



**STATE OF NEW MEXICO
VILLAGE OF TIJERAS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2019

INTRODUCTORY SECTION

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**VILLAGE OF TIJERAS
OFFICIAL ROSTER
JUNE 30, 2019**

ELECTED OFFICIALS

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

ADMINISTRATIVE OFFICIALS

Diane L. Klaus	Deputy Clerk, Acting Clerk-Treasurer
Darlene C. Coleman	Finance Director

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Members of the Village Council
Jake Bruton, Mayor
Village of Tijeras
Tijeras, New Mexico and
Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue fund of the Village of Tijeras (the "Village") as of and for the year ended June 30, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters described in the "Basis for Disclaimer of Opinion" paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinion on the financial statements as identified above under "Report on Financial Statements."

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion.

Members of the Village Council
Jake Bruton, Mayor
Village of Tijeras and
Mr. Brian Colón, Esq.
New Mexico State Auditor

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 were not able to obtain sufficient and appropriate audit evidence to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion

Management was unable to provide sufficient evidential matter in support of certain transactions and account balances, as presented in the Village's financial statements as of and for the year ended June 30, 2019, as there was a pervasive lack of supporting documentation across certain major transaction cycles. Additionally, the Village could not provide sufficient evidence they adopted a budget.

It was impracticable to extend our audit procedures sufficiently to determine the extent to which the Village's financial statements as of and for the year ended June 30, 2019 may have been affected by the matters discussed in the preceding paragraph; accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying financial statements as of and for the year ended June 30, 2019.

Other Matters

Required Supplementary Information

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *Schedule of the Village's Proportionate Share of the Net Pension Liability, Schedule of the Village's Pension Contributions, Schedule of the Village's Proportionate Share of the Net OPEB Liability, and the Schedule of the Village's OPEB Contributions* on pages 45-49 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.

Members of the Village Council
Jake Bruton, Mayor
Village of Tijeras and
Mr. Brian Colón, Esq.
New Mexico State Auditor

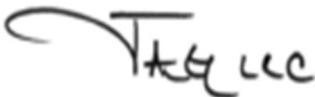
Other Information

Our audit was conducted for the purpose of forming opinions on the Village's financial statements that collectively comprise the Village's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules as required by 2.2.2 NMAC (Schedule of Joint Powers Agreements), and other information, such as the Introductory Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other schedules required by 2.2.2 NMAC (Schedule of Joint Powers Agreements) 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. Because of the significance of the matter disclosed in the auditor's report, it is inappropriate to and the auditor does not express an opinion on the supplementary information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2020 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, in considering the Village's internal control over financial reporting and compliance.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
September 8, 2020

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	\$ 1,382,223	\$ 60,031	\$ 1,442,254
Investments	479,520	-	479,520
Receivables (net of allowance for uncollectables)	252,079	42,127	294,206
Total current assets	<u>2,113,822</u>	<u>102,158</u>	<u>2,215,980</u>
Non-current assets			
Capital assets			
Land	708,458	87,977	796,435
Construction in progress	263,813	23,497	287,310
Intangible assets - water rights	-	64,848	64,848
Capital assets being depreciated, net	7,805,490	4,968,453	12,773,943
Total non-current assets	<u>8,777,761</u>	<u>5,144,775</u>	<u>13,922,536</u>
Total assets	10,891,583	5,246,933	16,138,516
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - related to pension and OPEB	331,439	-	331,439
LIABILITIES			
Current liabilities			
Cash overdraft	-	86,026	86,026
Accounts payable	22,473	2,169	24,642
Accrued payroll liabilities	8,289	3,261	11,550
Current portion of long-term debt	-	9,771	9,771
Total current liabilities	<u>30,762</u>	<u>101,227</u>	<u>131,989</u>
Non-current liabilities			
Long-term debt	-	114,619	114,619
Net pension liability	436,858	-	436,858
Net OPEB liability	299,602	-	299,602
Total non-current liabilities	<u>736,460</u>	<u>114,619</u>	<u>851,079</u>
Total liabilities	<u>767,222</u>	<u>215,846</u>	<u>983,068</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - related to pension and OPEB	156,748	-	156,748
NET POSITION			
Net investment in capital assets	8,777,761	5,020,385	13,798,146
Restricted for:			
Special projects	351,162	-	351,162
Capital projects	7,046	-	7,046
Committed to:			
Subsequent year's expenditures	66,012	-	66,012
Unrestricted	1,097,071	10,702	1,107,773
Total net position	<u>\$ 10,299,052</u>	<u>\$ 5,031,087</u>	<u>\$ 15,330,139</u>

See Accompanying Notes.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 463,970	\$ 15,272	\$ 90,000	\$ -	\$ (358,698)	\$ -	\$ (358,698)
Public safety	179,213	-	109,430	-	(69,783)	-	(69,783)
Highways and streets	139,216	-	-	40,434	(98,782)	-	(98,782)
Culture and recreation	172,286	-	147,703	-	(24,583)	-	(24,583)
Total governmental activities	954,685	15,272	347,133	40,434	(551,846)	-	(551,846)
Business-type activities:							
Water	487,853	120,952	-	-	-	(366,901)	(366,901)
Wastewater	50,551	220	-	54,621	-	4,290	4,290
Motor vehicle	86,795	66,293	-	-	-	(20,502)	(20,502)
Total primary government	\$ 1,579,884	\$ 202,737	\$ 347,133	\$ 95,055	(551,846)	(383,113)	(934,959)
General revenues							
Taxes							
Gross receipts					759,460	19,026	778,486
Motor vehicle excise					-	48,553	48,553
Franchise					13,988	-	13,988
Property					16,892	-	16,892
Gasoline					17,799	5,567	23,366
Interest on investments					5,692	-	5,692
Miscellaneous					10,267	35,065	45,332
Transfers					(1,672)	1,672	-
Total general revenues					822,426	109,883	932,309
Change in net position					270,580	(273,230)	(2,650)
Net position, beginning of year					10,028,472	5,304,317	15,332,789
Net position, end of year					\$ 10,299,052	\$ 5,031,087	\$ 15,330,139

See Accompanying Notes.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Fire Protection Fund	Senior Citizens Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 1,083,372	\$ 43,635	\$ -	\$ 13,255	\$ 241,961	\$ 1,382,223
Investment	479,520	-	-	-	-	479,520
Accounts receivable (net of allowance for uncollectible)	153,659	-	76,174	-	22,246	252,079
Interfund receivable	17,431	-	-	-	-	17,431
Total assets	<u>\$ 1,733,982</u>	<u>\$ 43,635</u>	<u>\$ 76,174</u>	<u>\$ 13,255</u>	<u>\$ 264,207</u>	<u>\$ 2,131,253</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 2,853	\$ 12,796	\$ 189	\$ 6,209	\$ 426	\$ 22,473
Accrued payroll liabilities	6,277	-	1,199	-	813	8,289
Interfund payable	-	-	17,431	-	-	17,431
Total liabilities	<u>9,130</u>	<u>12,796</u>	<u>18,819</u>	<u>6,209</u>	<u>1,239</u>	<u>48,193</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable - property taxes	267	-	-	-	-	267
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted for:						
Special revenue	-	30,839	57,355	-	262,968	351,162
Capital projects	-	-	-	7,046	-	7,046
Committed to:						
Subsequent year's expenditures	-	-	-	-	-	-
Unassigned	1,724,585	-	-	-	-	1,724,585
Total fund balances	<u>1,724,585</u>	<u>30,839</u>	<u>57,355</u>	<u>7,046</u>	<u>262,968</u>	<u>2,082,793</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,733,982</u>	<u>\$ 43,635</u>	<u>\$ 76,174</u>	<u>\$ 13,255</u>	<u>\$ 264,207</u>	<u>\$ 2,131,253</u>

See Accompanying Notes.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

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

Fund Balances - Total Governmental Funds		\$ 2,082,793
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental capital assets	\$ 13,504,789		
Less accumulated depreciation	<u>(4,727,028)</u>		8,777,761

Defined benefit pension and OPEB plans deferred outflows are not financial resources and, therefore, are not reported in the governmental funds.

331,439

Long-term liabilities are not due in the current period and, therefore, are not reported in the governmental funds.

Net pension liability			(436,858)
Net OPEB liability			(299,602)

Defined benefit pension and OPEB plans deferred inflows are not due and payable in the current period and, therefore, are not reported in the governmental funds.

(156,748)

A portion of property taxes receivable is not available to pay for current period expenditures and, therefore, is reported as deferred inflows of resources.

267

Net position of governmental activities			<u>\$ 10,299,052</u>
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STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Fire Protection Fund	Senior Citizens Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Gross receipts	\$ 650,614	\$ -	\$ -	\$ -	\$ 108,846	\$ 759,460
Motor vehicle excise	-	-	-	-	-	-
Franchise	13,988	-	-	-	-	13,988
Property	18,157	-	-	-	-	18,157
Gasoline	11,366	-	-	-	6,433	17,799
Licenses and permits	2,555	-	-	-	-	2,555
Intergovernmental						
Federal	-	-	-	17,431	-	17,431
State	90,000	89,430	147,703	23,003	20,000	370,136
Charges for services	10,916	-	1,801	-	-	12,717
Interest on investments	5,692	-	-	-	-	5,692
Miscellaneous	9,247	900	60	-	60	10,267
Total revenues	<u>812,535</u>	<u>90,330</u>	<u>149,564</u>	<u>40,434</u>	<u>135,339</u>	<u>1,228,202</u>
EXPENDITURES						
Current operations						
General government	571,631	-	-	2,260	-	573,891
Public safety	45,710	116,442	-	-	12,996	175,148
Highways and streets	-	-	-	-	129,540	129,540
Culture and recreation	7,336	-	120,359	44,591	-	172,286
Capital outlay	-	-	-	252,902	-	252,902
Total expenditures	<u>624,677</u>	<u>116,442</u>	<u>120,359</u>	<u>299,753</u>	<u>142,536</u>	<u>1,303,767</u>
Excess of revenues over expenditures	<u>187,858</u>	<u>(26,112)</u>	<u>29,205</u>	<u>(259,319)</u>	<u>(7,197)</u>	<u>(75,565)</u>
Other financing sources (uses)						
Transfers in	50,530	-	-	299,553	-	350,083
Transfers out	(304,946)	(900)	(662)	(33,188)	(12,059)	(351,755)
Total other financing sources (uses)	<u>(254,416)</u>	<u>(900)</u>	<u>(662)</u>	<u>266,365</u>	<u>(12,059)</u>	<u>(1,672)</u>
Net change in fund balances	(66,558)	(27,012)	28,543	7,046	(19,256)	(77,237)
Fund balances, beginning of year	<u>1,791,143</u>	<u>57,851</u>	<u>28,812</u>	<u>-</u>	<u>282,224</u>	<u>2,160,030</u>
Fund balances, end of year	<u>\$ 1,724,585</u>	<u>\$ 30,839</u>	<u>\$ 57,355</u>	<u>\$ 7,046</u>	<u>\$ 262,968</u>	<u>\$ 2,082,793</u>

See Accompanying Notes.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

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

Net change in fund balances - total governmental funds	\$ (77,237)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	720,320
Depreciation expense	(314,725)

Recognition of accounts receivable and deferred inflows of resources is reflected on the full accrual basis within the Statement of Activities.	(1,264)
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Long-term liabilities are not due in the current period and, therefore, are not reported in the governmental funds.

Pension contribution	28,692
Pension expense	(77,246)
OPEB contribution	5,939
OPEB expense	<u>(13,899)</u>

Change in net position of governmental activities	<u>\$ 270,580</u>
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STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) AND ACTUAL (Budgetary Basis)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts *		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes				
Gross receipts	\$ 732,000	\$ 686,500	\$ 664,302	\$ (22,198)
Franchise	-	-	17,471	17,471
Property	-	-	20,233	20,233
Motor Vehicle Excise	-	-	-	-
Gasoline	-	-	11,366	11,366
Licenses and permits	1,550	1,550	2,555	1,005
Intergovernmental				
State	90,000	90,000	90,000	-
Charges for services	72,850	10,350	10,916	566
Interest on investments	-	-	5,692	5,692
Miscellaneous	6,700	6,700	8,161	1,461
Total revenues	<u>903,100</u>	<u>795,100</u>	<u>830,696</u>	<u>35,596</u>
EXPENDITURES				
Current operations				
General government	670,999	576,687	601,448	(24,761)
Public safety	49,519	49,517	45,710	3,807
Highways and streets	-	-	-	-
Culture and recreation	12,957	7,987	7,336	651
Total expenditures	<u>733,475</u>	<u>634,191</u>	<u>654,494</u>	<u>(20,303)</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>169,625</u>	<u>160,909</u>	<u>176,202</u>	<u>(15,293)</u>
Other financing sources (uses)				
Transfers in	-	-	50,530	(50,530)
Transfers out	-	-	(304,946)	304,946
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(254,416)</u>	<u>254,416</u>
Net change in fund balances	<u>\$ 169,625</u>	<u>\$ 160,909</u>	<u>(78,214)</u>	<u>\$ 239,123</u>
Reconciliation to GAAP basis:				
Changes in revenues			(18,161)	
Changes in expenses			<u>29,817</u>	
Net change in fund balances (GAAP Basis)			<u>\$ (66,558)</u>	

*See Audit Finding 2019-001.

See Accompanying Notes.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) AND ACTUAL (Budgetary Basis)
FIRE PROTECTION FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts *</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Intergovernmental				
State	\$ 85,000	\$ 85,000	\$ 89,430	\$ 4,430
Charges for services	-	-	-	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	900	900
Total revenues	<u>85,000</u>	<u>85,000</u>	<u>90,330</u>	<u>5,330</u>
EXPENDITURES				
Current operations				
Public safety	<u>85,000</u>	<u>85,000</u>	<u>105,706</u>	<u>(20,706)</u>
Total expenditures	<u>85,000</u>	<u>85,000</u>	<u>105,706</u>	<u>(20,706)</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(15,376)</u>	<u>15,376</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(900)	900
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(900)</u>	<u>900</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(16,276)</u>	<u>\$ 16,276</u>
Reconciliation to GAAP basis:				
Changes in revenues			-	
Changes in expenses			<u>(10,736)</u>	
Net change in fund balances (GAAP Basis)			<u>\$ (27,012)</u>	

**See Audit Finding 2019-001.
See Accompanying Notes.*

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) AND ACTUAL (Budgetary Basis)
SENIOR CITIZENS FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts *		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental				
State	\$ 95,000	\$ 95,000	\$ 97,949	\$ 2,949
Charges for services	1,550	1,550	1,801	251
Interest on investments	-	-	-	-
Miscellaneous	1,000	1,000	60	(940)
Total revenues	97,550	97,550	99,810	2,260
EXPENDITURES				
Current operations				
Culture and recreation	110,408	110,908	121,031	(10,123)
Total expenditures	110,408	110,908	121,031	(10,123)
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(12,858)	(13,358)	(21,221)	7,863
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(662)	662
Total other financing sources (uses)	-	-	(662)	662
Net change in fund balances	\$ (12,858)	\$ (13,358)	(21,883)	\$ 8,525
Reconciliation to GAAP basis:				
Changes in revenues			49,754	
Changes in expenses			672	
Net change in fund balances (GAAP Basis)			\$ 28,543	

**See Audit Finding 2019-001.
See Accompanying Notes.*

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019**

	Water Fund	Wastewater Fund	Motor Vehicle Fund	Total Proprietary Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ -	\$ 26,732	\$ 33,299	\$ 60,031
Accounts receivable (net of allowance for uncollectible)	<u>26,551</u>	<u>2,842</u>	<u>12,734</u>	<u>42,127</u>
Total current assets	<u>26,551</u>	<u>29,574</u>	<u>46,033</u>	<u>102,158</u>
Non-current assets				
Capital assets				
Land	87,977	-	-	87,977
Construction in progress	23,497	-	-	23,497
Intangible assets - water rights	64,848	-	-	64,848
Capital assets being depreciated, net	<u>4,968,453</u>	<u>-</u>	<u>-</u>	<u>4,968,453</u>
Total non-current assets	<u>5,144,775</u>	<u>-</u>	<u>-</u>	<u>5,144,775</u>
Total assets	<u>5,171,326</u>	<u>29,574</u>	<u>46,033</u>	<u>5,246,933</u>
LIABILITIES				
Current liabilities				
Cash Overdraft	86,026	-	-	86,026
Accounts payable	666	-	1,503	2,169
Accrued payroll liabilities	586	-	2,675	3,261
Current portion of long-term debt	<u>9,771</u>	<u>-</u>	<u>-</u>	<u>9,771</u>
Total current liabilities	<u>97,049</u>	<u>-</u>	<u>4,178</u>	<u>101,227</u>
Non-current liabilities				
Long-term debt	<u>114,619</u>	<u>-</u>	<u>-</u>	<u>114,619</u>
Total non-current liabilities	<u>114,619</u>	<u>-</u>	<u>-</u>	<u>114,619</u>
Total liabilities	<u>211,668</u>	<u>-</u>	<u>4,178</u>	<u>215,846</u>
NET POSITION				
Net investment in capital assets	5,020,385	-	-	5,020,385
Unrestricted (deficit)	<u>(60,727)</u>	<u>29,574</u>	<u>41,855</u>	<u>10,702</u>
Total net position	<u>\$ 4,959,658</u>	<u>\$ 29,574</u>	<u>\$ 41,855</u>	<u>\$ 5,031,087</u>

See Accompanying Notes.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Motor Vehicle Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES				
Taxes				
Gross receipts	\$ -	\$ 19,026	\$ -	\$ 19,026
Motor vehicle excise	-	-	48,553	48,553
Gasoline	-	-	5,567	5,567
Charges for services	120,952	220	66,293	187,465
Miscellaneous	<u>35,065</u>	<u>-</u>	<u>-</u>	<u>35,065</u>
Total operating revenues	<u>156,017</u>	<u>19,246</u>	<u>120,413</u>	<u>295,676</u>
OPERATING EXPENSES				
Cost of sales and services	2,684	-	-	2,684
Administration	72,738	-	10,334	83,072
Other operating expenses	169,440	50,551	76,461	296,452
Depreciation	<u>242,656</u>	<u>-</u>	<u>-</u>	<u>242,656</u>
Total operating expenses	<u>487,518</u>	<u>50,551</u>	<u>86,795</u>	<u>624,864</u>
Operating income (loss)	(331,501)	(31,305)	33,618	(329,188)
Non-operating revenues (expenses)				
Capital contributions				
Federal	-	54,621	-	54,621
Interest expense	<u>(335)</u>	<u>-</u>	<u>-</u>	<u>(335)</u>
Income (loss) before transfers	<u>(331,836)</u>	<u>23,316</u>	<u>33,618</u>	<u>(274,902)</u>
Other financing sources				
Transfers in	551	-	4,435	4,986
Transfers out	<u>(294)</u>	<u>(2,842)</u>	<u>(178)</u>	<u>(3,314)</u>
Total other financing sources	<u>257</u>	<u>(2,842)</u>	<u>4,257</u>	<u>1,672</u>
Change in net position	(331,579)	20,474	37,875	(273,230)
Net position, beginning of year	<u>5,291,237</u>	<u>9,100</u>	<u>3,980</u>	<u>5,304,317</u>
Net position, end of year	<u>\$ 4,959,658</u>	<u>\$ 29,574</u>	<u>\$ 41,855</u>	<u>\$ 5,031,087</u>

See Accompanying Notes.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from customers	\$ 159,540	\$ 19,443	\$ 115,266	\$ 294,249
Cash payments to suppliers for goods and services	<u>(244,466)</u>	<u>(50,551)</u>	<u>(86,224)</u>	<u>(381,241)</u>
Net cash provided by (used in) operating activities	<u>(84,926)</u>	<u>(31,108)</u>	<u>29,042</u>	<u>(86,992)</u>
Cash flows from capital and related financing activities				
Capital contributions	-	54,621	-	54,621
(Acquisition) disposition of capital assets	(35,000)	-	-	(35,000)
Principal paid on debt	(9,802)	-	-	(9,802)
Interest paid on debt	<u>(335)</u>	<u>-</u>	<u>-</u>	<u>(335)</u>
Net cash provided by (used in) capital financing activities	<u>(45,137)</u>	<u>54,621</u>	<u>-</u>	<u>9,484</u>
Cash flows from non-capital financing activities				
Transfers (to) from other funds, net	<u>257</u>	<u>(2,842)</u>	<u>4,257</u>	<u>1,672</u>
Net increase in cash and cash equivalents	(129,806)	20,671	33,299	(75,836)
Cash and cash equivalents, beginning of year	<u>43,780</u>	<u>6,061</u>	<u>-</u>	<u>49,841</u>
Cash and cash equivalents, end of year (deficit)	<u>\$ (86,026)</u>	<u>\$ 26,732</u>	<u>\$ 33,299</u>	<u>\$ (25,995)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (331,501)	\$ (31,305)	\$ 33,618	\$ (329,188)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	242,656	-	-	242,656
Increase in customer receivable	2,937	197	(7,822)	(4,688)
(Increase) decrease in accounts payable	396	-	571	967
(Increase) decrease in customer deposits	<u>586</u>	<u>-</u>	<u>2,675</u>	<u>3,261</u>
Net cash provided by (used in) operating activities	<u>\$ (84,926)</u>	<u>\$ (31,108)</u>	<u>\$ 29,042</u>	<u>\$ (86,992)</u>

See Accompanying Notes.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Tijeras ("Village") was incorporated in 1973. The Village operates under a Mayor Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, water, and general administrative services.

A. Reporting Entity

This summary of significant accounting policies of the Village is presented to assist in the understanding of the Village's financial statements. The financial statements and notes are the representation of the Village's management who is responsible for their integrity and objectivity. The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP).

The basic (but not the only) criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village has no component units.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Gross receipts, franchise, gasoline, and other similar taxes are recognized when the underlying exchange transaction takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, gross receipts taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The **General Fund** is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Fire Protection Fund** is used to account for the operations of the Fire Department and is authorized by NMSA 1978, Section 59A-53-5. Financing is provided by the State Fire Allotment, interest on investments, and miscellaneous revenues. The fund is authorized by NMAC 10.25.10.

The **Senior Citizens Fund** is used to account for donations and fees collected by the Village on behalf of its senior citizens and expended for them in accordance with their wishes, and to account for grant funds for the benefit of senior citizens. This fund is authorized by the Village Council.

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charged to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, Net Position and Fund Balance

Cash and Investments. Cash and cash equivalents include amounts in demand deposits, certificates of deposit and investments with a maturity date within three months of the date acquired by the Village. Investments are certificates of deposit and government backed securities with maturity dates in excess of three months. Investments are stated at fair market value. For the purposes of the statement of cash flows, cash and cash equivalents include unrestricted amounts in demand deposits and certificates of deposit with a maturity date within three months of the acquisition date.

Receivables. Accounts receivable of the proprietary fund represent the amounts due from customer utility accounts. The governmental funds report taxes and other fees collected at the Village and State level as receivables.

Property Taxes. An enforceable legal claim to taxable property arises on January 1 in the year of levy. Taxes are due on November 10 and May 10 and are collected by the Bernalillo County Treasurer. Taxes not paid within 30 days are declared delinquent. The Village records all delinquent property taxes not collected within 60 days of year-end as deferred inflows of resources, unavailable property taxes in the fund financial statements. All property taxes received after the 60-day period are accrued in the government-wide financial statements.

Capital Assets. Capital assets, which include property, plant, equipment, improvements, and water system, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Village defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capital assets which are financed by governmental grants or contributions, for use by a proprietary fund, are reported as construction in progress in the government-wide financial statements during construction. The asset, when placed in service, is transferred at historical cost to the proprietary fund as a capital contribution from the Village.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property, improvements, equipment, and water and sewer systems are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	30
Public domain infrastructure	40
Vehicles	10-15
Equipment	10-15
Furniture and fixtures	3-10

Compensated Absences. It is the policy of the Village of Tijeras to permit certain employees to accumulate a limited amount of earned but unused vacation, which will not be paid to employees upon separation from the Village's service. All vacation earned must be taken before year end or it is lost. There are no leave balance as of the end of the fiscal year. Sick pay does not vest and is recorded as an expenditure when it is paid.

Pension. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA's. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Deferred Inflows of Resources. In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflows of resources.

Long-term Obligations. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balances. In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Village council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Village council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the Village’s “intent” to be used for specific purposes but are neither restricted nor committed. The Village council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Net Position. Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislations adopted by the Village or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

Deferred Outflows of Resources. In addition to assets, the balance sheet reports a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Estimates. The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 31, the budget is legally enacted through passage of a resolution.
2. The Village Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico State Department of Finance & Administration, Local Government Division. That is, expenditures in each fund may not exceed the budgeted appropriation for that fund.
3. Formal budgetary integration is employed as a management control device during the year for the Governmental and Enterprise Funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classifications detail in which expenditures or expenses may not legally exceed appropriation for each budget is in fund total. Appropriations lapse at year end.
6. Budgets for Governmental and Enterprise Funds are adopted on a basis not consistent with generally accepted accounting principles. Throughout the year the accounting records are maintained on the non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for Governmental Funds in this report are on the non-GAAP budgetary basis and actual (cash basis).

Deposits and Investments

The Village invests its funds in accordance with state statutes which require that financial institutions pledge collateral consisting of approved federal or state securities whose market value is equal to at least 50% of the deposits in excess of FDIC insurance coverage. In accordance with state statutes, the Village may have deposits only in financial institutions, federal direct obligations, or the New Mexico State Treasurer's Local Government Pooled Investment Plan.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3. CASH AND CASH EQUIVALENTS – GOVERNMENTAL AND PROPRIETARY FUNDS

	Balance Per Bank June 30	Add Deposits In Transit	Less Outstanding Checks	Balance Per Books June 30
Wells Fargo				
Checking Accounts				
Operating	\$ 1,327,425	\$ 60	\$ 31,541	\$ 1,295,944
EMS	15,248	-	-	15,248
Fire Protection	43,750	-	115	43,635
MVD	1,402	-	-	1,402
Wells Fargo Advisors				
Investments				
Treasury Money Market	118,596	-	335	118,261
GNMA	823	-	-	823
Compass Bank				
Certificate of Deposit	<u>142,258</u>	<u>-</u>	<u>-</u>	<u>142,258</u>
Total cash in banks	<u>\$ 1,649,502</u>	<u>\$ 60</u>	<u>\$ 31,991</u>	1,617,571
Investments in NM State Treasurer				<u>218,177</u>
Total June 30, 2019				<u>\$ 1,835,748</u>
As Reported in the Financial Statements:				
Cash (net of cash overdraft)				\$1,356,228
Investments				<u>479,520</u>
				<u>\$ 1,835,748</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

	Wells Fargo	Compass Bank	Wells Fargo Advisors	Total
Amount on Deposit in Bank	\$ 1,387,825	\$142,258	\$119,419	\$ 1,649,502
FDIC Coverage	<u>(250,000)</u>	<u>(142,258)</u>	<u>(119,419)</u>	<u>(511,677)</u>
Total uninsured public funds	<u>1,137,825</u>	<u>-</u>	<u>-</u>	<u>1,137,825</u>
Collateral pledged				
BNY Mellon FNMA FNMS, 07/01/43, CUSIP: 3138W5CX4	<u>682,838</u>	<u>-</u>	<u>-</u>	<u>682,838</u>
Pledged collateral held by the pledging bank's trust department or agent, not in the Village's name	<u>682,838</u>	<u>-</u>	<u>-</u>	<u>682,838</u>
Uninsured and uncollateralized	<u>\$ 454,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 454,987</u>
Collateral requirement (50% of uninsured funds)	\$ 568,913	\$ -	\$ -	\$ 568,913
Pledged collateral	<u>682,838</u>	<u>-</u>	<u>-</u>	<u>682,838</u>
Over (under) collateralized	<u>\$ 113,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,925</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2019, \$1,137,825 of the Village's bank balance of \$1,649,502 was exposed to custodial credit risk.

Uninsured and uncollateralized	\$ 454,987
Pledged collateral held by the pledging bank's trust department or agent, not in the Village's name	<u>682,838</u>
Total	<u>\$ 1,137,825</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

LGIP Investments

The Village also invests in the New Mexico State Treasurer's Local Government Investment Pool (LGIP) which is not subject to custodial credit risk.

The State Treasurer Local Government Investment Pool is not SEC Registered. Section 6-10-10-I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2019. The State of New Mexico is regulatory oversight entity and participation in the pool is voluntary.

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

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

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

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

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

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

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

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

LGIP is identified on the monthly LGIP investment report found on the State Treasurer's Office website at www.nmsto.gov. As of June 30, 2019, the LGIP WAM (R) was 35 days and the WAM (F) was 112 days. The value of the investment in the LGIP as of June 30, 2018 is the ending balance on the LGIP statements. The Village's June 30, 2019 balance is as follows:

New Mexico LGIP AAAM Rated \$218,177; [35] day WAM (R); [112] day WAM (F)

Non-LGIP Investments

Custodial Credit Risk – Non-LGIP Investments. The Village's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the counter party. The Village purchases investments through the Wells Fargo Advisors account, which holds all U.S. depository – eligible securities with the federally regulated Depository Trust Company or through the Federal Reserve Bank System in Wells Fargo's name. The CDs held in this investment account are FDIC insured. The remaining investments, the Treasury Money Market and the GNMA, are insured under the Securities Investor Protection Corporation (SPIC). The total Investor Protection for Wells Fargo per account is \$500,000, including up to \$250,000 of claims for cash. The Village does not have a formal investment policy to limit this risk.

NM State Statutes require collateral pledged for repurchase agreements in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least 102% of the amount on deposit with the institution. There are no repurchase agreements for the year ended June 30, 2019.

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

Interest Rate Risk – Non-LGIP Investments. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Non-LGIP Investments. The Village's investments in GNMA Securities are backed by the full faith of the United States Government. As of June 30, 2019, these securities were rated AAA by both Standard & Poor's and Moody's Investors Service.

Concentration of Credit Risk – Investments. The Village places no limit on the amount the Village may invest in any one issuer. Approximately 1% of the Village's Wells Fargo Investment Advisors investments are invested in GNMA's.

GASB Statement No. 72 requires investments to be presented at fair value. This statement provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quote prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Basis of Fair Value Measurement

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Village has the ability to access.

- Level 2 Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Village maintained a balance of \$337,261 in investments at June 30, 2019 that require fair value disclosure. The following table sets forth by level, within fair value hierarchy, the Village’s assets at fair value as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment in				
U.S. Treasury Money Market	\$ 118,261	\$ -	\$ -	\$118,261
GNMA Securities	823	-	-	823
LGIP	218,177	-	-	218,177
Total assets at fair value	\$ 337,261	\$ -	\$ -	\$337,261

The Village utilized the market approach to value its investments. GASB Statement No. 72 defines the market approach as using market prices and other information obtained from market transactions with similar or identical assets or liabilities.

NOTE 4. RECEIVABLES

Receivables as of year-end for the Village’s individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4. RECEIVABLES (CONTINUED)

	Governmental Funds			Proprietary Funds			Total
	General Fund	Senior Citizens Fund	Other Governmental Funds	Water Fund	Wastewater Fund	Motor Vehicle Fund	
Receivables							
Customer	\$ -	\$ -	\$ -	\$ 11,498	\$ -	\$ -	\$ 11,498
Taxes							
Gross receipts	119,017	-	11,817	-	2,842	-	133,676
Motor vehicle excise	-	-	-	-	-	5,567	5,567
Franchise	3,354	-	-	-	-	-	3,354
Property	490	-	-	-	-	-	490
Gasoline	-	-	2,660	-	-	-	2,660
Other	30,798	2,779	7,769	18,868	-	7,167	67,381
Other governments	-	73,395	-	-	-	-	73,395
Gross receivables	<u>153,659</u>	<u>76,174</u>	<u>22,246</u>	<u>30,366</u>	<u>2,842</u>	<u>12,734</u>	<u>298,021</u>
Less: allowance for uncollectibles	-	-	-	3,815	-	-	3,815
Net total receivables	<u>\$ 153,659</u>	<u>\$ 76,174</u>	<u>\$ 22,246</u>	<u>\$ 26,551</u>	<u>\$ 2,842</u>	<u>\$ 12,734</u>	<u>\$ 294,206</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers / Adjustments	Ending Balance
Primary Government					
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 708,458	\$ -	\$ -	\$ -	\$ 708,458
Construction in Progress	<u>839,152</u>	<u>611,258</u>	<u>-</u>	<u>(1,186,597)</u>	<u>263,813</u>
Total capital assets not being depreciated	<u>1,547,610</u>	<u>611,258</u>	<u>-</u>	<u>(1,186,597)</u>	<u>972,271</u>
Capital assets, being depreciated					
Infrastructure	4,185,547	93,027	-	548,931	4,827,505
Building and improvements	5,648,876	-	-	637,666	6,286,542
Equipment and vehicles	<u>1,402,436</u>	<u>16,035</u>	<u>-</u>	<u>-</u>	<u>1,418,471</u>
Total capital assets being depreciated	<u>11,236,859</u>	<u>109,062</u>	<u>-</u>	<u>1,186,597</u>	<u>12,532,518</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers / Adjustments</u>	<u>Ending Balance</u>
Primary Government (Continued)					
Governmental Activities (Continued)					
Less accumulated depreciation					
Infrastructure	\$ (857,295)	\$(115,648)	\$ -	\$ -	\$ (972,943)
Building and improvements	(2,272,844)	(170,966)	-	-	(2,443,810)
Equipment and vehicles	<u>(1,282,164)</u>	<u>(28,111)</u>	-	-	<u>(1,310,275)</u>
Total accumulated depreciation	<u>(4,412,303)</u>	<u>(314,725)</u>	-	-	<u>(4,727,028)</u>
Total capital assets being depreciated, net	<u>6,824,556</u>	<u>(205,663)</u>	-	<u>1,186,597</u>	<u>7,805,490</u>
Governmental activities capital assets, net	<u>\$ 8,372,166</u>	<u>\$ 405,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,777,761</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 62,977	\$ 25,001	\$ -	\$ 87,978
Water Rights	54,848	10,000	-	64,848
Construction in Progress	<u>23,497</u>	-	-	<u>23,497</u>
Total capital assets not being depreciated	<u>141,322</u>	<u>35,001</u>	-	<u>176,323</u>
Capital assets, being depreciated				
Infrastructure	8,714,668	-	-	8,714,668
Building and improvements	183,836	-	-	183,836
Equipment and vehicles	<u>1,875</u>	-	-	<u>1,875</u>
Total capital assets being depreciated	<u>8,900,379</u>	-	-	<u>8,900,379</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities (Continued)				
Less accumulated depreciation				
Infrastructure	\$ (3,555,976)	\$ (236,528)	\$ -	\$ (3,792,504)
Building and improvements	(131,420)	(6,128)	-	(137,548)
Equipment and vehicles	(1,875)	-	-	(1,875)
Total accumulated depreciation	<u>(3,689,271)</u>	<u>(242,656)</u>	<u>-</u>	<u>(3,931,927)</u>
Total capital assets being depreciated, net	<u>5,211,108</u>	<u>(242,656)</u>	<u>-</u>	<u>4,968,452</u>
Business-type activities capital assets, net	<u>\$ 5,352,430</u>	<u>\$ (207,655)</u>	<u>\$ -</u>	<u>\$ 5,144,775</u>

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

Governmental Activities

General government	\$ 300,984
Highways and streets	9,676
Public safety	<u>4,065</u>
Total depreciation expense	<u>\$ 314,725</u>

Business-type Activities

Water and sewer	<u>\$ 242,656</u>
Total depreciation expense	<u>\$ 242,656</u>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables and Payables. The interfund balance at June 30, 2019 relates to a deficit in the Senior Citizens Fund for state intergovernmental expenditures that were paid of pooled cash in the General Fund, and for which there is an amount due from other governments. All interfund balances are intended to be repaid within one year. The composition of interfund balances as of June 30, 2019 is as follows:

Fund Description	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund	\$ 17,431	\$ -
Senior Citizens Fund	<u>-</u>	<u>17,431</u>
	<u>\$ 17,431</u>	<u>\$ 17,431</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Interfund Transfers. Legally authorized transfers between funds are recorded as other financing sources and uses in the respective funds.

The composition of interfund transfers for the year are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds		
General Fund	\$ 50,530	\$ 304,946
Fire Protection Fund	-	900
Senior Citizens Fund	-	662
Capital Projects	299,553	33,188
Other governmental funds	-	12,059
 Proprietary Fund		
Water Fund	551	294
Wastewater Fund	-	2,842
Motor Vehicle Funds	4,435	178
	<u>\$ 355,069</u>	<u>\$ 355,069</u>

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

NOTE 7. DEBT AND OTHER LONG-TERM LIABILITIES

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

Long-Term Debt – Enterprise Funds. The Village has entered into a loan agreement with the New Mexico Finance Authority (NMFA), pursuant to Village Ordinance No. 144, dated October 22, 2010. The proceeds of the note were used for the Phase III Water System Improvement Schematic. The principal amount of the loan was \$135,148, with 0.0% interest and an NMFA administrative fee of 0.25%. Principal and administrative fee payments are due June 1st of every year. The note matures in 2030. The loan is collateralized by the net revenues of the water utility system.

The Village has entered into a loan agreement with the New Mexico Finance Authority (NMFA), pursuant to Village Ordinance No. 337, dated September 25, 2015 in the amount of \$60,350 with a 0.25% interest rate. The proceeds of the note were used for the PHASE III Water System Improvement Schematic. Principal and interest payments are due June 1st and interest due December 1st of every year. The note matures in 2035.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

June 30,	Principal	Interest	Admin. Fee	Total
2020	\$ 9,771	\$ 123	\$ 188	\$ 10,082
2021	9,795	116	171	10,082
2022	9,820	108	154	10,082
2023	9,844	100	137	10,082
2024	9,869	93	120	10,082
2025-2029	49,716	348	344	50,409
2030-2034	22,493	156	17	29,603
2035	<u>3,082</u>	<u>8</u>	<u>-</u>	<u>6,292</u>
	<u>\$ 124,390</u>	<u>\$ 1,053</u>	<u>\$ 1,132</u>	<u>\$ 136,713</u>

Changes in Long-term Liabilities – Enterprise Funds. Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Note Payable	<u>\$ 134,192</u>	<u>\$ -</u>	<u>\$ 9,802</u>	<u>\$ 124,390</u>	<u>\$ 9,771</u>

NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Public Employees Retirement Fund is a cost-sharing, multiple employer-defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Benefits provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II. The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

PERA Contribution Rates and Pension Factors in effect during FY18						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the Village reported a liability of \$436,858 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was 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 of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The Village’ proportion of the net pension liability was based on a projection of the Village long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Village proportion was 0.0274%, which was an increase of 0.0153% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village recognized pension expense of \$77,246. At June 30, 2019, Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,626	\$ 11,469
Changes of assumptions	39,607	2,512
Net difference between projected and actual earnings on pension plan investments	32,400	-
Changes in proportion and differences between between contributions and proportionate share of contributions	144,695	65,356
Village contributions subsequent to the measurement date	<u>28,692</u>	<u>-</u>
Total	<u>\$ 258,020</u>	<u>\$ 79,337</u>

\$28,692 reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2020	\$ 61,306
2021	35,453
2022	51,138
2023	2,094
2024	<u>-</u>
Total	<u>\$ 149,991</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA FUND

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%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.5% annual rate for first 9 years, then 2.75% all other years
Mortality Assumption	The mortality 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	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	43.50%	7.48%
Risk reduction and mitigation	21.50%	2.37%
Credit oriented fixed income	15.00%	5.47%
Real assets	<u>20.00%</u>	6.48%
Total	<u>100.0%</u>	

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Discount rate: A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Village’s proportionate share of the net pension liability to changes in the discount rate. The following presents the Village proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Village proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

PERA Fund Division - General Division	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Village's proportionate share of the net pension liability	\$ 673,168	\$ 436,858	\$ 241,509

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

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

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

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

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

Employees covered by benefit terms. At June 30, 2018, the Fund’s measurement date, the following State of New Mexico employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>93,349</u>

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Village were \$5,939 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2019, the Village reported a liability of \$299,602 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Village’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the Village’s proportion was 0.00689%.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

For the year ended June 30, 2019, the Village recognized OPEB expense of \$13,899. At June 30, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 17,738
Differences between actual and projected earnings on OPEB plan investments	-	3,739
Changes of assumptions	-	55,934
Changes in Proportion	67,480	-
Contributions made after the measurement date	<u>5,939</u>	<u>-</u>
Total	<u>\$ 73,419</u>	<u>\$ 77,411</u>

Deferred outflows of resources totaling \$5,939 represent Village contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	
2020	\$ (5,372)
2021	(5,372)
2022	(5,372)
2021	(892)
2022	<u>7,077</u>
Total	<u>\$ (9,931)</u>

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

Valuation Date	June 30, 2018
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	20%	2.1%
U.S. equity - large cap	20%	7.7%
Non U.S. - emerging markets	15%	10.2%
Non U.S. - developed equities	12%	7.8%
Private equity	10%	11.8%
Credit and structured finance	10%	5.3%
Real estate	5%	4.9%
Absolute return	5%	4.1%
U.S. equity - small/mid cap	3%	7.1%

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the Village, as well as what the Village's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the **current discount rate**:

1% Decrease (3.08%)	Current Discount (4.08%)	1% Increase (5.08%)
\$ 362,589	\$ 299,602	\$ 249,954

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

1% Decrease	Current Trend Rates	1% Increase
\$ 253,268	\$ 299,602	\$ 335,928

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2018.

NOTE 10. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has obtained insurance through the New Mexico Self Insurers' Fund operating as a common risk management and insurance program. The Village pays an annual premium to the New Mexico Self Insurers' Fund for its general insurance coverage and all risk of loss is transferred. No losses were reported or incurred during the fiscal year ended June 30, 2019.

NOTE 11. JOINT POWERS AGREEMENTS

The Village entered into an agreement with the Energy, Minerals and Natural Resources Department (EMNRD) for wildland fire protection and suppression. Both EMNRD and the Village will provide both Non-Reimbursable and Reimbursable Assistance in the control and suppression of wildland fires. This agreement is effective March 6, 2009 and is ongoing unless terminated by either party by written notification at least 90 days prior to

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11. JOINT POWERS AGREEMENTS (CONTINUED)

the termination date. During the fiscal year ending June 30, 2019, no money was received and no money was paid out under this agreement.

The Village entered into a memorandum of understanding (MOU) for mutual and/or automatic aid for fire protection and emergency medical service with the City of Albuquerque and Bernalillo Village. No party to this MOU is entitled to any reimbursement or compensation for all or any part of the cost incurred by such party in furnishing either mutual or automatic aid in emergency responses and in preserving life and property, except as negotiated by the parties for particular assignments in advance of performance. This MOU is effective, unless terminated by either party upon a thirty-day written notification.

NOTE 12. CAPITAL OUTLAY APPROPRIATIONS

The Village’s capital outlay appropriations are as follows:

<u>Capital Project</u>	<u>Project Appropriations</u>	<u>Expenditures to Date</u>	<u>Unexpended Balance</u>	<u>Appropriation Period</u>
Patricia Garcia Walkway	\$ 78,000	\$ 43,933	\$ 34,067	9/18 to 9/20
Total	<u>\$ 78,000</u>	<u>\$ 43,933</u>	<u>\$ 34,067</u>	

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

NOTE 13. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS

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

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

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

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

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS (CONTINUED)

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

In May 2019, GASB Statement No. 91, *Conduit Debt Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The University is still evaluating how this pronouncement will affect future financial statements.

NOTE 14. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally Accepted Accounting Principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds: The Village did not have any funds with deficit fund balances.
- B. Excess of expenditures over appropriations: The Village did not adopt a legal budget for the year ended June 30, 2019. Therefore, all expenditures are not in compliance with budgetary requirements.
- C. Designated cash appropriations in excess of available balances: The Village did not have any funds with designated cash appropriations in excess of available balances for the year ended June 30, 2019.

NOTE 15. SUBSEQUENT EVENTS

Events subsequent to June 30, 2019 have been evaluated by management through September 8, 2020, the date the financial statements were available for issuance. In the opinion of management, no events occurring after June 30, 2019 require adjustment or disclosure in the financial statement.

NOTE 16. RESTRICTED FUND BALANCES

Fund balances were restricted for the following purposes:

Subsequent Years Expenditures. The New Mexico Department of Finance and Administration (DFA) requires that 1/12th of the general fund budgeted expenditures be restricted as subsequent year expenditures to maintain an adequate cash flow until the next significant GRT collection.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 17. CONTINGENCY

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

NOTE 18. TAX ABATEMENTS

Governmental Accounting Standards Board Statement No 77 requires the Village to disclose information on certain tax abatement agreements affecting the Village. There were no tax abatements affecting the Village during the year ended June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)
FOR THE YEARS ENDED JUNE 30, 2019 - 2015
LAST 10 FISCAL YEARS* (UNAUDITED)
(Dollars in Thousands)

	Fiscal Year Measurement Date	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
Village's proportion of the net pension liability (asset)		0.0274%	0.0121%	0.0236%	0.0242%	0.0181%
Village's proportionate share of net pension liability (asset)		\$ 436,858	\$ 166,264	\$ 377,049	\$ 246,740	\$ 141,199
Village's covered Payroll		\$ 292,073	\$ 223,517	\$ 318,384	\$ 316,811	\$ 236,954
Village's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll		149.57%	74.39%	118.43%	77.88%	59.59%
Plan fiduciary net position as a percentage of total pension liability		71.13%	73.74%	69.18%	76.99%	81.29%

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Village is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See Notes to Required Supplementary Information.

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF THE VILLAGE'S PENSION CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)
FOR THE YEARS ENDED JUNE 30, 2019 - 2015
LAST 10 FISCAL YEARS* (UNAUDITED)
(Dollars in Thousands)

	June 30,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required	\$ 28,692	\$ 22,077	\$ 19,322	\$ 39,350	\$ 22,792
Contributions in relation to statutorily required contributions	<u>\$ 28,692</u>	<u>\$ 22,077</u>	<u>\$ 19,322</u>	<u>\$ 38,756</u>	<u>\$ 21,968</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 594</u>	<u>\$ 824</u>

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Village is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See Notes to Required Supplementary Information.

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
RETIREE HEALTHCARE AUTHORITY (RHCA)
FOR THE YEAR ENDED JUNE 30, 2019 – 2018
FOR LAST 10 FISCAL YEARS* (UNAUDITED)
(Dollars in Thousands)

	Fiscal Year Measurement Date	2019 2018	2018 2017
Proportion of the Net OPEB Liability (Asset)		0.0069%	0.0054%
Proportionate Share of Net OPEB Liability (Asset)		\$ 299,602	\$ 245,617
Covered Employee Payroll		\$ 295,623	\$ 225,778
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll		101.35%	108.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		13.14%	11.34%

**Governmental Accounting Standards Board Statement 75* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village is not available prior to fiscal year 2018, the year the statement's requirements became effective.

See Notes to Required Supplementary Information.

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF THE VILLAGE'S OPEB CONTRIBUTIONS
RETIREE HEALTHCARE AUTHORITY (RHCA)
FOR THE YEAR ENDED JUNE 30, 2019 - 2018
FOR LAST 10 FISCAL YEARS* (UNAUDITED)
(Dollars in Thousands)

	June 30,	
	2019	2018
Contractually required contributions	\$ 10,767	\$ 17,211
Contributions in relation to the contractually required contribution	<u>\$ 10,635</u>	<u>\$ 8,638</u>
Contribution deficiency (excess)	<u>\$ 132</u>	<u>\$ 8,573</u>
Covered payroll	\$ 295,623	\$ 225,778
Contributions "in relation" as a percentage of covered employee payroll	3.60%	3.83%

**Governmental Accounting Standards Board Statement 75* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village is not available prior to fiscal year 2018, the year the statement's requirements became effective.

See Notes to Required Supplementary Information.

STATE OF NEW MEXICO
VILLAGE OF TIJERAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2019

NOTE 1. PENSION AND OPEB PLAN SCHEDULES

PERA PLAN

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

Changes of assumptions: The Public Employees Retirement Association of New Mexico Annual Actuarial Valuations as of June 2018 report is available at <http://www.nmpera.org/>

RHCA PLAN

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

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

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
FUND DESCRIPTIONS
JUNE 30, 2019**

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Municipal Street Fund - accounts for revenues received for the levy of a tax per gallon of gasoline purchased within the Village boundaries, pursuant to the Village and Municipal Gasoline Tax Act, NMSA 7-21-1. Expenditures from this fund may be used for bridge and road projects on transit routes; for purchasing, maintaining or operating transit facilities; for operating a transit authority; for operating a vehicle emissions inspection program; or for road, street or highway construction, repair or maintenance on transit routes. Financing is also provided by grants from the New Mexico Department of Transportation.

EMS Fund - authorized by State Statute 24-10A-1 to 24-10A-10, to account for operations of emergency medical and trauma services. Financing is provided by the EMS grant.

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 3019**

	Special Revenue		
	EMS Fund	Municipal Street Fund	Total
ASSETS			
Cash	\$ 15,248	\$ 226,713	\$ 241,961
Accounts receivable (net of allowance for uncollectible)	-	22,246	22,246
Total assets	\$ 15,248	\$ 248,959	\$ 264,207
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 116	\$ 310	\$ 426
Accrued payroll liabilities	-	813	813
Interfund payable	-	-	-
Total liabilities	116	1,123	1,239
FUND BALANCES			
Restricted for:			
Special revenue	15,132	247,836	262,968
Total fund balances	15,132	247,836	262,968
Total liabilities and fund balances	\$ 15,248	\$ 248,959	\$ 264,207

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue		
	EMS Fund	Municipal Street Fund	Total
REVENUES			
Taxes			
Gross Receipts	\$ -	\$ 108,846	\$ 108,846
Gasoline	-	6,433	6,433
Intergovernmental			
State grants	20,000	-	20,000
Charges for services	-	-	-
Miscellaneous	60	-	60
Total revenues	20,060	115,279	135,339
EXPENDITURES			
Current operations			
Public safety	12,996	-	12,996
Highways and streets	-	129,540	129,540
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	12,996	129,540	142,536
Excess (deficiency) of revenues over (under) expenditures	7,064	(14,261)	(7,197)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	(12,059)	(12,059)
Total other financing sources (uses)	-	(12,059)	(12,059)
Net change in fund balances	7,064	(26,320)	(19,256)
Fund balances, beginning of year	8,068	274,156	282,224
Fund balances, end of year	\$ 15,132	\$ 247,836	\$ 262,968

See Accompanying Notes.

OTHER SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

COMPLIANCE SECTION



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

Members of the Village Council
Jake Bruton, Mayor
Village of Tijeras
Tijeras, New Mexico and
Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

We were engaged to 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, the financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds of the Village of Tijeras (the “Village”), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Village’s basic financial statements, and have issued our report thereon dated September 8, 2020. Our report disclaims an opinion on such financial statements because the Village was unable to provide sufficient evidential matter in support of certain transactions and account balances, as presented in the Village’s financial statements as of and for the year ended June 30, 2019, as there was a pervasive lack of supporting documentation across certain major transaction cycles. Additionally, the Village could not provide sufficient evidence they adopted a budget.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Village’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in

Members of the Village Council
Jake Bruton, Mayor
Village of Tijeras and
Mr. Brian Colón, Esq.
New Mexico State Auditor

internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2019-003, 2019-005, and 2019-006.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as items 2019-002, 2019-007, 2019-008, 2019-009, 2019-011, 2019-012, 2019-013, and 2019-014.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the schedule of findings and responses as items 2019-001, 2019-004, 2019-008, 2019-009, 2019-010, and 2019-011. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the basic financial statements, other instances of non-compliance or other matters may have been identified and reported herein.

The Village's Response to Findings

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

Purpose of this Report

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



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
September 8, 2020

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

Financial Statement Findings

2014-001	Expenditures in Excess of Budget	Repeated and Modified
2015-003	Journal Entries and Errors in Posting Transactions	Repeated and Modified
2017-002	Financial Close and Reporting	Repeated and Modified
2017-003	Grant Activities Monitoring	Repeated
2017-004	Segregation of Duties	Repeated and Modified
2017-005	Controls Over Disbursements	Repeated and Modified
2017-006	Controls Over Payroll	Resolved
2017-007	Timeliness of PERA Contributions	Repeated and Modified
2017-008	Capital Assets Certification	Repeated
2017-009	Travel and Per Diem	Repeated and Modified
2017-010	Anti-Donation Clause (Scrap Metal)	Resolved
2018-001	Purchasing Card – Potential Fraud	Resolved
2018-002	Procurement Code Violation	Resolved
2018-003	Water Utility Operations	Repeated and Modified

NM Office of the State Auditor’s Special Audit Findings (Issued May 2018):

2018-001S	Potential Violation of the Governmental Conduct Act	Resolved
2018-002S	Governing Board not Exercising Control over Finances NMSA 1978, Section 3-12-3 (A)	Resolved
2018-005S	Anti-Donation of Public Monies Related to the PERA Reimbursements	Resolved
2018-006S	Payroll Taxes were not Withheld from the PERA Reimbursement Checks, as Required under IRC	Resolved
2018-009S	Improper Payments through Reimbursement Checks that may also Violate Anti-Donation Clause and may Result in a Referral for Possible Criminal Activity	Repeated and Modified <i>(Combined with finding 2019-008)</i>
2018-010S	State Fire Marshal Fund Expended for Purchases of Food and Paper Goods	Resolved
2018-011S	Management Could Not Provide all Requested Information	Repeated and Modified <i>(Combined with findings 2019-002, 2019-003, 2019-009, and 2019-012)</i>
2018-013S	Violation of Village Personnel Ordinance No. 157 with Regard to Nepotism Policy	Resolved
2018-014S	Use of Duplicate Check Numbers	Resolved

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

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified not considered to be material weakness(es)? Yes
- Non-compliance material to financial statements noted? Yes

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

SECTION II – FINANCIAL STATEMENT FINDINGS

2019-001 (PREVIOUSLY REPORTED AS 2014-001) BUDGET - REPEATED AND MODIFIED

TYPE OF FINDING: Material Non-compliance

CONDITION

The Village Council adopted resolutions to approve a fiscal year 2019 budget and subsequently to approve several budget adjustments. However, copies of attachments that correspond to these resolutions could not be provided. Therefore, the Village was unable to provide sufficient evidence that the Village Council adopted a legal budget for fiscal year 2019. The original and final budget figures presented in the Statements of Revenues and Expenditures Budget and Actual are from the Local Government Budget Management System (LGBMS) and were approved by DFA-LGD.

Management did not make any progress in correcting this prior year finding. Prior year iterations of the budget finding, which has repeated since FY14, related to the over-expenditure of the approved budget for that fiscal year. However, there was no legally adopted budget in FY1 and, therefore, all expenditures during the fiscal year are not in compliance with legal requirements. In comparing to the figures presented in LGBMS, we noted excess expenditures over budget in the following funds:

<u>Fund</u>	<u>Amount</u>
General Fund	\$20,303
Fire Protection Fund	\$20,706
Senior Citizens Fund	\$10,123

CRITERIA

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

EFFECT

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

CAUSE

The Village does not have effective procedures in place to properly ensure that records are maintained and recorded correctly by account and/or fund. A copy of the approved budget had been uploaded to LGBMS; however, the file was corrupted and could not be recovered.

RECOMMENDATION

The Village Council should adopt a budget in compliance with all legal requirements. The Village should establish procedures and provide training to the accounting staff to ensure that transactions are entered into the accounting software accurately, timely, and maintained properly. BARs including estimates for accounting adjustments should be prepared timely at year-end.

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-001 (PREVIOUSLY REPORTED AS 2014-001) BUDGET - REPEATED AND MODIFIED (CONTINUED)

MANAGEMENT RESPONSE

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

Due Date of Completion: June 30, 2021

Responsible Party: Village Council, Mayor, and Clerk Treasurer

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-002 (PREVIOUSLY REPORTED AS 2015-003) JOURNAL ENTRIES - REPEATED AND MODIFIED

TYPE OF FINDING: Significant Deficiency

CONDITION

In reviewing journal entries for the year ended June 30, 2019, it was noted that journal entries are posted to QuickBooks, but that documentation supporting the rationale for the journal entry is not maintained. Journal entries are not being reviewed or approved by someone other than the preparer of the journal entries. The Village also posted entries during the fiscal year that required correction as part of the annual audit. 25 of 25 journal entries examined did not have supporting documentation.

Management did not make any progress in correcting this prior year finding.

CRITERIA

A good internal control structure will ensure that those journal entries are sufficiently supported so that someone other than the preparer of the journal entry can review them.

EFFECT

Financial information of the Village could be misstated if improper journal entries are posted to the accounting system.

CAUSE

The Village did not have effective procedures in place to properly review and authorize journal entries.

RECOMMENDATION

The Village should establish procedures to ensure that the supporting documentation for all journal entries is properly maintained. Journal entries should be reviewed and approved by someone other than the preparer of the journal entries.

MANAGEMENT RESPONSE

Corrective Action: The Finance Director will ensure that an internal control procedure is documented and begun whereby supporting documentation is attached to a printout of each journal entry.

Due Date of Completion: June 2021

Responsible Party: Mayor, Clerk-Treasurer position and Finance Director

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-003 CAPITAL ASSET LISTING AND DEPRECIATION SCHEDULE

TYPE OF FINDING: Material Weakness

CONDITION

The Village did not properly maintain its capital asset listing and depreciation schedule for capital assets for the year ended June 30, 2019. We tested all FY19 additions to capital assets. Five of the 21 line-items tested did not have supporting documentation. These 5 items totaled \$326,249, \$212,049 of which was in proprietary activities, and \$114,200 in governmental activities.

During test-work of capital assets, several adjustments were required to agree the Village's capital asset listing to the financial records. The Village does not differentiate the account codes for Net Assets – Capital Assets for governmental activities and business type activities. The Village is capitalizing items at the fund level instead of the government wide level for governmental related activities. Construction in Progress required several adjustments. Management has not made progress in correcting this prior year finding.

CRITERIA

The Village must have effective capital assets policies and procedures to provide accountability for the safeguarding of assets in accordance with GASB statement No. 34.

EFFECT

Financial information of the Village could be misstated if records regarding capital assets are not properly maintained. Several revisions of the capital asset records were a contributing factor in the Village's audit report not being filed by the December 15, 2019 due date.

CAUSE

The Village did not have effective procedures in place that properly ensure records pertaining to capital assets are updated timely. Village personnel do not appear to have an understanding that capital assets are recorded differently for governmental activities versus capital assets in the business-type activities.

RECOMMENDATION

The Village should establish procedures to ensure that the depreciation schedule is updated as needed. Village personnel in charge of capital asset should obtain training with respect to the recording of capital assets for governmental activities.

MANAGEMENT RESPONSE

Corrective Action: The Village Clerk will see that appropriate software is purchased to properly manage fixed assets. Personnel will be trained, and fixed assets will be managed according to governmental accounting guidelines.

Due Date of Completion: June 2021

Responsible Party: Mayor, Clerk-Treasurer position and Finance Director

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-004 LATE AUDIT REPORT

TYPE OF FINDING: Other Non-compliance

CONDITION

The audit report for the year ended June 30, 2019 was submitted to the New Mexico State Auditor after the required deadline of December 15, 2019.

CRITERIA

Audits of Municipalities must be submitted by December 15 in accordance with the New Mexico State Audit Rule 2.2.2.9A.

EFFECT

Delays in submission of the audit report affect the village's ability to report timely financial information to other state agencies and local governments. Without timely audit reports, funding could be affected in future years, as the State of New Mexico, through Governor's Executive Order 2013-006, prohibits funding of capital outlay projects without timely audit reports. Untimely audit reports could hinder the Village's finances and ability to receive state or federal funding for future projects.

CAUSE

The Village experienced various personnel turnover in accounting related positions during the fiscal year. As a result, the Village experienced several unexpected challenges with reconciling its accounting records. Additionally, the Village had deficiencies in its financial close and reporting procedures (See Audit Finding 2019-005).

RECOMMENDATION

The Village should establish procedures to ensure that future audits are submitted timely.

MANAGEMENT RESPONSE

Correction Action: The Village will follow the recommended timeline provided by the State Auditor's office.

Due Date of Completion: June 2021

Responsible Party: Mayor, Clerk-Treasurer position and Finance Director

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-005 (PREVIOUSLY REPORTED AS 2017-002) FINANCIAL CLOSE AND REPORTING – REPEATED AND MODIFIED

TYPE OF FINDING: Material Weakness

CONDITION

The Village relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). Currently, there is no accounting staff with the knowledge to prepare such statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. The Village could not timely gather all necessary information to convert their cash basis accounting information into financial statements prepared in accordance with GAAP. The Village had no employee capable of preparing the financial statements in accordance with GAAP.

It was necessary for the independent auditor to obtain a new trial balance, as the Village's transfers were out of balance.

The Village did not make progress towards correcting this audit finding during the fiscal year under audit. Subsequent to fiscal year-end, the Village has taken corrective action towards making progress by hiring a third-party Accountant and a new Village Clerk/Manager.

CRITERIA

According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well-designed systems include controls over financial statement preparation.

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

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-005 (PREVIOUSLY REPORTED AS 2017-002) FINANCIAL CLOSE AND REPORTING - REPEATED AND MODIFIED (CONTINUED)

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

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

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

EFFECT

Because Village personnel lack the ability to prepare the financial statements, there is an increased risk that a misstatement of the Village's financial statements, that is more than inconsequential, will not be prevented or detected.

CAUSE

Village accounting staff lack the ability to prepare financial statements and the associated disclosures without 3rd party accountant assistance. When audit services are sought, there is a requirement that the auditor will prepare the financial statements. In the past, this may have been sufficient; however, the issuance of AU Section 325 "Communicating Internal Control Related Matters Identified in an Audit," now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

RECOMMENDATION

Village accounting staff should attend seminars or obtain other education on governmental financial reporting to increase their knowledge and abilities. A Clerk-Treasurer with strong governmental accounting background should be hired. Alternatively, the Village should contract with a CPA who has these abilities.

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-005 (PREVIOUSLY REPORTED AS 2017-002) FINANCIAL CLOSE AND REPORTING - REPEATED AND MODIFIED (CONTINUED)

MANAGEMENT RESPONSE

Corrective Action: The Village has considered other software options, but because of the costly nature of changing software, the Village will update to 2021 QuickBooks software because current version will become unsupported. This update will include asset management software. QuickBooks will be utilized to meet the LGBMS requirements and to correctly isolate funds upon entry rather than after the fact.

Due Date of Completion: June 2021

Responsible Party: Mayor, Clerk-Treasurer position

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-006 (PREVIOUSLY REPORTED AS 2017-003) GRANT ACTIVITIES MONITORING - REPEATED

TYPE OF FINDING: Material Weakness

CONDITION

The Village does not properly monitor grant activities and maintain the related records at the Village.

Management did not make any progress in correcting this prior year finding.

CRITERIA

Section 6-6-3 of NMSA 1978 discusses the need for the Village to keep all the books, records and accounts in their respective office in the form prescribed by the local government division and conform to the rules and regulations adopted by the local government division. Good accounting practices require that controls be established to ensure that grants are properly recorded.

EFFECT

Poor grant monitoring and retention of records at the Village is a contributing factor to the independent auditor having difficulties auditing the capital projects fund.

CAUSE

The Village did not effectively oversee its grant activity accounting records for the fiscal year. This was due to various personnel transitions within the Village's finance department.

RECOMMENDATION

The Village should establish procedures to ensure that all grants are effectively monitored and accounted for. Requests for Reimbursement should be properly supported. Grant expenditures should be properly supported. A cumulative report on unexpended grant balances should be maintained. Supporting documentation for grant matching requirements should be maintained. The general ledger should be monitored to ensure that grant activity is properly posted. Accounts receivable, payable, and unearned revenue must be identified in advance of the audit. The capital projects fund balance must roll forward from one audit to the next.

MANAGEMENT RESPONSE

Corrective Action: The Finance Director will prepare and present monthly account balances for all grants and funds to Council. The Clerk will institute a more comprehensive filing procedure for grant related documents. The Clerk, Deputy Clerk, and Finance Director will seek training on grant management.

Due Date of Completion: June 2021

Responsible Party: Mayor and Finance Director

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-007 (PREVIOUSLY REPORTED AS 2017-004) SEGREGATION OF DUTIES – REPEATED AND MODIFIED

TYPE OF FINDING: Significant Deficiency

CONDITION

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

- The Finance Director opens the mail, prepares the deposit, sometimes takes the deposits to the bank, and posts the deposits to QuickBooks.
- The Deputy Clerk approves her own timecards.
- The Finance Director and Deputy Clerk have signatory authority on the bank account as well as full access to the general ledger (QuickBooks).

Management did not make any progress in correcting this prior year finding.

CRITERIA

The codification of Statements on Auditing Standards (AU-C) Section 200 paragraph .05 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

EFFECT

Without adequate segregation of duties in key control processes, there is an increased risk of fraudulent activity, and an increased risk of errors that may not be detected timely.

CAUSE

Due to limited resources, the Village relies on the expertise of a couple individuals to perform many duties.

RECOMMENDATION

The Village should conduct a study of tasks performed by all finance related positions and reassign tasks to the extent possible, so that segregation of duties is appropriate. Access should be limited to read-only when possible, and the Mayor and Council should review monthly reports printed from QuickBooks.

MANAGEMENT RESPONSE

Corrective Action: The Clerk will open mail, the Financial Admin Assistant will create deposits, the Finance Director will post into QuickBooks, and the Deputy Clerk will monitor work on payroll done by Financial Admin Assistant. The Deputy Clerk will no longer access to the bank account or check signing. The Village will utilize the Financial Review Committee, made up of the Clerk, Mayor, and one Village Councilor that will double checks invoices before checks are signed. Internal procedure will be implemented and created proactively. The Mayor and Clerk will be primary signers and the Financial Admin Assistant will be the emergency signer.

Due Date of Completion: June 2021

Responsible Party: Mayor and Finance Director

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-008 (PREVIOUSLY REPORTED AS 2017-005) CONTROLS OVER DISBURSEMENTS – REPEATED AND MODIFIED

TYPE OF FINDING: Significant Deficiency and Other Non-compliance

CONDITION

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

- Deficiency of design or implementation on Processing of Disbursement since the Deputy clerk is also an admin of Quick Books, has access to online bank, initiates and signs checks, records checks in Quick books and makes Journal Entry.

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

- 1 of 8 purchase card disbursements tested did not have a demonstrated, legitimate governmental purpose. The disbursement was for \$1,119, and was related to spousal travel to accompany Village officials to an out of state conference. The amount was reimbursed to the Village.

The Village has made progress and most items were provided supporting documents.

CRITERIA

NMSA 1978, Section 6-5-8, states that purchases for goods and services, other than personnel, must be accompanied by supporting invoices and documentation.

Personal purchases are expressly prohibited under Procurement Card policies.

EFFECT

Lack of supporting documentation for purchases increase the risk for improper purchases.

Expenditures on personal purchases are a misuse of public funds.

CAUSE

The Village did not follow established internal control procedures in processing these transactions.

RECOMMENDATION

The Village should establish controls over cash and purchase card disbursements where all supporting documentation for purchases are maintained and filed in a manner that they are readily available when needed.

MANAGEMENT RESPONSE

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

Due Date of Completion: June 2021

Responsible Party: Mayor and Finance Director

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-009 (PREVIOUSLY REPORTED AS 2017-007) TIMELINESS OF PERA CONTRIBUTIONS – REPEATED AND MODIFIED

TYPE OF FINDING: Significant Deficiency and Other Non-compliance

CONDITION

From our PERA contributions testing, we concluded that the Village was not timely in its remittance of PERA contributions. 11 of 26 payments were not remitted by the fifth working day following the pay date of the applicable pay period. Supporting documentation for FY19 remittances could not be provided by the Village, and we were therefore unable to confirm the amounts remitted were complete and accurate.

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

CRITERIA

Per NMAC 2.80.500.8.B, employers shall transmit to PERA the member and employer contributions for every member in its employ for each pay period on or before the fifth working day following the payday applicable to the pay period.

EFFECT

The Village could be subject to penalties of \$50 per day and associated interest for each late remittance.

CAUSE

Due to various transitions within the Village's finance department, PERA contributions were not consistently being remitted in a timely manner.

RECOMMENDATION

The Village should establish procedures to ensure that PERA contributions are remitted timely in accordance with applicable statutes. All employees responsible for processing payroll and payroll related reporting must be trained and this must be monitored, including accountability for non-compliance.

MANAGEMENT RESPONSE

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

Due Date of Completion: June 2021

Responsible Party: Finance Director

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-010 (PREVIOUSLY REPORTED AS 2017-008) CAPITAL ASSET CERTIFICATION – REPEATED

TYPE OF FINDING: Other Non-compliance

CONDITION

It was noted during test-work that the Village did not perform a capital asset inventory for the fiscal year ended June 30, 2019 and the governing body did not certify it at or around year-end.

The Village did not make progress on this finding.

CRITERIA

The New Mexico Administrative Code 2.20.1.16A and E requires the Village to conduct a physical inventory of its capital assets and present the results in a written inventory report, certified as to its correctness and signed by the governing authority of the entity.

EFFECT

The Village does not comply with the state administrative code. The Village's capital asset listing was not reviewed for the fiscal year ended June 30, 2019, which may result in the unauthorized use or loss of Village assets. Additionally, an accurate, up-to-date listing of capital assets is essential for Village planning.

CAUSE

Due to various transitions within the Village's finance department, the Village was unable to perform an inventory of its capital assets and present a report to the Village Council.

RECOMMENDATION

The Village should conduct an annual inventory of its capital assets to meet State requirements and to ensure that only active, in-service capital assets are included on the Village's financial statements. The written report should be certified as to its correctness and be signed by the Village Council.

MANAGEMENT RESPONSE

Corrective Action: The Village will get software to do this and complete in time to submit for fiscal year 2021.

Due Date of Completion: June 2021

Responsible Party: Mayor, Clerk-Treasurer position

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-011 (PREVIOUSLY REPORTED AS 2017-009) TRAVEL AND PER DIEM – REPEATED AND MODIFIED

TYPE OF FINDING: Significant Deficiency and Other Non-compliance

CONDITION

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

- 2 of 10 items tested, totaling \$306.20, did not contain proper receipt documentation to fully support the travel and per diem reimbursements.
- 5 of 10 items tested, totaling \$808.63, did not reimburse for the correct mileage on the reimbursement form. As a result, the Village overpaid \$150.71 in mileage reimbursements. Meetings less than 35 miles away should not be reimbursed for. Supporting documentation provided consisted of a Personal Vehicle Mileage Reimbursement Form with no support for the miles reported on the form.

The Village did not make progress in correcting this finding from the prior year.

CRITERIA

DFA Rule 95-1 States, in pertinent part:

- A. Applicability: Per diem rates shall be paid to public officers and employees only in accordance with the provisions of this section. Per diem rates shall be paid without regard to whether expenses are actually incurred. Where lodging and/or meals are provided or paid for by the agency, the governing body, or another entity, the public officer or employee is entitled to reimbursement only for actual expenses under 2.42.2.9 NMAC.
- B. Per diem rate computation: Except as provided in Subsections C through I of this Section, per diem rates for travel by public officers and employees shall be computed as follows:
 - (1) Partial day per diem rate: Public officers or employees who occasionally and irregularly travel shall be reimbursed for travel which does not require overnight lodging, but extends beyond a normal workday as follows:
 - (a) for less than 2 hours of travel beyond normal workday, none;
 - (b) for 2 hours, but less than 6 hours beyond the normal workday, \$12.00;
 - (c) for 6 six hours, but less than 12 hours beyond the normal workday, \$20.00;
 - (d) for 12 hours or more beyond the normal workday, \$30.00;
 - (e) “Occasionally and irregularly” means not on a regular basis and infrequently as determined by the agency. For example, an employee is not entitled to per diem rates under this subparagraph if the employee either travels once a week or travels every fourth Thursday of the month. However, the employee is entitled to per diem rates under this subparagraph if the employee either travels once a month with irregular destinations and at irregular times or travels four times in one month and then does not travel again in the next two months, so long as this is not a regular pattern.
 - (f) “Normal workday” means 8 hours within a nine-hour period for all public officers and employees both salaried and non-salaried, regardless of the officers’ or employees’ regular work schedule.

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-011 (PREVIOUSLY REPORTED AS 2017-009) TRAVEL AND PER DIEM – REPEATED AND MODIFIED (CONTINUED)

- (2) Overnight travel: Regardless of the number of hours traveled, travel for public officers and employees where overnight lodging is required shall be reimbursed as follows:
 - (a) in state areas \$85.00
 - (b) in state special areas \$135.00
 - (c) out of state areas \$115.00;
 - (d) or actual lodging and meal expenses under 2.42.2.9 NMAC.

- (3) Return from overnight travel: On the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made. To calculate the number of hours in the partial day, begin with the time the traveler initially departed. Divide the number of hours traveled by 24. The hours remaining constitute the partial day which shall be reimbursed as follows:
 - (a) for less than 2 hours, none;
 - (b) for 2 hours, but less than 6 hours, \$12.00;
 - (c) for 6 hours or more, but less than 12 hours, \$20.00;
 - (d) for 12 hours or more, \$30.00.

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

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

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

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

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

2.42.2.10 TRAVEL ADVANCES:

A. Authorizations: Upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80% of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC. Requests for travel advances shall not be submitted to the financial control division of the department of

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-011 (PREVIOUSLY REPORTED AS 2017-009) TRAVEL AND PER DIEM – REPEATED AND MODIFIED (CONTINUED)

finance and administration more than two weeks prior to travel unless, by processing the request earlier, significant savings can be realized for travel by common carrier or for registration fees for seminars and conferences.

MILEAGE-PRIVATE CONVEYANCE:

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

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

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

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

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

EFFECT

The Village did not comply with the Mileage and Per Diem Act or internal policies and reimbursed more travel expenses than allowed.

CAUSE

The Village did not follow the Mileage and Per Diem Act or internal policies when processing travel and per diem expenditures. Staff did not adequately review the requests for reimbursement submitted by employees in accordance with DFA Rule 95-1 before approving the reimbursements for payment. Additionally, the Village Council approved these reimbursements after the fact with no support.

RECOMMENDATION

The Village should establish policies and procedures to ensure that travel and per diem are paid out in accordance with the Per Diem and Mileage Act and DFA 95-1 and obtain supporting documentation to justify any expenses requiring receipt.

MANAGEMENT RESPONSE

Corrective Action: The Village will incorporate this into internal controls.

Due Date of Completion: June 2021

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-012 (PREVIOUSLY REPORTED AS 2018-003) WATER UTILITY OPERATIONS – REPEATED AND MODIFIED

TYPE OF FINDING: Significant Deficiency

CONDITION

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

- In past years, the Village has used General Fund monies to annually subsidize this fund, which should be self-sustaining. In FY19, the Village did not transfer sufficient general fund monies to subsidize the fund, leading to a negative fund balance of \$86,026.
- Some cash receipts are erroneously not credited to customer accounts. Although these are normally identified after customer complaints or management review of the accounts, the original data entries should be checked more carefully.
- There were differences in rates authorized by Council and what was billed by 1 or 2 cents per partial gallon over 3,000 gallons used in a month.
- QuickWater reports show water losses which are not possible (such as 17 million gallons in losses; however, the wells meters are only at 10 million and 13 million since they were installed a few years ago).
- There is confusion on the implementation of the Village’s Ordinance regarding a 10% finance charge (precedence of the Village’s implementation of their Ordinance vs. how it reads). This should be amended to provide clarity for future charges.
- Some meters still require manual reading, which has caused errors in bills.
- It was reported to us that the prior year water loss was approximately 24% but should be approximately 12% or lower per the NM Environment Department.

We conducted testing over utility billing for water operations a noted the following exceptions:

- 2 of 10 water billings tested had “0” readings, but had water usage on the billing statement. The rates on these billings were not derived from the approved rate schedule.
- On 1 of 10 water billings tested, the recalculated gallons used and billed usage did not match.
- On 2 of 10 water billings tested, adequate supporting documentation could not be provided.

The Village did not make progress in correcting this finding from the prior year.

CRITERIA

The codification of Statements on Auditing Standards (AU-C) Section 200 paragraph .05 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2019-012 (PREVIOUSLY REPORTED AS 2018-003) WATER UTILITY OPERATIONS – REPEATED AND MODIFIED
(CONTINUED)**

EFFECT

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

CAUSE

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

RECOMMENDATION

We recommend continuing to research these issues with various entities, including the software consultant, to replace the manual reading meters, to amend the Ordinance related to finance charges, to improve controls over cash receipts, to verify all accounts are charged the proper rates, and to change operations so the fund is self-sustaining.

MANAGEMENT RESPONSE

Corrective Action: The Clerk and Deputy Clerk will look into various components of existing software that are underutilized. Rigorous bill vetting process will be instituted. Monthly billing statements will be reviewed by Clerk, Deputy Clerk, and Finance Director before bills are generated to account for anomalies or possible leaks. The Clerk and Mayor will schedule a workshop for review of water ordinance.

Due Date of Completion: June 2021

Responsible Party: Mayor, Deputy Clerk, Water Operator

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-013 CASH AND INVESTMENT RECONCILIATIONS

TYPE OF FINDING: Significant Deficiency

CONDITION

While the Village does a monthly bank reconciliation using its accounting software, they do not reconcile the bank balance to the cash balances as listed in the general ledger per fund. The reconciled bank balance at June 30, 2019 was \$1,350,408 while the general ledger balance was \$1,356,289. The initial variance was \$5,880. Upon further investigation after being identified during the audit, additional reconciling items were identified and the variance was reduced to \$1,410. It could not be determined what fund contained the error.

While the Village does a monthly investment reconciliation using its accounting software, they do not reconcile the investment balance to the cash balances as listed in the general ledger per fund. The ending investment balance at June 30, 2019 was \$479,855 while the general ledger balance was \$479,520. The difference was \$335. It was determined that general fund contained the error. Additionally, it was JAG noted that interest income on the account was not recorded. No adjusting entry was made as the amount is immaterial.

In Finding 2019-002, JAG noted that journal entries during the fiscal year did not have supporting documentation. We noted that the net amount of journal entries to cash accounts in FY19 was (\$161,447).

CRITERIA

New Mexico State Statutes Section 6-6-3 provides that every local public body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, Public Finance Accounting by Governmental Entities of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

EFFECT

Without accurate full reconciliations to the general ledger, errors could occur and not be detected. Incorrect decisions, such as budget creation and or adjustments that require the use of cash reserves, may occur as a result of erroneous information.

CAUSE

Unknown.

RECOMMENDATION

We recommend the Village management expedite the establishment and maintenance of the appropriate internal controls concerning the reconciliation and recording of cash balances. These procedures must include proper monthly reconciliation of differences between the reconciled bank balances and the Village's general ledger balances. Since the administrative staff is relatively small, it is further recommended that the board request a monthly reconciliation for board review.

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-013 CASH AND INVESTMENT RECONCILIATIONS (CONTINUED)

MANAGEMENT RESPONSE

Corrective Action: The Finance Director will complete monthly reconciliation of investment and cash accounts and present to council monthly. Internal controls will be implemented proactively.

Due Date of Completion: June 2021

Responsible Party: Finance Director

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-014 DEFICIT CASH AND UNRESTRICTED NET POSITION IN WATER PROPRIETARY FUND

TYPE OF FINDING: Significant Deficiency

CONDITION

The Water proprietary fund had a negative cash balance of \$86,026 and a negative unrestricted net position of \$60,727 as of June 30, 2019.

CRITERIA

Per Section 6-10-2 NMSA 1978, 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 to show the balance of public money on hand at the close of each day's business.

EFFECT

Inadequate controls over cash management of the proprietary funds could result in overspent accounts and in a violation of the state anti-donation laws and other requirements. A negative balance in one fund creates an unallowed loan from another fund.

CAUSE

Previous finance employees allowed overspent funds without proper accountability.

RECOMMENDATION

The Village should establish procedures to ensure regular monitoring of fund balances.

MANAGEMENT RESPONSE

Corrective Action: The Mayor, Clerk, and Village Council will continue incremental water rate increases. The Finance Director will prepare quarterly bars to cover shortfall of water fund. The Clerk will continue to investigate unmetered, unbilled water use. The Village will hire contracted water operators to lessen costs.

Due Date of Completion: June 2021

Responsible Party: Finance Director

**STATE OF NEW MEXICO
VILLAGE OF TIJERAS
EXIT CONFERENCE
JUNE 30, 2019**

An exit conference was held on August 27, 2020 at the Village's offices. In attendance were:

Village of Tijeras

Jake Bruton, Mayor
Maxine Wilson, Councilor
Hallie Brown, Clerk
Nicolas Kennedy, Deputy Clerk

Jaramillo Accounting Group LLC (JAG)

Audrey J. Jaramillo, CPA, CFE, Managing Partner
Shawn Mortensen, CPA, Audit Director
Justin Mehnert, Audit Supervisor

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