



KRIEGEL/GRAY/SHAW & CO., P.C.

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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, 2011

VILLAGE OF CIMARRON HOUSING AUTHORITY

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VILLAGE OF CIMARRON HOUSING AUTHORITY

OFFICIAL ROSTER
JUNE 30, 2011

Board of Commissioners

<u>Name</u>	<u>Title</u>
<i>Mary Alice Tracy-Boyce</i>	<i>Chairperson</i>
<i>Todd Smith</i>	<i>Vice-Chairperson</i>
<i>Eddie Carter</i>	<i>Commissioner</i>
<i>Anita LeDoux</i>	<i>Commissioner</i>
<i>Judy LeDoux</i>	<i>Commissioner</i>
<i>Denise Sanchez</i>	<i>Commissioner</i>

Administrative Officials

<i>Theresita Gruver</i>	<i>Executive Director</i>
<i>Melissa Cruz</i>	<i>Management Analyst</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 the business-type activities, 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, 2011, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. We have also audited the financial statements of the nonmajor enterprise fund and 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, 2011 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, 2011, 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 22, 2011 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and combining and individual fund financial statements. The Financial Data Schedule listed as "other supplementary information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

November 22, 2011

VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

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, 2011. 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 increased from \$513,382 to \$545,609, an increase of \$32,227 or 6.28%.
- The net assets balance increased from \$509,557 to \$538,345 at June 30, 2011. This represents an increase of \$28,788 or 5.65% from the previous year. The unrestricted net asset balance increased from \$63,765 to \$73,127, an increase of \$9,362 or 14.68%.
- Revenues increased from \$96,318 to \$144,054, an increase of \$47,736 or 49.56% from the previous year.
- Total expenses increased by \$40,761, from \$74,505 to \$115,266 for the current year. This represents an increase of 54.71%.

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, 2011. 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, 2011

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, 2011 and June 30, 2010.

Statement of Net Assets-Condensed FYE June 30

<u>Category</u>	<u>FYE 2011</u>	<u>FYE 2010</u>	<u>Dollar Change</u>
Current Assets	\$77,430	\$64,770	\$12,660
Noncurrent Assets	2,961	2,720	241
Capital Assets (Net of Depreciation)	465,218	445,792	19,426
<i>Total Assets</i>	<i>545,609</i>	<i>513,282</i>	<i>32,327</i>
Current Liabilities	4,303	1,005	3,298
Long Term Liabilities	2,961	2,720	241
<i>Total Liabilities</i>	<i>7,264</i>	<i>3,725</i>	<i>3,539</i>
Unrestricted Net Assets	73,127	63,765	9,362
Investment in Net Capital Assets	465,218	445,792	19,426
<i>Total Net Assets</i>	<i>\$538,345</i>	<i>\$509,557</i>	<i>\$28,788</i>

Cash & Investments

Unrestricted cash and investments totaled \$73,176, an increase of \$11,718 from the previous year.

Current Assets and Liabilities

Current assets increased by \$12,660 due primarily to an increase in cash resulting from the increase in HUD Grants. Current liabilities increased as a result of increased higher wages payable and accrued employee leave.

VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

Net Assets

The total net asset balance increased from \$509,557 to \$538,345 at June 30, 2011. 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 \$73,127, an increase of \$9,362 from the previous year.

Statement of Revenues & Expenses FYE June 30

<u>Category</u>	<u>FYE 2011</u>	<u>FYE 2010</u>	<u>Dollar Change</u>
Rental Revenue	\$27,452	\$32,304	(\$4,852)
HUD Operating Grants	37,186	37,749	(563)
Capital Grants	78,132	24,631	53,501
Interest Income	273	248	25
Other Revenue	1,011	1,386	(375)
<i>Total Revenue</i>	<i>144,054</i>	<i>96,318</i>	<i>47,736</i>
Personnel	44,279	18,630	25,649
Operating	40,360	31,124	9,236
Depreciation	30,627	24,751	5,876
<i>Total Expenses</i>	<i>115,266</i>	<i>74,505</i>	<i>40,761</i>
<i>Excess of Revenue over Expenses</i>	<i>\$28,788</i>	<i>\$21,813</i>	<i>\$6,975</i>

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 \$47,736. Total expenses increased by \$40,761 from the previous year. Revenues increased from the previous year principally due to an increase in HUD Capital Grants. Expenses increased from the previous year as a result of the increase in costs of salaries and benefits and in other 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, 2011

Capital Assets

As of June 30, 2011, the Cimarron Housing Authority's investment in capital assets was \$465,218. This investment includes land, building, building improvements, office equipment, and maintenance equipment.

<u>Category</u>	<u>FYE 2011</u>	<u>FYE 2010</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	166,868	116,815	50,053
Accumulated Depreciation	(462,546)	(431,919)	(30,627)
<i>Total Net Capital Assets</i>	<i>\$465,218</i>	<i>\$445,792</i>	<i>\$19,426</i>

The change in accumulated depreciation is current year depreciation expense of \$30,627.

No significant changes in financial position or results of operations are anticipated for the fiscal year ending June 30, 2011.

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
Theresita 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, 2011

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$73,176	\$0	\$73,176
Prepaid insurance	2,586	0	2,586
Tenant receivable - net of allowance	689	0	689
Interest receivable	33	0	33
HUD receivable	0	0	0
Due from other funds	0	0	0
Inventory - maintenance materials - net of obsolete inventory	946	0	946
<i>Total current assets</i>	<i>77,430</i>	<i>0</i>	<i>77,430</i>
Noncurrent Assets:			
Restricted cash	2,961	0	2,961
Net capital assets	450,476	14,742	465,218
<i>Total noncurrent assets</i>	<i>453,437</i>	<i>14,742</i>	<i>468,179</i>
Total assets	\$530,867	\$14,742	\$545,609
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$1,734	\$0	\$1,734
Wages payable	769	0	769
Tenants prepaid rent	241	0	241
Accrued compensated absences	1,559	0	1,559
Due to other funds	0	0	0
Deferred revenue	0	0	0
<i>Total current liabilities</i>	<i>4,303</i>	<i>0</i>	<i>4,303</i>
Long-term Liabilities:			
Tenant security deposits	2,961	0	2,961
<i>Total liabilities</i>	<i>7,264</i>	<i>0</i>	<i>7,264</i>
Net Assets:			
Invested in capital assets	450,476	14,742	465,218
Restricted	0	0	0
Unrestricted	73,127	0	73,127
<i>Total net assets</i>	<i>523,603</i>	<i>14,742</i>	<i>538,345</i>
Total liabilities and net assets	\$530,867	\$14,742	\$545,609

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, 2011

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
OPERATING REVENUES:			
Rental income	\$27,452	\$0	\$27,452
Other revenue	1,011	0	1,011
<i>Total operating revenues</i>	28,463	0	28,463
OPERATING EXPENSES:			
Personnel	44,279	0	44,279
Operating	33,076	7,284	40,360
Depreciation	24,757	5,870	30,627
<i>Total operating expenses</i>	102,112	13,154	115,266
<i>Net operating income (loss)</i>	(73,649)	(13,154)	(86,803)
NON-OPERATING REVENUE AND (EXPENSES)			
HUD operating subsidy/capital grants	37,186	78,132	115,318
Interest	273	0	273
<i>Total non-operating revenue and (expenses)</i>	37,459	78,132	115,591
<i>Income (loss) before transfers</i>	(36,190)	64,978	28,788
Operating transfers in (out)	20,795	(20,795)	0
Capital transfers in (out)	46,432	(46,432)	0
<i>Change in net assets</i>	31,037	(2,249)	28,788
Total net assets - beginning	492,566	16,991	509,557
<i>Total net assets, June 30, 2011</i>	\$523,603	\$14,742	\$538,345

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, 2011

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers (including other funds)	\$29,581	\$0	\$29,581
Cash paid to suppliers	(33,928)	(7,284)	(41,212)
Cash paid to employees	(41,951)	0	(41,951)
<i>Net cash provided (used) by operating activities</i>	<i>(46,298)</i>	<i>(7,284)</i>	<i>(53,582)</i>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Grants - subsidies	37,186	78,132	115,318
Operating transfers in (out)	20,795	(20,795)	0
Purchase of capital assets	0	(50,053)	(50,053)
<i>Net cash provided (used) by non capital financing activities</i>	<i>57,981</i>	<i>7,284</i>	<i>65,265</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	276	0	276
<i>Net increase (decrease) in pooled cash and investments</i>	<i>11,959</i>	<i>0</i>	<i>11,959</i>
Pooled cash and investments, beginning of year	64,178	0	64,178
<i>Pooled cash and investments, end of year</i>	<i>\$76,137</i>	<i>\$0</i>	<i>\$76,137</i>
Non Cash Transactions:			
Capital transfers in (out)	\$46,432	(\$46,432)	\$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, 2011

	Business-Type Activities		
	Low Rent	Nonmajor Fund	
		CFP	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	(\$73,649)	(\$13,154)	(\$86,803)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	24,757	5,870	30,627
Collection Loss	176	0	176
Change in assets and liabilities:			
Accounts receivable	869	0	869
Prepaid expenses	(1,044)	0	(1,044)
Inventory	(946)	0	(946)
Tenants prepaid rent	8	0	8
Accounts and contracts payable	962	0	962
Accrued payroll	2,328	0	2,328
Customer deposits	241	0	241
Deferred revenue		0	0
<i>Total adjustments</i>	27,351	5,870	33,221
<i>Net cash provided (used) by operating activities</i>	(\$46,298)	(\$7,284)	(\$53,582)

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, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The function of the Village of Cimarron Housing Authority (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 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 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 Housing Authority's financial information.

The 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 Housing Authority has no component units.

Basis of Presentation

For financial reporting purposes, the accounts of the 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, 2011

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 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, 2011

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, 2011 is \$1,559.

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 Lives¹</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, 2011

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, 2011

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, 2011, the Housing Authority held only short term certificates of deposit and therefore, they were shown as cash equivalents.

Restricted cash is cash from tenants 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 Balance</u>	<u>Carrying Amounts</u>
<u>International Bank</u>		
Public Fund – regular checking	\$60,570	\$59,839
Public Fund – interest checking	2,230	2,961
Public Fund – regular checking	1	1
Public Fund – regular checking	261	261
Certificate of deposit	2,591	2,591
Certificate of deposit	10,484	10,484
<i>Total cash on deposit</i>	\$76,137	\$76,137
		<u>International Bank</u>
Amount held in bank		\$76,137
Less F.D.I.C.		(76,137)
<i>Amount uninsured</i>		\$0
100% Collateral requirement		\$0

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 \$2,754.

VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2010	Additions	Transfers	Balance June 30, 2011
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	116,815	50,053	0	166,868
Machinery and equipment	72,542	0	0	72,542
<i>Total</i>	877,711	50,053	0	927,764
Less Accumulated Depreciation:				
Buildings	(268,539)	(27,476)	0	(296,015)
Non dwelling structures	(99,767)	0	0	(99,767)
Machinery and equipment	(63,613)	(3,151)	0	(66,764)
<i>Total accumulated depreciation</i>	(431,919)	(30,627)	0	(462,546)
<i>Net capital assets</i>	\$445,792	\$19,426	\$0	\$465,218

Depreciation expense for the year was \$30,627.

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.	Net Working Capital: Proprietary Funds	\$73,127
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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.

VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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	\$20,795	\$20,795
CFP	0	0	0
Total	\$0	\$20,795	\$20,795

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	\$46,432	\$46,432
CFP	0	0	0
Total	\$0	\$46,432	\$46,432

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 2011:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Amount Due Within One Year
Accrued compensated absences	\$0	\$2,425	\$866	\$1,559	\$1,559

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 \$6,207.

NOTE 10. COMMITMENTS AND CONTINGENCIES

During fiscal year 2011, The Village of Cimarron presented an invoice to the Housing Authority requesting reimbursement of \$62,437 in legal fees in connection to the Gruver Settlement. The Board agreed to reimburse the Village for \$32,000 of this amount, in an annual payment of \$3,000 without interest, until paid in full. The balance due to the Village at June 30, 2011 is \$29,468.

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, 2011

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
Rental income	\$27,500	\$27,500	\$28,570	\$1,070
Other	1,060	1,060	1,011	(49)
<i>Total revenues</i>	28,560	28,560	29,581	1,021
OPERATING EXPENSES:				
Personnel	34,710	34,710	35,879	(1,169)
Admin expense	21,150	21,150	17,708	3,442
Operating and maintenance	28,810	28,810	19,069	9,741
Capital outlay	0	0	0	0
Utilities	3,790	3,790	3,223	567
<i>Total operating expenses</i>	88,460	88,460	75,879	12,581
<i>Operating income (loss)</i>	(59,900)	(59,900)	(46,298)	13,602
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	37,766	37,766	37,186	(580)
Interest	500	500	276	(224)
Transfers in	19,930	19,930	20,795	865
<i>Total non-operating revenue (expenses)</i>	58,196	58,196	58,257	61
<i>Net income</i>	(\$1,704)	(\$1,704)	\$11,959	\$13,663

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, 2011, is presented below:

Net income (budgetary basis)	\$11,959
Adjustments for revenue accruals, transfers, earnings on investments	(1,121)
Adjustments for expenditures for payables, inventory, other expenditure accruals,	20,199
Change in net assets (GAAP basis)	\$31,037

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 - 2008

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES

BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
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
OPERATING EXPENSES:				
Personnel	0	0	0	0
Administration	0	0	0	0
Audit cost	0	0	0	0
Capital outlay	2,962	2,962	2,962	0
Fees and costs	0	0	0	0
Management improvements	0	0	0	0
Operations	0	0	0	0
<i>Total operating expenses</i>	2,962	2,962	2,962	0
<i>Operating income (loss)</i>	(2,962)	(2,962)	(2,962)	0
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	2,962	2,962	2,962	0
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	2,962	2,962	2,962	0
<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, 2011, 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 transfers	(16,091)
Change in net assets (GAAP basis)	(\$16,091)

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 - 2009

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
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
OPERATING EXPENSES:				
Personnel	0	0	0	0
Administration	1,000	1,000	0	1,000
Audit cost	1,000	1,000	0	1,000
Capital outlay	15,698	15,698	13,698	2,000
Fees and costs	2,000	2,000	2,000	0
Management improvements	1,000	1,000	1,000	0
Operations	(2,000)	(2,000)	1,100	(3,100)
<i>Total operating expenses</i>	18,698	18,698	17,798	900
<i>Operating income (loss)</i>	(18,698)	(18,698)	(17,798)	900
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	18,698	18,698	17,798	(900)
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	18,698	18,698	17,798	(900)
<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, 2011, 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 transfers	13,842
Change in net assets (GAAP basis)	\$13,842

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 - ARRA GRANT

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
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
OPERATING EXPENSES:				
Personnel	0	0	0	0
Administration	0	0	0	0
Audit cost	0	0	0	0
Capital outlay	0	0	0	0
Fees and costs	0	0	0	0
Management improvements	0	0	0	0
Operations	0	0	0	0
<i>Total operating expenses</i>	0	0	0	0
<i>Operating income (loss)</i>	0	0	0	0
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	0	0	0	0
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	0	0	0	0
<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, 2011, 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 transfers	0
Change in net assets (GAAP basis)	\$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)

CFP FUND - 2010

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
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
OPERATING EXPENSES:				
Personnel	0	0	0	0
Administration	1,500	1,500	0	1,500
Audit cost	1,500	1,500	0	1,500
Capital outlay	13,479	13,479	5,784	7,695
Fees and costs	2,000	2,000	0	2,000
Management improvements	2,000	2,000	0	2,000
Operations	5,000	5,000	19,695	(14,695)
<i>Total operating expenses</i>	25,479	25,479	25,479	0
<i>Operating income (loss)</i>	(25,479)	(25,479)	(25,479)	0
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	25,479	25,479	25,479	0
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	25,479	25,479	25,479	0
<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, 2010, 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 transfers	0
Change in net assets (GAAP basis)	\$0

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

OTHER SUPPLEMENTARY INFORMATION

Housing Authority of the Village of Cimarron (NM048)
Cimarron, NM
Financial Data Schedule
6/30/2011

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	59,839	-	59,839
113	Cash - Other Restricted	-	-	-
114	Cash - Tenant Security Deposits	2,961	-	2,961
100	Total Cash	<u>62,800</u>	-	<u>62,800</u>
121	Accounts Receivable - PHA Projects	-	-	-
124	Accounts Receivable - Other Government	-	-	-
125	Accounts Receivable - Miscellaneous	33	-	33
126	Accounts Receivable - Tenants	-	-	-
126.1	Allowance for Doubtful Accts - Tenants	-	-	-
126.2	Allowance for Doubtful Accts - Other	-	-	-
128	Fraud Recovery	3,443	-	3,443
128.1	Allowance for Doubtful Accts - Fraud	(2,754)	-	(2,754)
120	Total Receivables, Net of Allowance for Doubtful Accts	<u>722</u>	-	<u>722</u>
131	Investments - Unrestricted	13,337	-	13,337
132	Investments - Restricted	-	-	-
142	Prepaid Expenses and Other Assets	2,586	-	2,586
143	Inventories	1,051	-	1,051
143.1	Allowance for Obsolete Inventories	(105)	-	(105)
150	Total Current Assets	<u>80,391</u>	-	<u>80,391</u>
161	Land	18,600	-	18,600
162	Buildings	768,521	-	768,521
163	Furniture, Equipment & Machinery - Dwellings	35,791	-	35,791
164	Furniture, Equipment & Machinery - Administration	87,756	900	88,656
165	Leasehold Improvements	-	15,198	15,198
166	Accumulated Depreciation	(461,192)	(1,356)	(462,548)
167	Construction in Progress	1,000	-	1,000
168	Infrastructure	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	<u>450,476</u>	<u>14,742</u>	<u>465,218</u>
180	Total Non-Current Assets	<u>450,476</u>	<u>14,742</u>	<u>465,218</u>
190	Total Assets	<u>530,867</u>	<u>14,742</u>	<u>545,609</u>
311	Bank Overdraft	-	-	-
312	Accounts Payable <= 90 Days	1,734	-	1,734
322	Accrued Compensated Absences - Current Portion	1,559	-	1,559
341	Tenant Security Deposits	2,961	-	2,961
346	Accrued Liabilities - Other	1,010	-	1,010
310	Total Current Liabilities	<u>7,264</u>	-	<u>7,264</u>
354	Accrued Compensated Absences - Non Current	-	-	-
350	Total Noncurrent Liabilities	-	-	-
300	Total Liabilities	<u>7,264</u>	-	<u>7,264</u>
508.1	Invested in Capital Assets, Net of Related Debt	450,476	14,742	465,218
511.1	Restricted Net Assets	-	-	-
512.1	Unrestricted Net Assets	73,127	-	73,127
513	Total Equity/Net Assets	<u>523,603</u>	<u>14,742</u>	<u>538,345</u>
600	Total Liabilities and Equity/Net Assets	<u>530,867</u>	<u>14,742</u>	<u>545,609</u>
70300	Net Tenant Rental Revenue	27,452	-	27,452
70400	Tenant Revenue - Other	1,011	-	1,011
70500	Total Tenant Revenue	<u>28,463</u>	-	<u>28,463</u>
70600	HUD PHA Operating Grants	37,186	-	37,186
70610	Capital Grants	-	78,132	78,132
70700	Total Fee Revenue	<u>37,186</u>	<u>78,132</u>	<u>115,318</u>
71100	Investment Income - Unrestricted	273	-	273
71400	Fraud Recovery	-	-	-
71500	Other Revenue	-	-	-
70000	Total Revenue	<u>65,922</u>	<u>78,132</u>	<u>144,054</u>

Housing Authority of the Village of Cimarron (NM048)
Cimarron, NM
Financial Data Schedule
6/30/2011

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
91100	Administrative Salaries	26,235	-	26,235
91200	Auditing Fees	4,807	850	5,657
91300	Management Fees	1,111	-	1,111
91310	Bookkeeping Fee	4,187	-	4,187
91400	Advertising & Marketing	-	-	-
91500	Employee Benefit Contributions - Administrative	3,364	-	3,364
91600	Office Expenses	5,308	150	5,458
91700	Legal Expenses	3,000	-	3,000
91800	Travel	-	-	-
91900	Other	296	-	296
91000	Total Operating - Administrative	<u>48,308</u>	<u>1,000</u>	<u>49,308</u>
92400	Tenant Services - Other	-	-	-
92500	Total Tenant Services	-	-	-
93100	Water	662	-	662
93200	Electricity	1,423	-	1,423
93300	Gas	881	-	881
93600	Sewer	174	-	174
93800	Other Utilities	-	-	-
93000	Total Utilities	<u>3,140</u>	<u>-</u>	<u>3,140</u>
94100	Ordinary Maintenance and Operations - Labor	9,548	-	9,548
94200	Ordinary Maintenance and Operations - Materials & Other	3,279	3,105	6,384
94300	Ordinary Maint and Operations - Contract Costs	2,608	3,179	5,787
94500	Employee Benefit Contributions - Ordinary Maintenance	2,707	-	2,707
94000	Total Maintenance	<u>18,142</u>	<u>6,284</u>	<u>24,426</u>
96110	Property Insurance	2,876	-	2,876
96120	Liability Insurance	631	-	631
96130	Workmen's Compensation	-	-	-
96140	All Other Insurance	1,657	-	1,657
96100	Total Insurance Premiums	<u>5,164</u>	<u>-</u>	<u>5,164</u>
96200	Other General Expenses	-	-	-
96210	Compensated Absences	2,425	-	2,425
96300	Payments in Lieu of Taxes	-	-	-
96400	Bad debt - Tenant Rents	176	-	176
96000	Total Other General Expenses	<u>2,601</u>	<u>-</u>	<u>2,601</u>
96900	Total Operating Expenses	<u>77,355</u>	<u>7,284</u>	<u>84,639</u>
97000	Excess Operating Revenue over Operating Expenses	(11,433)	70,848	59,415
97400	Depreciation Expense	<u>24,757</u>	<u>5,870</u>	<u>30,627</u>
90000	Total Expenses	<u>102,112</u>	<u>13,154</u>	<u>115,266</u>
10010	Operating Transfers In	20,795	-	20,795
10020	Operating Transfers Out	-	(20,795)	(20,795)
10100	Total Other Financing Sources (Uses)	<u>20,795</u>	<u>(20,795)</u>	<u>-</u>
10000	Excess (Deficiency) of Total Rev Over (Under) Total Exp	<u>(15,395)</u>	<u>44,183</u>	<u>28,788</u>
11030	Beginning Equity	\$ 492,566	\$ 16,991	\$ 509,557
11040	Prior Period Adj, Equity Transfers, Correction of Errors	\$ -	\$ -	\$ -
11050	Changes in Compensated Absence Balance	\$ 1,559	\$ -	\$ 1,559
11190	Unit Months Available	192	-	192
11210	Number of Unit Months Leased	177	-	177

**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 and the related budgetary comparisons presented as supplementary information of Village of Cimarron Housing Authority (a component unit of the Village of Cimarron), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 22, 2011. 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. Finding 2006-03. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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*.

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

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 22, 2011

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, 2011**

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

None.

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2010-01 Audit Report Not Submitted Timely

Resolved and not repeated.

2006-03 Lack of Complete Capital Assets Schedule

Repeated with modifications.

Statement of Condition – Client does not maintain a detailed listing of capital asset schedules for assets purchased prior to July 1, 2005.

Criteria – Good internal controls require that subsidiary ledgers be maintained to support general ledger entries. New Mexico State Auditor Rule 2.2.2.10 NMAC 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 prior to July 1, 2005. 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 detail of fixed assets purchased prior to July 1, 2005 cannot be located in client records. Management of Cimarron Housing Authority will continue to explore resources to reconstruct the details of these fixed assets.

VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

EXIT CONFERENCE

JUNE 30, 2011

EXIT CONFERENCE:

The exit conference was held November 4, 2011 and was attended by the following:

From the Village of Cimarron Housing Authority:

Sherry Bennett, Board Chairperson

Michael Johnson, Board Vice-Chairperson

Melissa Cruz, Management Analyst

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

Ken Shaw, CPA/Shareholder

Kristi Granados, CPA/Staff Auditor

FINANCIAL STATEMENTS PREPARATION

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