

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF CIMARRON)**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2008**

# VILLAGE OF CIMARRON HOUSING AUTHORITY

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# VILLAGE OF CIMARRON HOUSING AUTHORITY

OFFICIAL ROSTER  
JUNE 30, 2008

## Board of Directors

| <u>Name</u>             | <u>Title</u>        |
|-------------------------|---------------------|
| <i>Thelma Coker</i>     | <i>Chair</i>        |
| <i>Deborah Espinoza</i> | <i>Vice Chair</i>   |
| <i>Sara Paul</i>        | <i>Board Member</i> |
| <i>Dave Siembida</i>    | <i>Board Member</i> |
| <i>Donna Sultemeier</i> | <i>Board Member</i> |

## INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor and  
To the Board of Directors  
Village of Cimarron Housing Authority  
(A Component Unit of the Village of Cimarron)  
Cimarron, New Mexico

We have audited the accompanying financial statements of each major fund, and the aggregate remaining fund information of Village of Cimarron Housing Authority (a component unit of the Village of Cimarron), as of and for the year ended June 30, 2008, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the Housing Authority presented as supplementary information in the individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of Village of Cimarron Housing Authority's management. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Village of Cimarron Housing Authority, as of June 30, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly the budgetary comparisons of the major and nonmajor funds in accordance with the budgetary basis described in Note. 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2008 on our consideration of the Village of Cimarron Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Board of Directors  
Village of Cimarron Housing Authority  
(A Component Unit of the Village of Cimarron)  
Cimarron, New Mexico  
Page Two

The management's discussion and analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Kriegel/Gray/Shaw & Co., P.C.

November 28, 2008

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

The following is an analysis for the Cimarron Housing Authority's financial performance. It is to provide the reader with an overview to the Authority's financial activities for the fiscal year ended June 30, 2008. The information contained here in this MD&A should be considered in conjunction with the Authority's basic financial statements.

## Financial Highlights

- The Cimarron Housing Authority's total assets decreased from \$532,733 to \$507,523, a decrease of \$25,210 or 4%.
- The net assets balance decreased from \$520,510 to \$498,897 at June 30, 2008. This represents a decrease of \$21,613 or 4% from the previous year. The unrestricted net asset balance decreased from \$36,895 to \$20,652, a decrease of \$16,243 or 44%.
- Revenues decreased from \$120,742 to \$80,730, a decrease of \$40,012 or 33% from the previous year.
- Total expenses increased by \$18,934, from \$83,409 to \$102,343 for the current year. This represents an increase of 23%.

## Using this Annual Report

This annual report consists of basic financial statements and notes to the financial statements. Management's Discussion and Analysis provides a narrative of the Authority's financial performance and activities for the year ended June 30, 2008. The basic statements provide readers with a broad overview of the Authority's finances. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

1. The Statement of Net Assets provides information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving.
2. The Statement of Activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.
3. The Statement of Cash Flows presents information showing how the Authority's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

The agency has two individual programs. These include the Low Rent Housing Program and the Capital Fund Program.

- The Low Rent Housing Program consists of the 16 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula. Tenants typically pay dwelling rent, which is based on a formula that equates to 30 percent of the tenant's adjusted gross income.
- The Capital Fund program is also funded from HUD based on a formula. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.

## Housing Authority Activities & Highlights

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended June 30, 2008 and June 30, 2007.

### Statement of Net Assets-Condensed FYE June 30

| <u>Category</u>                      | <u>FYE 2008</u>  | <u>FYE 2007</u>  | <u>Dollar Change</u> | <u>Change %</u> |
|--------------------------------------|------------------|------------------|----------------------|-----------------|
| Current Assets                       | \$27,631         | \$47,262         | (\$19,631)           | (42%)           |
| Noncurrent Assets                    | 1,646            | 1,857            | (211)                | (12%)           |
| Capital Assets (Net of Depreciation) | 478,246          | 483,615          | (5,369)              | (2%)            |
| <b>Total Assets</b>                  | <b>\$507,523</b> | <b>\$532,734</b> | <b>(\$25,211)</b>    | <b>(5%)</b>     |
| Current Liabilities                  | \$6,790          | \$10,500         | (\$3,710)            | (36%)           |
| Long Term Liabilities                | 1,836            | 1,723            | 113                  | 7%              |
| <b>Total Liabilities</b>             | <b>\$8,626</b>   | <b>\$12,223</b>  | <b>(\$3,597)</b>     | <b>(30%)</b>    |
| Unrestricted Net Assets              | \$20,651         | \$36,896         | (\$16,245)           | (44%)           |
| Investment in Net Capital Assets     | 478,246          | 483,615          | (5,369)              | (2%)            |
| <b>Total Net Assets</b>              | <b>\$498,897</b> | <b>\$520,511</b> | <b>(\$21,614)</b>    | <b>(5%)</b>     |

#### *Cash & Investments*

Unrestricted cash and investments totaled \$21,961, a decrease of \$3,521 from the previous year.

#### *Current Assets and Liabilities*

Current assets decreased by \$19,630 due primarily to a decrease in cash resulting from the payment of prior year accounts payable. Current liabilities also decreased as a result of this payment of accounts payable.

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

## *Net Assets*

The total net asset balance decreased from \$520,510 to \$498,897 at June 30, 2008. Unrestricted net assets are the amount of available funds for future appropriations. These funds are reserved for expenditures of the actual program. The Authority's unrestricted net assets total \$20,651, a decrease of \$16,244 from the previous year.

## Statement of Revenues & Expenses FYE June 30

| <u>Category</u>                        | <u>FYE 2008</u>   | <u>FYE 2007</u> | <u>Dollar Change</u> | <u>Change %</u> |
|--|-------------------|-----------------|----------------------|-----------------|
| Rental Revenue                         | \$29,771          | \$29,789        | (\$18)               | 0%              |
| HUD Operating Grants                   | 25,205            | 24,063          | 1,142                | 5%              |
| Capital Grants                         | 24,321            | 64,611          | (40,290)             | (63%)           |
| Interest Income                        | 923               | 1,639           | (716)                | (44%)           |
| Other Revenue                          | 510               | 640             | (130)                | (21%)           |
| <b>Total Revenue</b>                   | <b>80,730</b>     | <b>120,742</b>  | <b>(40,012)</b>      | <b>(34%)</b>    |
| Personnel                              | 37,360            | 33,863          | 3,497                | 11%             |
| Operating                              | 42,858            | 31,129          | 11,729               | 38%             |
| Depreciation                           | 22,125            | 18,417          | 3,708                | 21%             |
| <b>Total Expenses</b>                  | <b>102,343</b>    | <b>83,409</b>   | <b>18,934</b>        | <b>23%</b>      |
| <b>Excess of Revenue over Expenses</b> | <b>(\$21,613)</b> | <b>\$37,333</b> | <b>(\$58,946)</b>    | <b>(158%)</b>   |

## *Results of Operations*

Operating revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenues decreased by \$40,012. Total expenses increased by \$18,934 from the previous year. Revenues decreased from the previous year principally due to a decrease in HUD Capital Grants. Expenses increased from the previous year as a result of the increase in costs of employee benefits and increase in utility costs and operating expenses.

## *Budgets*

There were no budget adjustments. The actual varied from budget due to a decrease in operating and maintenance costs for lack of consistent maintenance personnel.

## *Capital Assets*

As of June 30, 2008, the Cimarron Housing Authority's investment in capital assets was \$478,246. This investment includes land, building, building improvements, office equipment, and maintenance equipment.



# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

## *Capital Assets (Continued)*

| <u>Category</u>                 | <u>FYE 2008</u>  | <u>FYE 2007</u>  | <u>Dollar Change</u> | <u>Change %</u> |
|---------------------------------|------------------|------------------|----------------------|-----------------|
| Land                            | \$18,600         | \$18,600         | \$0                  | 0%              |
| Construction in Process         | 1,000            | 0                | 1,000                | 100%            |
| Buildings                       | 668,754          | 668,754          | 0                    | 0%              |
| Equipment                       | 72,542           | 56,786           | 15,756               | 28%             |
| Nondwelling Structures          | 99,767           | 99,767           | 0                    | 0%              |
| Accumulated Depreciation        | (382,417)        | (360,292)        | (22,125)             | (7%)            |
| <b>Total Net Capital Assets</b> | <b>\$478,246</b> | <b>\$483,615</b> | <b>(\$5,369)</b>     | <b>(2%)</b>     |

The Housing Authority purchased a 2008 Chevrolet Colorado Pickup during the year ended June 30, 2008. The change in accumulated depreciation is current year depreciation expense.

No significant changes in financial position or results of operations are anticipated for the fiscal year ending June 30, 2008.

### **Request for Information**

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Cimarron Housing Authority  
Teresita Gruver, Executive Director  
P.O. Box 188  
Cimarron, New Mexico 87728

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

## PROPRIETARY FUNDS

### STATEMENTS OF NET ASSETS

JUNE 30, 2008

|   | Business-Type Activities |                      |                  |
|---|--------------------------|----------------------|------------------|
|   | Low Rent                 | Nonmajor Fund<br>CFP | Total            |
| <b>ASSETS</b>                           |                          |                      |                  |
| <b>Current Assets:</b>                  |                          |                      |                  |
| Cash and cash equivalents               | \$21,961                 | \$0                  | \$21,961         |
| Prepaid insurance                       | 1,746                    | 0                    | 1,746            |
| Tenant receivable - net of allowance    | 1,134                    | 0                    | 1,134            |
| Interest receivable                     | 53                       | 0                    | 53               |
| HUD receivable                          | 118                      | 0                    | 118              |
| Due from other funds                    | 0                        | 2,044                | 2,044            |
| Inventory - maintenance materials       | 575                      | 0                    | 575              |
| <i>Total current assets</i>             | 25,587                   | 2,044                | 27,631           |
| <b>Noncurrent Assets:</b>               |                          |                      |                  |
| Restricted cash                         | 1,646                    | 0                    | 1,646            |
| Net capital assets                      | 445,496                  | 32,750               | 478,246          |
| <i>Total noncurrent assets</i>          | 447,142                  | 32,750               | 479,892          |
| <b>Total assets</b>                     | <b>\$472,729</b>         | <b>\$34,794</b>      | <b>\$507,523</b> |
| <br>                                    |                          |                      |                  |
| <b>LIABILITIES AND NET ASSETS</b>       |                          |                      |                  |
| <b>Current Liabilities:</b>             |                          |                      |                  |
| Accounts payable                        | \$1,475                  | \$0                  | \$1,475          |
| Deferred credit                         | 325                      | 0                    | 325              |
| Tenants prepaid rent                    | 244                      | 0                    | 244              |
| Accrued compensated absences            | 658                      | 0                    | 658              |
| Due to other funds                      | 2,044                    | 0                    | 2,044            |
| Deferred revenue                        | 0                        | 2,044                | 2,044            |
| <i>Total current liabilities</i>        | 4,746                    | 2,044                | 6,790            |
| <b>Long-term Liabilities:</b>           |                          |                      |                  |
| Tenant security deposits                | 1,836                    | 0                    | 1,836            |
| <i>Total liabilities</i>                | 6,582                    | 2,044                | 8,626            |
| <b>Net Assets:</b>                      |                          |                      |                  |
| Invested in capital assets              | 445,496                  | 32,750               | 478,246          |
| Unrestricted                            | 20,651                   | 0                    | 20,651           |
| <i>Total net assets</i>                 | 466,147                  | 32,750               | 498,897          |
| <b>Total liabilities and net assets</b> | <b>\$472,729</b>         | <b>\$34,794</b>      | <b>\$507,523</b> |

The Notes to Financial Statements are an integral part of these statements.

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

## PROPRIETARY FUNDS

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

|   | Business-Type Activities |                      |                  |
|---|--------------------------|----------------------|------------------|
|   | Low Rent                 | Nonmajor Fund<br>CFP | Total            |
| <b>OPERATING REVENUES:</b>                        |                          |                      |                  |
| Rental income                                     | \$29,771                 | \$0                  | \$29,771         |
| Other revenue                                     | 510                      | 0                    | 510              |
| <i>Total operating revenues</i>                   | 30,281                   | 0                    | 30,281           |
| <b>OPERATING EXPENSES:</b>                        |                          |                      |                  |
| Personnel   | 36,360                   | 1,000                | 37,360           |
| Operating   | 40,417                   | 2,441                | 42,858           |
| Depreciation                                      | 20,406                   | 1,719                | 22,125           |
| <i>Total operating expenses</i>                   | 97,183                   | 5,160                | 102,343          |
| <i>Net operating income (loss)</i>                | (66,902)                 | (5,160)              | (72,062)         |
| <b>NON-OPERATING REVENUE AND (EXPENSES)</b>       |                          |                      |                  |
| HUD operating subsidy/capital grants              | 25,205                   | 24,321               | 49,526           |
| Interest  | 923                      | 0                    | 923              |
| <i>Total non-operating revenue and (expenses)</i> | 26,128                   | 24,321               | 50,449           |
| <i>Income (loss) before transfers</i>             | (40,774)                 | 19,161               | (21,613)         |
| Operating transfers in (out)                      | 4,124                    | (4,124)              | 0                |
| Capital transfers in (out)                        | 38,943                   | (38,943)             | 0                |
| <i>Change in net assets</i>                       | 2,293                    | (23,906)             | (21,613)         |
| Total net assets - beginning                      | 463,854                  | 56,656               | 520,510          |
| <b><i>Total net assets, June 30, 2008</i></b>     | <b>\$466,147</b>         | <b>\$32,750</b>      | <b>\$498,897</b> |

The Notes to Financial Statements are an integral part of these statements.

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

## PROPRIETARY FUNDS

### STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

|   | Business-Type Activities |                         |                        |
|---|--------------------------|-------------------------|------------------------|
|   | Low Rent                 | Nonmajor Fund<br>CFP    | Total                  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                          |                         |                        |
| Cash received from customers (including other funds)  | \$30,181                 | \$2,044                 | \$32,225               |
| Cash paid to suppliers  | (40,441)                 | (2,441)                 | (42,882)               |
| Cash paid to employees  | (36,104)                 | (1,000)                 | (37,104)               |
| <i>Net cash provided (used) by operating activities</i>                                       | <i>(46,364)</i>          | <i>(1,397)</i>          | <i>(47,761)</i>        |
| <b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>                                       |                          |                         |                        |
| Grants - subsidies  | 27,123                   | 0                       | 27,123                 |
| Transfers in (out)  | 4,124                    | (4,124)                 | 0                      |
| Due to/(from) other funds   | 10,411                   | (10,411)                | 0                      |
| <i>Net cash provided (used) by non capital financing</i>                                      | <i>41,658</i>            | <i>(14,535)</i>         | <i>27,123</i>          |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                               |                          |                         |                        |
| Acquisition of capital assets   | 0                        | (16,756)                | (16,756)               |
| Capital grant   | 0                        | 32,688                  | 32,688                 |
| <i>Net cash provided (used) by capital and related financing activities</i>                   | <i>0</i>                 | <i>15,932</i>           | <i>15,932</i>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                          |                         |                        |
| Interest received   | 974                      | 0                       | 974                    |
| <i>Net increase (decrease) in pooled cash and investments</i>                                 | <i>(3,732)</i>           | <i>0</i>                | <i>(3,732)</i>         |
| Pooled cash and investments, beginning of year  | 27,339                   | 0                       | 27,339                 |
| <b><i>Pooled cash and investments, end of year</i></b>  | <b><i>\$23,607</i></b>   | <b><i>\$0</i></b>       | <b><i>\$23,607</i></b> |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                          |                         |                        |
| Operating Income (loss)   | (\$66,902)               | (\$5,160)               | (\$72,062)             |
| Adjustments to reconcile operating income to net cash provided by operating activities:       |                          |                         |                        |
| Depreciation  | 20,406                   | 1,719                   | 22,125                 |
| Change in assets and liabilities:   |                          |                         |                        |
| Accounts receivable   | (100)                    | 0                       | (100)                  |
| Prepaid expenses  | 38                       | 0                       | 38                     |
| Inventory   | (487)                    | 0                       | (487)                  |
| Tenants prepaid rent  | 205                      | 0                       | 205                    |
| Accounts and contracts payable  | 107                      | 0                       | 107                    |
| Accrued payroll   | 256                      | 0                       | 256                    |
| Customer deposits   | 113                      | 0                       | 113                    |
| Deferred revenue  | 0                        | 2,044                   | 2,044                  |
| <i>Total adjustments</i>  | <i>20,538</i>            | <i>3,763</i>            | <i>24,301</i>          |
| <b><i>Net cash provided (used) by operating activities</i></b>                                | <b><i>(\$46,364)</i></b> | <b><i>(\$1,397)</i></b> | <b><i>(47,761)</i></b> |

The Notes to Financial Statements are an integral part of these statements.

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The function of the Village of Cimarron Housing Authority is to administer the Housing and Urban Development (HUD) programs to provide housing for qualified individuals in the Village of Cimarron Area.

This funding is provided through various grant programs.

The financial statements of the Village of Cimarron Housing Authority (Housing Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Village of Cimarron Housing Authority's most significant accounting policies are described below.

#### **Reporting Entity**

The Housing Authority is a component unit of the Village of Cimarron. The accompanying financial statements present only the Village of Cimarron Housing Authority's financial information.

The Village of Cimarron Housing Authority is a Village organization created by Village Ordinance to provide housing for qualified Village residents. The Village has the ability to appoint management; influence operations, and influence the disposition of funds.

The Village of Cimarron Housing Authority has no component units.

#### **Basis of Presentation**

For financial reporting purposes, the accounts of the Village of Cimarron Housing Authority are organized into funds each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, retained earnings, revenues and expenses as appropriate. The various funds are summarized by type in the financial statements. All programs have been accounted for as proprietary funds under the HUD UFRS guidelines.

#### **Proprietary Fund Type**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including amortization and depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary activities have applied all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB statements and Interpretations, APB opinions, and ARB's of Committee on Accounting Procedure. FASB statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements, have also been applied.

The Proprietary Funds are as follows:

Low Income Housing Project – To account for the rental activities of the Village-owned low income housing project.

Public Housing Capital Fund Program – To account for HUD's new Public Housing Capital Fund Program, which replaces CIAP and CGP. Provides funds for capital improvements for Housing Authority-owned housing.

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The financial statements of the Village of Cimarron Housing Authority are reported using the economic resources measurement focus and the accrual basis of accounting.

Proprietary fund types are reported on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Grant revenue is recognized as soon as all eligibility requirements imposed by the provider have been met.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

#### **Budgets and Budgetary Accounting**

The Housing Authority adopts budgets for Proprietary Funds in accordance with the Housing and Urban Development program agreements.

Budgetary Compliance – Budgetary control is required to be maintained at the individual fund level.

Actual fund revenues may be either over or under the budgeted amounts; however, the variance is required to be reasonable, particularly in the case of over-budgeted revenues. Major over-budgeted revenues require a budget amendment as soon as the extent of the shortage is reasonably ascertainable.

Budget Amendments – Budget increases and decreases can only be accomplished by Commission resolution, followed by DFA approval. Similarly, budget transfers must follow the same procedure.

Budgetary Basis – State law prescribes that the Village's budget be prepared on the basis of cash receipts and cash expenses. Therefore, budgetary comparisons shown in exhibits are prepared on a cash basis to compare actual revenues and expenses with a cash basis budget as amended.

#### **Income Taxes**

As a local government entity, the Village is not subject to federal or state income taxes.

#### **Use of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Compensated Absences

The Village allows employees to accrue annual leave based on years of service. Upon termination, accrued annual leave is paid in full. Employees are eligible to be paid half of their accrued sick leave up to 240 hours upon termination.

The accrual for compensated absences made as of June 30, 2008 is \$658.

#### Cash and Cash Equivalents

For the purpose of the statement of cash flows the proprietary fund considers all highly liquid investments to be cash equivalents.

#### Interfund Transactions

There are transactions that constitute reimbursements to a fund for expenditures initially expended from one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Interfund payables and receivables are reflected in the appropriate fund.

#### Capital Assets

Purchase or constructed capital assets are reported at cost or estimated historical cost. The Housing Authority defines capital assets as assets with lives of greater than one-year and a cost or donated value of \$5,000 or greater.

Donated capital assets are recorded at their estimated fair value at the date of donation. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u>      | <u>Estimated Useful Lives</u> |
|-------------------------|-------------------------------|
| Buildings               | 40                            |
| Non Dwelling Structures | 15                            |
| Machinery and Equipment | 5 -7                          |

Software is capitalized in the machinery and equipment category.

#### Inventory

Inventory is valued at cost, which approximates market using the first-in/first-out (FIFO) method. Inventory is recorded as expenditures when consumed rather than when purchased.

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Net Assets

Net assets are displayed in three components:

Invested in Capital Assets, net of related debt – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – Net assets are reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – Net assets that do not meet the definition of “restricted” and “Invested in capital assets, net of related debt.”



# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### NOTE 2. CASH

Cash consists of United States currency and financial institution checking accounts. The Housing Authority follows state law in regard to deposits and investments. At June 30, 2008, the Housing Authority held only short term certificates of deposit and therefore, they were shown as cash equivalents.

Restricted cash is cash from tenants being held as security deposits.

All financial institutions in which the Housing Authority has an account are covered by Federal Deposit Insurance Corporation (FDIC) insurance.

#### Cash on Deposit

|                                 | <u>Bank<br/>Balance</u> | <u>Carrying<br/>Amounts</u> |
|---------------------------------|-------------------------|-----------------------------|
| <u>International Bank</u>       |                         |                             |
| Public Fund – regular checking  | \$1,646                 | \$1,646                     |
| Public Fund – interest checking | 6,899                   | 6,890                       |
| Public Fund – regular checking  | 541                     | 541                         |
| Certificate of deposit          | 9,936                   | 9,936                       |
| Certificate of deposit          | 2,500                   | 2,500                       |
| Public Fund – regular checking  | 3,544                   | 2,044                       |
| <i>Total cash on deposit</i>    | <u>25,066</u>           | <u>23,557</u>               |
| Petty cash                      |                         | 50                          |
| <b><i>Total cash</i></b>        |                         | <b><u>\$23,607</u></b>      |

There were no uninsured bank deposits (not covered by F.D.I.C).

|                                | <u>International<br/>Bank</u> |
|--------------------------------|-------------------------------|
| Amount held in bank            | \$25,066                      |
| Less F.D.I.C.                  | (25,066)                      |
| <b><i>Amount uninsured</i></b> | <b><u>\$0</u></b>             |
| 100% Collateral requirement    | \$0                           |

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### NOTE 3. ACCOUNTS RECEIVABLE AND MORTGAGES RECEIVABLE

Accounts receivable are reported at their gross value. Those amounts considered doubtful have been recorded as allowance for doubtful accounts in the amount of \$451.

### NOTE 4. CHANGES IN CAPITAL ASSETS

Capital Assets are stated at historical cost. The following is a summary of changes in Capital Assets for the fiscal year in the proprietary funds:

|                                       | Balance<br>June 30, 2007 | Additions        | Transfers  | Balance<br>June 30, 2008 |
|---------------------------------------|--------------------------|------------------|------------|--------------------------|
| <b>Non Depreciable Assets:</b>        |                          |                  |            |                          |
| Land                                  | \$18,600                 | \$0              | \$0        | \$18,600                 |
| Construction in progress              | 0                        | 1,000            | 0          | 1,000                    |
| <b>Depreciable Assets:</b>            |                          |                  |            |                          |
| Buildings                             | 668,754                  | 0                | 0          | 668,754                  |
| Non dwelling structures               | 99,767                   | 0                | 0          | 99,767                   |
| Machinery and equipment               | 56,786                   | 15,756           | 0          | 72,542                   |
| <i>Total</i>                          | 843,907                  | 16,756           | 0          | 860,663                  |
| <b>Less Accumulated Depreciation:</b> |                          |                  |            |                          |
| Buildings                             | (203,739)                | (21,600)         | 0          | (225,339)                |
| Non dwelling structures               | (99,767)                 | 0                | 0          | (99,767)                 |
| Machinery and equipment               | (56,786)                 | (525)            | 0          | 57,311)                  |
| <i>Total accumulated depreciation</i> | (360,292)                | (22,125)         | 0          | (382,417)                |
| <b><i>Net capital assets</i></b>      | <b>\$483,615</b>         | <b>(\$5,369)</b> | <b>\$0</b> | <b>\$478,246</b>         |

Depreciation expense for the year was \$22,125.

### NOTE 5. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of certain information concerning individual funds including:

|    |                             |          |
|----|-----------------------------|----------|
| A. | <b>Net Working Capital:</b> |          |
|    | Proprietary Funds           | \$20,841 |

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### NOTE 6. PERA PENSION PLAN

The Housing Authority employees participate in a public employee retirement system through the Village of Cimarron. For further disclosures, see the Village of Cimarron's financial statements.

### NOTE 7. TRANSFERS AND DUE FROM/TO OTHER FUNDS

Transfers between funds were as follows:

|                         | Operating Transfers Out |                | Totals         |
|-------------------------|-------------------------|----------------|----------------|
|                         | Low Rent                | CFP            |                |
| Operating Transfers In: |                         |                |                |
| Low Rent                | \$0                     | \$4,124        | \$4,124        |
| CFP                     | 0                       | 0              | 0              |
| <b><i>Total</i></b>     | <b>\$0</b>              | <b>\$4,124</b> | <b>\$4,124</b> |

Transfers are used to move the portion of CFP funding allotted for operating expenditures to the Low Rent Fund.

|                       | Capital Transfers Out |                 | Totals          |
|-----------------------|-----------------------|-----------------|-----------------|
|                       | Low Rent              | CFP             |                 |
| Capital Transfers In: |                       |                 |                 |
| Low Rent              | \$0                   | \$38,943        | \$38,943        |
| CFP                   | 0                     | 0               | 0               |
| <b><i>Total</i></b>   | <b>\$0</b>            | <b>\$38,943</b> | <b>\$38,943</b> |

Transfers are used to move capital assets purchased in the CFP fund to the Low Rent Fund.

Due From/To Other Funds:

|                     | Due To         |            | Totals         |
|---------------------|----------------|------------|----------------|
|                     | Low Rent       | CFP        |                |
| Due From:           |                |            |                |
| Low Rent            | \$0            | \$0        | \$0            |
| CFP                 | 2,044          | 0          | 2,044          |
| <b><i>Total</i></b> | <b>\$2,044</b> | <b>\$0</b> | <b>\$2,044</b> |

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds." All balances are expected to be repaid within one year.

**VILLAGE OF CIMARRON HOUSING AUTHORITY**

(A Component Unit of the Village of Cimarron)

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

**NOTE 8. CHANGES IN ACCRUED COMPENSATED ABSENCES**

The following summarizes the changes in accrued compensated absences during 2008:

|                                 | Balance<br>June 30, 2007 | Additions | Deletions | Balance<br>June 30, 2008 | Amount Due<br>Within One<br>Year |
|---------------------------------|--------------------------|-----------|-----------|--------------------------|----------------------------------|
| Accrued compensated<br>absences | \$727                    | \$710     | (\$779)   | \$658                    | \$658                            |

**NOTE 9. RISK MANAGEMENT**

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters for which the Housing Authority carries commercial insurance. Premiums paid for the year were \$4,228.

**SUPPLEMENTARY INFORMATION**

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

LOW RENT

PROPRIETARY FUND

## STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2008

|   | Original<br>Approved<br>Budget | Revised<br>Budget | Actual on<br>Budgetary<br>Basis | Variance<br>Favorable<br>(Unfavorable) |
|---|--------------------------------|-------------------|---------------------------------|--|
| <b>REVENUES:</b>                              |                                |                   |                                 |  |
| Rental income                                 | \$30,170                       | \$30,170          | \$29,877                        | (\$293)                                |
| Other   | 960                            | 960               | 510                             | (450)                                  |
| <i>Total revenues</i>                         | 31,130                         | 31,130            | 30,387                          | (\$743)                                |
| <b>OPERATING EXPENSES:</b>                    |                                |                   |                                 |  |
| Personnel                                     | 26,000                         | 26,000            | 26,536                          | (536)                                  |
| Admin expense                                 | 13,530                         | 13,530            | 12,517                          | 1,013                                  |
| Operating and maintenance                     | 29,000                         | 29,000            | 25,044                          | 3,956                                  |
| Capital outlay                                | 0                              | 0                 | 0                               | 0                                      |
| Utilities                                     | 3,250                          | 3,250             | 2,907                           | 343                                    |
| <i>Total operating expenses</i>               | 71,780                         | 71,780            | 67,004                          | 4,776                                  |
| <i>Operating income (loss)</i>                | (40,650)                       | (40,650)          | (36,617)                        | 4,033                                  |
| <b>NON-OPERATING REVENUE (EXPENSES):</b>      |                                |                   |                                 |  |
| HUD grants and subsidy                        | 25,205                         | 25,205            | 25,205                          | 0                                      |
| Interest                                      | 1,570                          | 1,570             | 974                             | (596)                                  |
| Transfers in                                  | 4,120                          | 4,120             | 4,124                           | 4                                      |
| <i>Total non-operating revenue (expenses)</i> | 30,895                         | 30,895            | 30,303                          | (592)                                  |
| <i>Net income</i>                             | (9,755)                        | (9,755)           | (\$6,314)                       | \$3,441                                |
| <i>Budgeted cash carryover</i>                | 9,755                          | 9,755             |                                 |  |
|   | \$0                            | \$0               |                                 |  |

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2008, is presented below:

|  |           |
|--|-----------|
| Net income (budgetary basis)   | (\$6,314) |
| Adjustments for revenue accruals, transfers, earnings on investments             | 38,786    |
| Adjustments for expenditures for payables, inventory, other expenditure accruals | (30,179)  |
| <i>Change in net assets (GAAP basis)</i>   | \$2,293   |

The Notes to Financial Statements are an integral part of these statements.

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

## CFP FUND

### PROPRIETARY FUND

#### STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2008

|   | Original<br>Approved<br>Budget | Revised<br>Budget | Actual on<br>Budgetary<br>Basis | Variance<br>Favorable<br>(Unfavorable) |
|---|--------------------------------|-------------------|---------------------------------|--|
| <b>REVENUES:</b>                              |                                |                   |                                 |  |
| Intergovernmental                             | \$0                            | \$0               | \$0                             | \$0                                    |
| Rental income                                 | 0                              | 0                 | 0                               | 0                                      |
| Other   | 0                              | 0                 | 0                               | 0                                      |
| Gain/loss on sale of asset                    | 0                              | 0                 | 0                               | 0                                      |
| <i>Total revenues</i>                         | 0                              | 0                 | 0                               | 0                                      |
| <b>OPERATING EXPENSES:</b>                    |                                |                   |                                 |  |
| Personnel                                     | 1,000                          | 1,000             | 1,000                           | 0                                      |
| Administration                                | 0                              | 0                 | 0                               | 0                                      |
| Audit cost                                    | 1,696                          | 1,696             | 1,696                           | 0                                      |
| Capital outlay                                | 19,012                         | 19,012            | 16,756                          | 2,256                                  |
| Fees and costs                                | 1,000                          | 1,000             | 745                             | 255                                    |
| Management improvements                       | 0                              | 0                 | 0                               | 0                                      |
| Operations                                    | 0                              | 0                 | 0                               | 0                                      |
| <i>Total operating expenses</i>               | 22,708                         | 22,708            | 20,197                          | 2,511                                  |
| <i>Operating income (loss)</i>                | (22,708)                       | (22,708)          | (20,197)                        | 2,511                                  |
| <b>NON-OPERATING REVENUE (EXPENSES):</b>      |                                |                   |                                 |  |
| HUD grants and subsidy                        | 26,832                         | 26,832            | 24,321                          | (2,511)                                |
| Transfers (out)                               | (4,124)                        | (4,124)           | (4,124)                         | 0                                      |
| <i>Total non-operating revenue (expenses)</i> | 22,708                         | 22,708            | 20,197                          | (2,511)                                |
| <i>Net income</i>                             | \$0                            | \$0               | \$0                             | \$0                                    |

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2008, is presented below:

|   |                   |
|---|-------------------|
| Net income (budgetary basis)  | \$0               |
| Adjustments for revenue accruals, transfers, earnings on investments                        | 0                 |
| Adjustments for expenditures for payables, inventory, expenditure accruals, and capital tra | (23,906)          |
| <u>Change in net assets (GAAP basis)</u>  | <u>(\$23,906)</u> |

The Notes to Financial Statements are an integral part of these statements.

**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***

Mr. Hector H. Balderas, State Auditor and  
To the Board of Directors  
Village of Cimarron Housing Authority  
(A Component Unit of the Village of Cimarron)  
Cimarron, New Mexico

We have audited the financial statements of each major fund and the aggregate remaining fund information of Village of Cimarron Housing Authority (a component unit of the Village of Cimarron), as of and for the year ended June 30, 2008, which collectively comprise the Village of Cimarron Housing Authority's basic financial statements and have issued our report thereon dated November 28, 2008. We also audited the budgetary comparisons presented as supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Village of Cimarron Housing Authority's internal control over financial reporting as a basis for designating our auditing procedures 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 of Cimarron Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Cimarron Housing Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Cimarron Housing Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Village of Cimarron Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Village of Cimarron Housing Authority's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting, finding 2006-03.



Mr. Hector H. Balderas, State Auditor and  
To the Board of Directors  
Village of Cimarron Housing Authority  
(A Component Unit of the Village of Cimarron)  
Cimarron, New Mexico  
Page Two

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Cimarron Housing Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Village of Cimarron Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village of Cimarron Housing Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Village of Cimarron Housing Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, the Village of Cimarron, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kriegel/Gray/Shaw & Co., P.C.

November 28, 2008

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

## CURRENT YEAR SIGNIFICANT DEFICIENCIES:

None.

## CURRENT STATUS ON PRIOR YEAR FINDINGS:

### 2006-03 Lack of Complete Capital Assets Schedule

Repeated.

**Statement of Condition** – Client does not keep a detailed listing of capital asset schedules.

**Criteria** – Good internal controls require that subsidiary ledgers be maintained to support general ledger entries. New Mexico State Auditor Rule 2.2.2.10NMAC requires a schedule of capital assets to be maintained.

**Cause** – Inconsistency of management personnel and fee accountant changes.

**Effect** – Although a summary depreciation schedule by asset type is maintained, there is no schedule to support capital asset balances recorded in the financial statements. Noncompliance with New Mexico State Auditor Rule 2.2.2.10 NMAC.

**Recommendation** – Detailed subsidiary ledgers be kept to support general ledger entries.

**Management's Response** – The Cimarron Housing Authority has contacted the Fee Accountant to obtain a detailed inventory module and bring the detailed capital assets inventory up to date and maintain the schedule.

### 2006-04 Cell Phone Overages Not Reimbursed

Resolved and not repeated.

# **VILLAGE OF CIMARRON HOUSING AUTHORITY**

(A Component Unit of the Village of Cimarron)

## **EXIT CONFERENCE**

**JUNE 30, 2008**

### **EXIT CONFERENCE:**

The exit conference was held November 25, 2008 and was attended by the following:

#### **From the Village of Cimarron Housing Authority:**

Charlene Carlisle, Chair (Current)  
Debbie Espinoza, Vice-Chair  
Teresita Gruver, Executive Director  
Robert Portillos, Consultant

#### **From Kriegel/Gray/Shaw & Co., P.C.:**

Ken Shaw, CPA, Shareholder  
Vanessa Williams, Staff Auditor

### **FINANCIAL STATEMENTS PREPARATION**

The financial statements were prepared by Kriegel/Gray/Shaw & Co., P.C.