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

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2009**

# VILLAGE OF CIMARRON HOUSING AUTHORITY

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# VILLAGE OF CIMARRON HOUSING AUTHORITY

OFFICIAL ROSTER  
JUNE 30, 2009

## Board of Directors

<u>Name</u>	<u>Title</u>
<i>Charlene Carlisle</i>	<i>Chair</i>
<i>Bettye Knox</i>	<i>Vice Chair</i>
<i>Randy Saunders</i>	<i>Commissioner</i>
<i>Donna Sultemeier</i>	<i>Commissioner</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, 2009, 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, 2009 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, 2009, 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 18, 2009 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.*

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

November 18, 2009

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

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, 2009. 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 \$507,523 to \$493,735, a decrease of \$13,788 or 2.71%.
- The net assets balance decreased from \$498,897 to \$487,744 at June 30, 2009. This represents a decrease of \$11,153 or 2.23% from the previous year. The unrestricted net asset balance increased from \$20,651 to \$34,249, an increase of \$13,598 or 65.85%.
- Revenues increased from \$80,730 to \$85,098, an increase of \$4,368 or 5.41% from the previous year.
- Total expenses decreased by \$6,092, from \$102,343 to \$96,251 for the current year. This represents a decrease of 5.95%.

## 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, 2009. 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, 2009

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, 2009 and June 30, 2008.

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

<u>Category</u>	<u>FYE 2009</u>	<u>FYE 2008</u>	<u>Dollar Change</u>
Current Assets	\$37,766	\$27,631	\$10,135
Noncurrent Assets	2,474	1,646	828
Capital Assets (Net of Depreciation)	453,495	478,246	(24,751)
<i>Total Assets</i>	493,735	507,523	(13,788)
Current Liabilities	2,892	6,790	(3,898)
Long Term Liabilities	3,098	1,836	1,262
<i>Total Liabilities</i>	5,990	8,626	(2,636)
Unrestricted Net Assets	34,249	20,651	13,598
Investment in Net Capital Assets	453,495	478,246	(24,751)
<i>Total Net Assets</i>	\$487,744	\$498,897	(\$11,153)

### *Cash & Investments*

Unrestricted cash and investments totaled \$32,325, an increase of \$10,364 from the previous year.

### *Current Assets and Liabilities*

Current assets increased by \$10,135 due primarily to an increase in cash resulting from the increase in rental income and the decrease in expenditures. Current liabilities also decreased as a result of this decrease in expenditures.

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

## *Net Assets*

The total net asset balance decreased from \$498,897 to \$487,744 at June 30, 2009. 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 \$34,249, an increase of \$13,598 from the previous year.

## Statement of Revenues & Expenses FYE June 30

<u>Category</u>	<u>FYE 2009</u>	<u>FYE 2008</u>	<u>Dollar Change</u>
Rental Revenue	\$34,391	\$29,771	\$4,620
HUD Operating Grants	41,062	25,205	15,857
Capital Grants	8,693	24,321	(15,628)
Interest Income	341	923	(582)
Other Revenue	611	510	101
<i>Total Revenue</i>	<u>85,098</u>	<u>80,730</u>	<u>4,368</u>
Personnel	32,407	37,360	(4,953)
Operating	39,093	42,858	(3,765)
Depreciation	24,751	22,125	2,626
<i>Total Expenses</i>	<u>96,251</u>	<u>102,343</u>	<u>(6,092)</u>
<i>Excess of Revenue over Expenses</i>	<u>(\$11,153)</u>	<u>(\$21,613)</u>	<u>\$10,460</u>

## *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 increased by \$4,368. Total expenses decreased by \$6,092 from the previous year. Revenues increased from the previous year principally due to an increase in HUD Operating Grants. Expenses decreased from the previous year as a result of the decrease in costs of salaries and benefits and decrease in operating expenses.

## *Budgets*

There were no budget adjustments. The actual varied from budget due to a decrease in operating and maintenance costs.



# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

## *Capital Assets*

As of June 30, 2009, the Cimarron Housing Authority's investment in capital assets was \$453,495. This investment includes land, building, building improvements, office equipment, and maintenance equipment.

<u>Category</u>	<u>FYE 2009</u>	<u>FYE 2008</u>	<u>Dollar Change</u>
Land	\$18,600	\$18,600	\$0
Construction in Process	1,000	1,000	0
Buildings	668,754	668,754	0
Equipment	72,542	72,542	0
Nondwelling Structures	99,767	99,767	0
Accumulated Depreciation	(407,168)	(382,417)	(24,751)
<i>Total Net Capital Assets</i>	<i>\$453,495</i>	<i>\$478,246</i>	<i>(\$24,751)</i>

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, 2009.

## **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  
Robert Portillos, Acting 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, 2009

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$32,325	\$0	\$32,325
Prepaid insurance	1,649	0	1,649
Tenant receivable - net of allowance	3,626	0	3,626
Interest receivable	47	0	47
HUD receivable	119	0	119
Due from other funds	0	0	0
Inventory - maintenance materials	0	0	0
<i>Total current assets</i>	37,766	0	37,766
<b>Noncurrent Assets:</b>			
Restricted cash	2,474	0	2,474
Net capital assets	440,415	13,080	453,495
<i>Total noncurrent assets</i>	442,889	13,080	455,969
<b><i>Total assets</i></b>	<b>\$480,655</b>	<b>\$13,080</b>	<b>\$493,735</b>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$2,543	\$0	\$2,543
Deferred credit	0	0	0
Tenants prepaid rent	350	0	350
Accrued compensated absences	0	0	0
Due to other funds	0	0	0
Deferred revenue	0	0	0
<i>Total current liabilities</i>	2,893	0	2,893
<b>Long-term Liabilities:</b>			
Tenant security deposits	3,098	0	3,098
<i>Total liabilities</i>	5,991	0	5,991
<b>Net Assets:</b>			
Invested in capital assets	440,415	13,080	453,495
Unrestricted	34,249	0	34,249
<i>Total net assets</i>	474,664	13,080	487,744
<b><i>Total liabilities and net assets</i></b>	<b>\$480,655</b>	<b>\$13,080</b>	<b>\$493,735</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, 2009

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
<b>OPERATING REVENUES:</b>			
Rental income	\$34,391	\$0	\$34,391
Other revenue	611	0	611
<i>Total operating revenues</i>	35,002	0	35,002
<b>OPERATING EXPENSES:</b>			
Personnel	32,407	0	32,407
Operating	33,540	5,553	39,093
Depreciation	21,600	3,151	24,751
<i>Total operating expenses</i>	87,547	8,704	96,251
<i>Net operating income (loss)</i>	(52,545)	(8,704)	(61,249)
<b>NON-OPERATING REVENUE AND (EXPENSES)</b>			
HUD operating subsidy/capital grants	41,062	8,693	49,755
Interest	341	0	341
<i>Total non-operating revenue and (expenses)</i>	41,403	8,693	50,096
<i>Income (loss) before transfers</i>	(11,142)	(11)	(11,153)
Operating transfers in (out)	3,140	(3,140)	0
Capital transfers in (out)	16,519	(16,519)	0
<i>Change in net assets</i>	8,517	(19,670)	(11,153)
Total net assets - beginning	466,147	32,750	498,897
<b><i>Total net assets, June 30, 2009</i></b>	<b>\$474,664</b>	<b>\$13,080</b>	<b>\$487,744</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, 2009**

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers (including other funds)	\$34,127	(\$2,044)	\$32,083
Cash paid to suppliers	(32,375)	(5,553)	(37,928)
Cash paid to employees	(33,065)	0	(33,065)
<i>Net cash provided (used) by operating activities</i>	<i>(31,313)</i>	<i>(7,597)</i>	<i>(38,910)</i>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>			
Grants - subsidies	41,062	8,693	49,755
Operating transfers in (out)	3,140	(3,140)	0
Repayments of advances	(2,044)	2,044	0
<i>Net cash provided (used) by non capital financing activities</i>	<i>42,158</i>	<i>7,597</i>	<i>49,755</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	347	0	347
<i>Net increase (decrease) in pooled cash and investments</i>	<i>11,192</i>	<i>0</i>	<i>11,192</i>
Pooled cash and investments, beginning of year	23,607	0	23,607
<b><i>Pooled cash and investments, end of year</i></b>	<b><i>\$34,799</i></b>	<b><i>\$0</i></b>	<b><i>\$34,799</i></b>
<b>Non Cash Transactions:</b>			
Capital transfers in (out)	\$16,519	(\$16,519)	\$0

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, 2009**

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	(\$52,545)	(\$8,704)	(\$61,249)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	21,600	3,151	24,751
Change in assets and liabilities:			
Accounts receivable	(2,493)	0	(2,493)
Prepaid expenses	97	0	97
Inventory	575	0	575
Tenants prepaid rent	106	0	106
Accounts and contracts payable	1,068	0	1,068
Accrued payroll	(658)	0	(658)
Customer deposits	1,262	0	1,262
Deferred revenue	(325)	(2,044)	(2,369)
<i>Total adjustments</i>	21,232	1,107	22,339
<b><i>Net cash provided (used) by operating activities</i></b>	<b>(\$31,313)</b>	<b>(\$7,597)</b>	<b>(\$38,910)</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, 2009

### 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.

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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.

#### **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.

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

#### 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.

#### 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, 2009 is \$0.

#### 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, 2009

### 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, 2009

### 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, 2009, 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

	Bank Balance	Carrying Amounts
<u>International Bank</u>		
Public Fund – regular checking	\$2,910	\$2,474
Public Fund – interest checking	19,412	19,377
Public Fund – regular checking	261	261
Certificate of deposit	10,173	10,173
Certificate of deposit	2,514	2,514
<i>Total cash on deposit</i>	<b>\$35,270</b>	<b>\$34,799</b>

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

	International Bank
Amount held in bank	\$35,270
Less F.D.I.C.	(35,270)
<i>Amount uninsured</i>	<b>\$0</b>
<hr/>	
100% Collateral requirement	\$0

# VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

### 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 \$1,547.

### 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 June 30, 2008	Additions	Transfers	Balance June 30, 2009
Non Depreciable Assets:				
Land	\$18,600	\$0	\$0	\$18,600
Construction in progress	1,000	0	0	1,000
Depreciable Assets:				
Buildings	668,754	0	0	668,754
Non dwelling structures	99,767	0	0	99,767
Machinery and equipment	72,542	0	0	72,542
<i>Total</i>	<i>860,663</i>	<i>0</i>	<i>0</i>	<i>860,663</i>
Less Accumulated Depreciation:				
Buildings	(225,339)	(21,600)	0	(246,939)
Non dwelling structures	(99,767)	0	0	(99,767)
Machinery and equipment	(57,311)	(3,151)	0	(60,462)
<i>Total accumulated depreciation</i>	<i>(382,417)</i>	<i>(24,751)</i>	<i>0</i>	<i>(407,168)</i>
<i>Net capital assets</i>	<i>\$478,246</i>	<i>(\$24,751)</i>	<i>\$0</i>	<i>\$453,495</i>

Depreciation expense for the year was \$24,751.

### 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	<b>\$34,873</b>

**VILLAGE OF CIMARRON HOUSING AUTHORITY**

(A Component Unit of the Village of Cimarron)

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2009

**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	\$3,140	\$3,140
CFP	0	0	0
<b>Total</b>	<b>\$0</b>	<b>\$3,140</b>	<b>\$3,140</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	\$16,519	16,519
CFP	0	0	0
<b>Total</b>	<b>\$0</b>	<b>\$16,519</b>	<b>\$15,519</b>

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

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

The following summarizes the changes in accrued compensated absences during 2009:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009	Amount Due Within One Year
Accrued compensated absences	\$658	\$0	\$658	\$0	\$0

**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 \$4,055.

## 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, 2009

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Rental income	\$35,380	\$35,380	\$34,391	(\$989)
Other	100	100	611	511
<i>Total revenues</i>	35,480	35,480	35,002	(478)
<b>OPERATING EXPENSES:</b>				
Personnel	38,770	38,770	32,407	6,363
Admin expense	18,760	18,760	14,724	4,036
Operating and maintenance	15,550	15,550	14,409	1,141
Capital outlay	0	0	0	0
Utilities	3,650	3,650	2,749	901
<i>Total operating expenses</i>	76,730	76,730	64,289	12,441
<i>Operating income (loss)</i>	(41,250)	(41,250)	(29,287)	11,963
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
HUD grants and subsidy	39,033	39,033	41,062	2,029
Interest	680	680	341	(339)
Transfers in	3,140	3,140	3,140	0
<i>Total non-operating revenue (expenses)</i>	42,853	42,853	44,543	1,690
<i>Net income</i>	\$1,603	\$1,603	\$15,256	\$13,653

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, 2009, is presented below:

Net income (budgetary basis)	\$15,256
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, other expenditure accruals,	(6,739)
<b>Change in net assets (GAAP basis)</b>	<b>\$8,517</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)

CFP FUND

PROPRIETARY FUND

## STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (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	0	0	0	0
Administration	0	0	0	0
Audit cost	1,000	1,000	1,000	0
Capital outlay	0	0	0	0
Fees and costs	600	600	600	0
Management improvements	0	0	0	0
Operations	2,100	2,100	3,953	(1,853)
<i>Total operating expenses</i>	3,700	3,700	5,553	(1,853)
<i>Operating income (loss)</i>	(3,700)	(3,700)	(5,553)	(1,853)
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
HUD grants and subsidy	6,840	6,840	8,693	1,853
Transfers (out)	(3,140)	(3,140)	(3,140)	0
<i>Total non-operating revenue (expenses)</i>	3,700	3,700	5,553	1,853
<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, 2009, is presented below:

Net income (budgetary basis)	\$0
Adjustments for revenue accruals, transfers, earnings on investments	(16,519)
Adjustments for expenditures for payables, inventory, expenditure accruals, and capital transfers	(3,151)
<b>Change in net assets (GAAP basis)</b>	<b>(\$19,670)</b>

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, 2009, which collectively comprise the Village of Cimarron Housing Authority's basic financial statements and have issued our report thereon dated November 18, 2009. 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 deficiencies in internal control over financial reporting, finding 2006-03, 2009-01, 2009-02, 2009-03, 2009-04, and 2009-05.



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

November 18, 2009

# 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, 2009

### CURRENT YEAR SIGNIFICANT DEFICIENCIES:

#### 2009-01 – No Security Deposit Register and Liability Does Not Agree With Bank Balance

**Statement of Condition** – The Housing Authority does not have a security deposit register; nor does the security deposit bank balance (\$2,474) agree to the liability (\$3,098) for the same.

**Criteria** – Good internal controls require reconciliation of general ledger balance to supporting detail.

**Cause** – Change in personnel and lack of good records.

**Effect** – The Housing Authority must rely on the tenants and old accounting records to determine whose deposits they are holding, applying, or refunding. The Housing Authority may refund or apply deposits that were not received.

**Recommendation** – The Housing Authority should research, prepare, and maintain an accurate security deposit register and correct the security deposit bank balance accordingly.

**Management's Response** – The Cimarron Housing Authority will reconcile the tenant's accounts with the tenant's security deposits by reviewing each tenant's activity and establish a tenant security deposit register. The register will be reconciled monthly with the bank account.

# 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, 2009

## CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

### 2009-02 – Unable to Locate Petty Cash Fund

**Statement of Condition** – The accounting records identify a \$50 petty cash fund that Housing Authority personnel were unable to produce.

**Criteria** – Good internal controls require procedures to be in place to track all petty cash transactions, i.e. imprest account.

**Cause** – Change in personnel.

**Effect** – The Housing Authority has incurred a loss of \$50 due to missing petty cash fund.

**Recommendation** – The Housing Authority Board should implement periodic review procedures over the petty cash fund to insure accountability at all times.

**Management's Response** – The Cimarron Housing Authority's Board of Commissioners will ensure at every Board Meeting that the petty cash fund is accounted for and expenditures are proper.

**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, 2009**

**CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):**

**2009-03 – Incomplete Board Minutes**

**Statement of Condition** – We noted during our audit that the Board minutes are not signed and resolutions are missing.

**Criteria** – Board minutes are critical part of a good internal control system to identify and document the actions of the Board.

**Cause** – Change in personnel and lack of consistent procedures.

**Effect** – Potential for Board Policy not to be carried out properly.

**Recommendation** – All Board minutes should be timely maintained, and updated upon each board meeting. The Board Secretary should review Board minutes prior to each meeting to ensure completeness and accuracy.

**Management's Response** – The Cimarron Housing Authority's Board of Commissioners and Executive Director have already taken action to correct this deficiency.

# 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, 2009

## CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

### 2009-04 – Receipts Report Does Not Agree to Deposit

**Statement of Condition** – During our receipts testwork, 3 of the 40 receipts did not comply with the internal control process as follows:

- A security deposit received was deposited in the wrong bank account. The error was identified per not attached to documentation but the deposit was never moved to correct bank account.
- One receipt was not located but was identified on the daily cash report and properly deposited.
- One daily cash receipt report was not printed, although all receipts received were deposited.

**Criteria** – Good internal controls require consistent application of policies and procedures.

**Cause** – Lack of care and review in performance of daily procedures.

**Effect** – Potential to improperly expend security deposits which are restricted and potential to incorrectly record receipts in the general ledger.

**Recommendation** – Review procedures utilizing checklist should be established and implemented to identify and correct errors in a timely manner.

**Management's Response** – The present Executive and Assistant Director have steps to reconcile the accounts receivable daily after each bank deposit.

# 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, 2009

## **CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):**

### **2009-05 – No Board Approval of Disbursements**

**Statement of Condition** – During our testwork of disbursements, we noted 12 of 40 sample items that were not initialed as approved by the Board.

**Criteria** – Good internal controls require the consistent application of internal control procedures.

**Cause** – Board meeting was canceled.

**Effect** – Inappropriate disbursements could have been made with Housing Authority funds.

**Recommendation** – All disbursements should be reviewed in accordance with policy regardless of whether a meeting is held.

**Management's Response** – The Cimarron Housing Authority's Board of Commissioners and staff have taken action to insure that the Board reviews each voucher and that it is initialed by the entire Board at each Board Meeting.

# 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, 2009

## 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 should be kept to support general ledger entries.

**Management's Response** – The Cimarron Housing Authority CHA has purchased computer software to keep a current listing of its capital assets. The current staff will complete this task as soon as possible.

# **VILLAGE OF CIMARRON HOUSING AUTHORITY**

(A Component Unit of the Village of Cimarron)

**EXIT CONFERENCE**

**JUNE 30, 2009**

## **EXIT CONFERENCE:**

The exit conference was held November 4, 2009 and was attended by the following:

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

Linda Pavletich, Mayor of Cimarron, HA Chairperson  
Judy Le Doux, Mayor Pro-Tem, HA Vice Chairperson  
Melissa Cruz, Acting Assistant Director  
Robert Portillos, Acting Executive Director

### **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.