during the fiscal year ending 2019.

**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 2019.

Amount	From	To	Purpose
\$ (22,033)	General Fund	Older American Fund	To fund operations
(45,614)	General Fund	Recreation Fund	To fund operations
(5,500)	General Fund	Summer Food Program Fund	To fund operations
(53,184)	Capital Project Fund	General Fund	For debt payment
15,000	Capital Project Fund	General Fund	For debt payment
1,871	General Fund	Fire Fund	For debt payment
45,614	General Fund	Recreation Fund	To fund operations
22,033	General Fund	Older American Fund	To fund operations
5,500	General Fund	Summer Food Program Fund	To fund operations
\$ 36,313	General Fund	Water Fund	For debt payment

**12. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 11, 2020 the date the financial statements were available to be issued.

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the YEAR ENDED JUNE 30, 2019

**13. TAX ABATEMENT**

There are no tax abatements to report under GASB 77.

**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, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
The Village of Tularosa' proportion of the net pension liability	\$ 442,297	\$ 583,204	\$ 917,058	\$ 710,402	\$ 1,007,642
The Village of Tularosa' proportionate share of the net pension liability	0.0285%	0.0332%	0.0335%	0.0517%	0.0632%
The Village of Tularosa' covered-employee payroll	\$ 599,910	\$ 634,768	\$ 620,307	\$ 694,560	\$ 682,772
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 %	1.48 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %	73.74 %	71.13 %

\*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, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
The Village of Tularosa' proportion of the net pension liability	\$ 203,103	\$ 313,037	\$ 445,649	\$ 325,562	\$ 410,065
The Village of Tularosa' proportionate share of the net pension liability	0.0285%	0.0332%	0.0335%	0.0314%	0.0601%
The Village of Tularosa' covered-employee payroll	\$ 220,735	\$ 218,410	\$ 256,558	\$ 312,049	\$ 432,222
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 %	0.95 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.90 %	69.18 %	73.74 %	71.13 %

\*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, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 45,426	\$ 46,973	\$ 87,821	\$ 51,387	\$ 52,710
Contributions in relation to the contractually required contribution	<u>45,426</u>	<u>46,973</u>	<u>87,821</u>	<u>51,387</u>	<u>52,710</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>	<u>\$ 682,772</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>	<u>7.72 %</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, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 23,888	\$ 22,715	\$ 36,323	\$ 23,550	\$ 27,842
Contributions in relation to the contractually required contribution	<u>23,888</u>	<u>22,715</u>	<u>36,323</u>	<u>23,550</u>	<u>27,842</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>	<u>\$ 432,222</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>	<u>6.44 %</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, 2019  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**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 FY18 audit available at:  
[https://reports.saonm.org/media/audits/366-B\\_NM\\_PERA\\_Schedule\\_of\\_Employer\\_Allocation\\_FY2018.pdf](https://reports.saonm.org/media/audits/366-B_NM_PERA_Schedule_of_Employer_Allocation_FY2018.pdf)

**Changes of assumptions-** The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2018 is available at:  
<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2018-PERA-Valuation-Report-FINAL.pdf>

Changes in assumptions resulted in an increase of \$381,743 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, 2019. 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://reports.saonm.org/media/audits/366-B\\_NM\\_PERA\\_Schedule\\_of\\_Employer\\_Allocation\\_FY2018.pdf](https://reports.saonm.org/media/audits/366-B_NM_PERA_Schedule_of_Employer_Allocation_FY2018.pdf)



**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
NON-MAJOR GOVERNMENTAL TYPES  
JUNE 30, 2019

**SPECIAL REVENUE FUNDS**

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

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

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

**SUMMER FOOD FUND** - To account for the receipts and expenditures related to the state grants based upon agreement with the New Mexico Children, Youth and Families Department for the purpose of providing meals for they 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, 2019

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Assets			
Cash and cash equivalents	\$ 116,532	\$ 229	\$ 116,761
Total assets	<u>\$ 116,532</u>	<u>\$ 229</u>	<u>\$ 116,761</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accrued salaries	<u>923</u>	<u>-</u>	<u>923</u>
Total liabilities	923	-	923
Fund balance:			
Restricted for special revenue funds	115,609	-	115,609
Restricted for capital outlay	<u>-</u>	<u>229</u>	<u>229</u>
Total fund balance	<u>115,609</u>	<u>229</u>	<u>115,838</u>
Total liabilities and fund balances	<u>\$ 116,532</u>	<u>\$ 229</u>	<u>\$ 116,761</u>

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL TYPES  
JUNE 30, 2019

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Charges for services	\$ 21,379	\$ -	\$ 21,379
State allocation	29,256	-	29,256
Contributions/donations	910	-	910
Investment income	<u>2,600</u>	<u>-</u>	<u>2,600</u>
 Total revenues	 54,145	 -	 54,145
 <b>EXPENDITURES</b>			
Public safety	30,248	-	30,248
Culture and recreation	44,685	-	44,685
Health and welfare	<u>9,460</u>	<u>-</u>	<u>9,460</u>
 Total expenditures	 <u>84,393</u>	 <u>-</u>	 <u>84,393</u>
 Excess (deficiency) of revenues over (under) expenditures	 (30,248)	 -	 (30,248)
 <b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	51,114	-	51,114
 Total other financing uses	 <u>51,114</u>	 <u>-</u>	 <u>51,114</u>
 Net change in fund balance	 20,866	 -	 20,866
 Fund balance, beginning of year	 <u>94,743</u>	 <u>229</u>	 <u>94,972</u>
 Fund balance end of year	 <u>\$ 115,609</u>	 <u>\$ 229</u>	 <u>\$ 115,838</u>

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL TYPES  
JUNE 30, 2019

	<u>SPECIAL REVENUE</u>				<u>CAPITAL PROJECT</u>	<u>Total</u>
	<u>Correction</u>	<u>Law Enforcement Protection</u>	<u>Recreation</u>	<u>Summer Food Program</u>	<u>RUS Waste Water Plant</u>	
<b>ASSETS AND DEFERRED OUTFLOWS</b>						
Assets						
Cash and cash equivalents	\$ 67,237	\$ 7,304	\$ 39,301	\$ 2,690	\$ 229	\$ 116,761
Total assets	<u>\$ 67,237</u>	<u>\$ 7,304</u>	<u>\$ 39,301</u>	<u>\$ 2,690</u>	<u>\$ 229</u>	<u>\$ 116,761</u>
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities						
Accrued salaries	\$ -	\$ -	\$ 923	\$ -	\$ -	\$ 923
Total liabilities	\$ -	\$ -	\$ 923	\$ -	\$ -	\$ 923
Fund balance						
Restricted for special revenue funds	67,237	7,304	38,378	2,690	-	115,609
Restricted for capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229</u>	<u>229</u>
Total fund balance	<u>67,237</u>	<u>7,304</u>	<u>38,378</u>	<u>2,690</u>	<u>229</u>	<u>115,838</u>
Total liabilities and fund balance	<u>\$ 67,237</u>	<u>\$ 7,304</u>	<u>\$ 39,301</u>	<u>\$ 2,690</u>	<u>\$ 229</u>	<u>\$ 116,761</u>

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

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL TYPES  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>SPECIAL REVENUE</u>				<u>CAPITAL PROJECT</u>	<u>Total</u>
	<u>Correction</u>	<u>Law Enforcement Protection</u>	<u>Recreation</u>	<u>Summer Food Program</u>	<u>RUS Waste Water Plant</u>	
<b>REVENUES</b>						
Charges for services	\$ 13,363	\$ -	\$ 8,016	\$ -	\$ -	\$ 21,379
State allocation	-	23,600	-	5,656	-	29,256
Contributions/donations	-	-	910	-	-	910
Investment income	1,454	456	690	-	-	2,600
	<u>14,817</u>	<u>24,056</u>	<u>9,616</u>	<u>5,656</u>	<u>-</u>	<u>54,145</u>
Total revenues						
	14,817	24,056	9,616	5,656	-	54,145
<b>EXPENDITURES</b>						
Public safety	7,950	22,298	-	-	-	30,248
Culture and recreation	-	-	44,685	-	-	44,685
Health and welfare	-	-	-	9,460	-	9,460
	<u>7,950</u>	<u>22,298</u>	<u>44,685</u>	<u>9,460</u>	<u>-</u>	<u>84,393</u>
Total expenditures						
	7,950	22,298	44,685	9,460	-	84,393
Excess (deficiency) of revenues over (under) expenditures	\$ 6,867	\$ 1,758	\$ (35,069)	\$ (3,804)	-	\$ (30,248)

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  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>SPECIAL REVENUE</u>				<u>CAPITAL PROJECT</u>	<u>Total</u>
	<u>Correction</u>	<u>Law Enforcement Protection</u>	<u>Recreation</u>	<u>Summer Food Program</u>	<u>RUS Waste Water Plant</u>	
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	-	45,614	5,500	-	51,114
Total other financing source (uses)	-	-	45,614	5,500	-	51,114
Net change in fund balance	6,867	1,758	10,545	1,696	-	20,866
Fund balance, beginning of year	60,370	5,546	27,833	994	229	94,972
Fund balance, end of year	<u>\$ 67,237</u>	<u>\$ 7,304</u>	<u>\$ 38,378</u>	<u>\$ 2,690</u>	<u>\$ 229</u>	<u>\$ 115,838</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, 2019

	<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	\$ 693,273	\$ 241	\$ 4,230	\$ 689,284
General - Payroll	CK	39,086	-	37,134	1,952
General -	CK	1,082	-	-	1,082
Law Enforcement	CK	19,270	-	11,966	7,304
Old American Program	CK	45,958	312	40,916	5,354
Recreation	CK	41,505	-	2,292	39,213
Correction	CK	68,917	-	1,680	67,237
Fire	CK	48,664	-	-	48,664
Gas Tax	CK	174,095	-	-	174,095
MVD - Agency	CK	3,481	-	813	2,668
Municipal Court - Agency	CK	6,759	832	-	7,591
Summer Food Program	CK	2,942	-	252	2,690
Capital Projects	CK	9,909	-	-	9,909
WWP Phase II- Reserved	CK	6,024	-	-	6,024
Sewer	CK	213,242	620	3,076	210,786
Water	CK	224,879	4,081	2,417	226,543
Solid Waste	CK	462,238	959	4,365	458,832
Sewer CD - Reserved	CD	9,377	-	-	9,377
General CD - Reserve	CD	50,637	-	-	50,637
Western Bank					
General CD	CD	53,662	-	-	53,662
Water CD	CD	58,903	-	13	58,890
State Treasurers Office					
General	CD	60,008	-	-	60,008
Wells Fargo					
WWP Phase II	CD	229	-	-	229
Solid Waste CD	CK	<u>36,010</u>	<u>-</u>	<u>-</u>	<u>36,010</u>
Total Bank Held Cash		2,330,150	-	109,154	2,228,041
NMFA		<u>1,017,906</u>	<u>-</u>	<u>-</u>	<u>1,017,906</u>
Total Cash		<u>\$ 3,348,056</u>	<u>\$ 7,045</u>	<u>\$ 109,154</u>	<u>\$ 3,245,947</u>

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

Total Cash Per Bank	\$ 3,348,056
Less NMFA	1,017,906
Less State Treasurers Office	60,008
Less Western (fully collateralized)	112,552
Less Wells Fargo (fully collateralized)	<u>36,239</u>
Total Deposit	2,121,351
Less FDIC Coverage	<u>250,000</u>
Uninsured Public Funds	<u>1,871,351</u>
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	935,676
Pledged Securities	<u>1,375,325</u>
Over (Under) Collateralized	<u>\$ 439,649</u>

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
SCHEDULE OF DEPOSITORIES  
JUNE 30, 2019

Description of Pledged Collateral	CUSIP	Maturity Date	Fair Value Amount	First National Bank of Alamagordo, NM
FHLB	FHLMC Pool #D96866	3128E3TX2	11/1/2025 \$ 40,729	First New Mexico Bank
FHLB	FHLMC Pool #J18103	3128PYAC8	2/1/2027 258,074	First New Mexico Bank
FHLB	FNMA Pool #AL9618	3138ERVL1	8/1/2028 611,233	First New Mexico Bank
FHLB	FNMA Pool #685940	31400FBH9	8/1/2032 36,377	First New Mexico Bank
FHLB	FNMA Pool #778981	31404UM64	5/1/2034 44,229	First New Mexico Bank
FHLB	FHLCM Pool #781995	31349TGC9	10/1/2034 36,130	First New Mexico Bank
FHLB	Questa NM ISD	7483582DA6	9/1/2027 <u>348,553</u>	First New Mexico Bank
Total pledged securities			<u>\$ 1,375,325</u>	

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	MVD	Municipal Court	Total Agency Funds
Beginning Cash	\$ 3,192	\$ 6,117	\$ 9,309
Additions	76,561	69,547	146,108
Deletions	<u>(77,085)</u>	<u>(68,073)</u>	<u>(145,158)</u>
<b>Ending Cash</b>	<b><u>\$ 2,668</u></b>	<b><u>\$ 7,591</u></b>	<b><u>\$ 10,259</u></b>
Beginning Liabilities	\$ 3,192	\$ 6,117	\$ 9,309
Additions	76,561	69,547	146,108
Deletions	<u>(77,085)</u>	<u>(68,073)</u>	<u>(145,158)</u>
<b>Ending Liabilities</b>	<b><u>\$ 2,668</u></b>	<b><u>\$ 7,591</u></b>	<b><u>\$ 10,259</u></b>

## **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**

Brian Colón, 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, 2019, and the related notes to the financial statements, which collectively comprise Village of Tularosa's 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 February 11, 2020.

### **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's 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 three deficiencies in internal control that we consider to be material weaknesses (2019-002), (2019-005), (2019-006). 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 (2019-001), (2019-003), (2019-004), (2019-007), (2019-008).

### **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 (2019-009).

### **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  
February 11, 2020

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019

SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- |                                                                                  |           |
|----------------------------------------------------------------------------------|-----------|
| 1. Type of auditors' report issued                                               | Qualified |
| 2. Internal control over financial reporting:                                    |           |
| a. Materials weaknesses identified?                                              | Yes       |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes       |
| c. Noncompliance material to the financial statements noted?                     | Yes       |

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019

**Section I - Financial Statements Findings**

PRIOR YEAR FINDINGS

2015-001	Per Diem	Resolved
2019-001 (2017-002)	Journal entry - Significant Deficiency	Repeated and Modified
2019-002 (2017-004)	Capital asset listing not in village hall - Material Weakness	Repeated and Modified
2019-003 (2018-001)	Lack of supporting documentation for expenses - Significant Deficiency	Repeated and Modified
2019-004 (2018-002)	Payroll - Significant Deficiency	Repeated and Modified
2019-005 (2018-003)	Procurement - Material Weakness	Repeated and Modified

CURRENT YEAR FINDINGS

2019-006	Cash receipts - Material Weakness	New
2019-007	Segregation of duties-Significant Deficiency	New
2019-008	Credit card internal control-Significant Deficiency	New
2019-009	Late audit- Other non-compliance	New



STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019

**2019-001 (2017-002) Journal entry - Significant Deficiency**

---

<b>CONDITION</b>	During testwork it was noted that the Village does not have a proper approval process for Journal Entries. A journal entry policy has been created, but has not yet been implemented.
<b>CRITERIA</b>	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.
<b>CAUSE</b>	The Village does not have accounting policy and procedures in place.
<b>EFFECT</b>	Lack of approval process can lead to management override and fraud.
<b>RECOMMENDATION</b>	It is recommended that the Village draft an accounting policies and procedures manual that includes a Journal Entry Approval Process.
<b>RESPONSE</b>	The Village will implement accounting policies and procedures that include the review and approval of any manual Journal Entries.
<b>IMPLEMENTATION</b>	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019

**2019-002 (2017-004) Capital asset listing not in village hall - Material Weakness**

---

<b>CONDITION</b>	The Village does not maintain a capital asset listing internally and could not provide a comprehensive asset listing. 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, 2019.
<b>CRITERIA</b>	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.
<b>CAUSE</b>	The Village does not have accounting policy and procedures in place.
<b>EFFECT</b>	Improper maintenance of capital assets listing may create errors in their accounting an reporting and may cause the financial statements to be improperly stated.
<b>RECOMMENDATION</b>	It is recommended that the Village draft an accounting policies and procedures manual that includes the maintenance and treatment of capital assets.
<b>RESPONSE</b>	The Village will implement accounting policies an procedures that include maintenance and treatment of Capital Assets.
<b>IMPLEMENTATION</b>	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019

**2019-003 (2018-001) Lack of supporting documentation for expenses - Significant  
Deficiency**

---

<b>CONDITION</b>	Of the 25 samples tested, 3 samples were missing all of the required signatures on the purchase order totalling \$1,503.34, 1 sample was missing both purchase requisition and purchase order forms totalling \$298.50, 1 sample was missing an invoice for \$20.05 and 1 sample had a purchase take place prior to the issuance of a purchase requisition or purchase order for \$590.00. The Village has not made any progress toward resolving this finding.
<b>CRITERIA</b>	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."
<b>CAUSE</b>	Village was not following proper purchasing processes due to employee push back.
<b>EFFECT</b>	Issuing PO's after the purchase can lead to waste, fraud, and or abuse.
<b>RECOMMENDATION</b>	It is recommended that no purchase be authorized without the proper procedures being followed according to the Villages purchasing policies.
<b>RESPONSE</b>	The Village will review purchasing procedures and instill a firm purchasing policy.
<b>IMPLEMENTATION</b>	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019

**2019-004 (2018-002) Payroll - Significant Deficiency**

---

<b>CONDITION</b>	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. The Village has started to review payroll files but has not completed a comprehensive review of all personnel files.
<b>CRITERIA</b>	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."
<b>CAUSE</b>	Village does not have adequate policies and procedures over file retention during hiring.
<b>EFFECT</b>	Improper file retention may cause abuse by employees, in particular without wage documentation, it created difficulty to identify unauthorized modification of wages.
<b>RECOMMENDATION</b>	It is recommended that the Village review all employee files for missing documentation.
<b>RESPONSE</b>	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.
<b>IMPLEMENTATION</b>	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019

**2019-005 (2018-003) Procurement - Material Weakness**

---

<b>CONDITION</b>	Village was unable to provide procurement information for testing. Additionally, the Village procurement function is being performed by personnel other than the Certified Procurement Officer. The Village has not made any progress toward resolving this finding.
<b>CRITERIA</b>	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.
<b>CAUSE</b>	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.
<b>EFFECT</b>	Not following the procurement code can facilitate improper, fraudulent and or wastefully purchases.
<b>RECOMMENDATION</b>	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.
<b>RESPONSE</b>	The Village will review its process for procurement including determining who in the Village will be the purchasing agent.
<b>IMPLEMENTATION</b>	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019

**2019-006 Cash receipts - Material Weakness**

---

<b>CONDITION</b>	While conducting a cash receipts walkthrough, BMC noted that the cash receipts at the Village's only payment register were not all entered into the accounting system or were entered incorrectly. This resulted in a discrepancy between the accounting system daily cash receipt reports and the register cash. Nightly deposits were forced to match the incorrect register report by removing cash receipts and placing them for deposit on a subsequent day. When conducting a surprise cash count, BMC observed that the utility cash register did not reconcile to printed register reports by \$924.69. Various types of cash receipt transactions take place at this payment register including water, waste water, and solid waste utility. The annual discrepancy cannot be determined and the time frame of the recurring error is unknown.
<b>CRITERIA</b>	Per 6-10-2 NMSA, It is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business. Except as may be otherwise provided by law, the cash record is a public record and is open to public inspection.
<b>CAUSE</b>	The Village does not have an accounting policy and procedures in place for cash receipting.
<b>EFFECT</b>	The Villages cash handling procedures do not allow for proper accounting and recording related to cash and could lead to error, fraud, waste or abuse. Further, it cannot be determined if daily cash receipting is properly recorded.
<b>RECOMMENDATION</b>	It is recommended that the Village develop a cash handling policy and procedures as a part of the accounting process, and that daily cash receipts are reconciled to the general ledger.
<b>RESPONSE</b>	The Village cash handling is currently being reworked to improve accuracy and reporting.
<b>IMPLEMENTATION</b>	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019

**2019-007 Segregation of duties-Significant Deficiency**

---

<b>CONDITION</b>	During fiscal year 2019, the finance officer had the ability to sign Village checks and reconcile the monthly bank statements. It was also noted that the utility clerk receipts cash, performs nightly register reconciliations and posts revenue entries in the accounting software.
<b>CRITERIA</b>	Systems of internal control with the most favorable designs allow for an adequate segregation of duties to reduce the risk of error or fraud because they are structure using a combination of controls desgined to either detect instances of error or fraud before they occur AU 325.
<b>CAUSE</b>	The village did not have segregation of duties and adequate internal controls.
<b>EFFECT</b>	A proper system of checks and balances are jeopardized when the person in charge of reconciling the bank accounts also possesses the ability to sign checks. The lack of segregation of duties may result in error, fraud, waste, or abuse.
<b>RECOMMENDATION</b>	It is recommended that the person who reconciles the bank does not have check signing authority. It is also recommended that the person responsible for the nightly reconciliation and close of the cash drawer does not also receipt cash for the register or enter revenue journals for the same transactions.
<b>RESPONSE</b>	The Village will replace the finance director as check signatory with other authorized personnel.
<b>IMPLEMENTATION</b>	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019

**2019-008 Credit card internal control-Significant Deficiency**

---

<b>CONDITION</b>	During credit card testing, it was noted that 1 of the 5 issued credit cards had a credit limit increase initiated by an unauthorized employee without approval by Village trustees. Additionally, the same Village employee had an unauthorized personal purchase in June 2019 totalling \$2,294 on the credit card that had the credit limit increase.
<b>CRITERIA</b>	Auditing Standards (AU) Section 325 Exhibit B lists the following circumstances as a possible control deficiency, significant deficiency, or material weakness: "inadequate documentation of the components of internal control."
<b>CAUSE</b>	The Village does not have a credit card policy in place.
<b>EFFECT</b>	The Villages credit card procedures do not allow for proper could lead to error, fraud, waste or abuse.
<b>RECOMMENDATION</b>	It is recommended that the Village develop a credit card policy.
<b>RESPONSE</b>	The Village has instilled a verbal credit card policy as of January 2020 and is currently working on a written policy.
<b>IMPLEMENTATION</b>	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk



STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019

**2019-009 Late audit- Other non-compliance**

---

<b>CONDITION</b>	The Village did not have an audit report submitted by the December 15, 2019 deadline.
<b>CRITERIA</b>	Per section 2.2.2.9 NMAC, the annual financial audit report shall be delivered to the state auditor by December 15.
<b>CAUSE</b>	The Village experienced personnel absences in the clerks office and had difficulty locating requested documentation.
<b>EFFECT</b>	The Village is in violation of the audit rule and will be added to the State Auditors "At Risk" listing. Late audits result in untimely reporting.
<b>RECOMMENDATION</b>	It is recommended that the Village develop a document retention policy and procedures.
<b>RESPONSE</b>	The Village will work on gathering all requested documents in a timely manner.
<b>IMPLEMENTATION</b>	Expected Completion: June 30, 2020 Employee Responsible: Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF TULAROSA  
ENTRANCE AND EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2019

An entrance conference was held on October 28, 2019 in a closed meeting with Beasley, Mitchell & Co., LLP, with the following Village officials:

Margaret Trujillo  
Margaret Lucero

Mayor  
Clerk

Beasley, Mitchell & Co., LLP

Juan Garcia  
Ashley Tierney, CFE

Audit Specialist  
Staff II Auditor

An exit conference was held on January 27, 2020 in a closed meeting with Beasley, Mitchell & Co., LLP, with the following Village officials:

Margaret Trujillo  
Valerie Delgado  
Sonya Gillard  
Rebekah Bryant

Mayor  
Finance Director  
Procurement Officer  
Payroll Clerk

Beasley, Mitchell & Co., LLP

Ashley Tierney, CFE

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.