



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, 2014

VILLAGE OF CIMARRON HOUSING AUTHORITY

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VILLAGE OF CIMARRON HOUSING AUTHORITY

OFFICIAL ROSTER
JUNE 30, 2014

Board of Commissioners

<u>Name</u>	<u>Title</u>
<i>Judy LeDoux</i>	<i>Village Mayor</i>
<i>Ron Hickman</i>	<i>Village Mayor Pro-Tem</i>
<i>Phillip Salazar</i>	<i>Village Councilor</i>
<i>Ray Gothard</i>	<i>Village Councilor</i>
<i>Lukas Snark</i>	<i>Village Councilor</i>

Administrative Officials

<i>Teresita Gruver</i>	<i>Executive Director</i>
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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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Village of Cimarron Housing Authority (Authority), a component unit of the Village of Cimarron (Village), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information, as defined by the Government Accounting Standards Board for the year ended June 30, 2014 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities Village of Cimarron Housing Authority, as of June 30, 2014, and the respective changes in financial position and cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the year then ended in conformity with budgetary basis required by the U.S. Department of Housing and Urban Development that is more fully described in Note 1 which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America..

Other Matters

Reporting Entity

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and changes in its financial position and cash flows of only that portion of the Village that is attributable to the Authority. They do not purport to, and do not present fairly the financial position of the Village as of June 30, 2014, and the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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
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Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Financial Data Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 on our consideration of the 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* in considering the Authority's internal control over financial reporting and compliance.

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

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF CIMARRON HOUSING AUTHORITY
(A Component Unit of the Village of Cimarron)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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, 2014. The information contained herein 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 \$516,606 to \$464,249, a decrease of \$52,357 or 10.1%.
- The net position balance decreased from \$481,660 to \$429,681 at June 30, 2014. This represents a decrease of \$51,979 or 10.8% from the previous year. The unrestricted net position balance decreased from \$59,749 to \$37,503, a decrease of \$22,246 or 37.2%.
- Revenues decreased from \$90,980 to \$62,133, a decrease of \$28,847 or 31.7% from the previous year.
- Total expenses decreased by \$3,871, from \$117,983 to \$114,112 for the current year. This represents a decrease of 3.3%.

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, 2014. 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 Position provides information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Authority is improving.
2. The Statement of Revenue, Expenses and Changes in Fund Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position 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, 2014

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, 2014 and June 30, 2013.

Statement of Net Position-Condensed FYE June 30

<u>Category</u>	<u>FYE 2014</u>	<u>FYE 2013</u>	<u>Dollar Change</u>
Current Assets	\$68,786	\$91,795	(\$23,009)
Noncurrent Assets	3,285	2,900	385
Capital Assets (Net of Depreciation)	392,178	421,911	(29,733)
<i>Total Assets</i>	<i>464,249</i>	<i>516,606</i>	<i>(52,357)</i>
Current Liabilities	12,815	13,278	(463)
Long Term Liabilities	21,753	21,668	85
<i>Total Liabilities</i>	<i>34,568</i>	<i>34,946</i>	<i>(378)</i>
Unrestricted Net Position	37,503	59,749	(22,246)
Net Investment in Capital Assets	392,178	421,911	(29,733)
<i>Total Net Position</i>	<i>\$429,681</i>	<i>\$481,660</i>	<i>(\$51,979)</i>

Cash & Investments

Unrestricted cash and investments totaled \$62,610, a decrease of \$25,578 from the previous year.

Current Assets and Liabilities

Current assets decreased by \$23,009 due primarily to a decrease in cash resulting from the decrease in tenant rental revenue. Current liabilities decreased as a result of payment of June 30, 2013 unpaid payroll liabilities.

VILLAGE OF CIMARRON HOUSING AUTHORITY
(A Component Unit of the Village of Cimarron)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Net Position

The total net position balance decreased from \$481,660 to \$429,681 at June 30, 2014. Unrestricted net position is the amount of available funds for future appropriations. These funds are reserved for expenditures of the actual program. The Authority's unrestricted net position total of \$37,503 is a decrease of \$22,246 from the previous year.

Statement of Revenues & Expenses
FYE June 30

<u>Category</u>	<u>FYE 2014</u>	<u>FYE 2013</u>	<u>Dollar Change</u>
Rental Revenue	\$28,080	\$38,667	(\$10,587)
HUD Operating Grants	31,203	31,559	(356)
Capital Grants	1,810	19,088	(17,278)
Interest Income	146	185	(39)
Other Revenue	894	1,481	(587)
<i>Total Revenue</i>	62,133	90,980	(28,847)
Personnel	26,973	46,147	(19,174)
Operating	57,406	39,895	17,511
Depreciation	29,733	31,941	(2,208)
<i>Total Expenses</i>	114,112	117,983	(3,871)
<i>Excess of Revenue over Expenses</i>	(\$51,979)	(\$27,003)	(\$24,976)

Results of Operations

Operating revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenues decreased by \$28,847. Total expenses decreased by \$3,871 from the previous year. Revenues decreased from the previous year principally due to a decrease in tenant rental revenue and HUD capital grants. Expenses decreased from the previous year as a result of the decrease in personnel costs.

Budgetary Highlights

The Authority prepares its budgets in accordance with HUD requirements. The budgets are utilized only as guidelines and have not been amended during the fiscal year.

VILLAGE OF CIMARRON HOUSING AUTHORITY
(A Component Unit of the Village of Cimarron)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Capital Assets

As of June 30, 2014, the Cimarron Housing Authority's net investment in capital assets was \$392,178. This investment includes land, building, building improvements, office equipment, and maintenance equipment.

<u>Category</u>	<u>FYE 2014</u>	<u>FYE 2013</u>	<u>Dollar Change</u>
Land	\$18,600	\$18,600	\$0
Construction in Process	0	0	0
Buildings	668,754	668,754	0
Equipment	72,542	72,542	0
Nondwelling Structures	188,207	188,207	0
Accumulated Depreciation	(555,925)	(526,192)	(29,733)
<i>Total Net Capital Assets</i>	<i>\$392,178</i>	<i>\$421,911</i>	<i>(\$29,733)</i>

Current year depreciation expense is \$29,733.

No significant changes in financial position or results of operations are anticipated for the fiscal year ending June 30, 2014.

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
C/O Village of Cimarron
Judy LeDoux, Mayor
356 E. 9th Street
Cimarron, New Mexico 87714

BASIC FINANCIAL STATEMENTS

VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

PROPRIETARY FUNDS STATEMENTS OF POSITION JUNE 30, 2014

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$42,510	\$0	\$42,510
Investments	20,100	0	20,100
Prepaid insurance	2,594	0	2,594
Tenant receivable - net of allowance of \$728	690	0	690
Interest receivable	3	0	3
Fraud receivable - net of allowance of \$2,560	285	0	285
Inventory - maintenance materials - net of obsolete inventory	2,604	0	2,604
<i>Total current assets</i>	68,786	0	68,786
Noncurrent Assets:			
Restricted cash for security deposits	3,285	0	3,285
Net capital assets	380,744	11,434	392,178
<i>Total noncurrent assets</i>	384,029	11,434	395,463
<i>Total assets</i>	452,815	11,434	464,249
 LIABILITIES AND NET POSITION			
Current Liabilities:			
Accounts payable	3,006	0	3,006
Accrued liabilities	240	0	240
Wages and payroll taxes payable	2,352	0	2,352
Tenant prepaid rent	916	0	916
Accrued compensated absences	0	0	0
Current portion of long-term liability	3,000	0	3,000
Other payroll related payables	3,301	0	3,301
<i>Total current liabilities</i>	12,815	0	12,815
Long-term Liabilities:			
Accrued compensated absences	0	0	0
Payable to Village of Cimarron	18,468	0	18,468
Tenant security deposits	3,285	0	3,285
<i>Total long-term liabilities</i>	21,753	0	21,753
<i>Total liabilities</i>	34,568	0	34,568
Net Position:			
Net investment in capital assets	380,744	11,434	392,178
Unrestricted	37,503	0	37,503
<i>Total net position</i>	\$418,247	\$11,434	\$429,681

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 POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
OPERATING REVENUES:			
Rental income	\$28,080	\$0	\$28,080
HUD operating subsidy	31,203	0	31,203
Other revenue	894	0	894
<i>Total operating revenues</i>	60,177	0	60,177
OPERATING EXPENSES:			
Personnel	26,973	0	26,973
Operating	57,406	0	57,406
Depreciation	28,850	883	29,733
<i>Total operating expenses</i>	113,229	883	114,112
<i>Net operating income (loss)</i>	(53,052)	(883)	(53,935)
NON-OPERATING REVENUE AND (EXPENSES)			
HUD capital grants	0	1,810	1,810
Interest	146	0	146
<i>Total non-operating revenue and (expenses)</i>	146	1,810	1,956
<i>Income (loss) before transfers</i>	(52,906)	927	(51,979)
Operating transfers in (out)	1,810	(1,810)	0
<i>Change in net position</i>	(51,096)	(883)	(51,979)
Total net position - beginning	469,343	12,317	481,660
<i>Total net position, June 30, 2014</i>	\$418,247	\$11,434	\$429,681

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, 2014

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers (including other funds)	\$29,828	\$0	\$29,828
HUD operating subsidy	31,203	0	31,203
Cash paid to suppliers	(57,561)	0	(57,561)
Cash paid to employees	(30,619)	0	(30,619)
<i>Net cash provided (used) by operating activities</i>	<i>(27,149)</i>	<i>0</i>	<i>(27,149)</i>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Grants - subsidies	0	0	0
Operating transfers in (out)	1,810	(1,810)	0
<i>Net cash provided (used) by non capital financing activities</i>	<i>1,810</i>	<i>(1,810)</i>	<i>0</i>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grant	0	1,810	1,810
Purchase of capital assets	0	0	0
<i>Net cash provided (used) by capital and related financing activities</i>	<i>0</i>	<i>1,810</i>	<i>1,810</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of certificate of deposit	(100)	0	(100)
Interest received	146	0	146
<i>Net cash provided (used) by investing activities</i>	<i>46</i>	<i>0</i>	<i>46</i>
<i>Net increase (decrease) in pooled cash</i>	<i>(25,293)</i>	<i>0</i>	<i>(25,293)</i>
Pooled cash, beginning of year *	71,088	0	71,088
<i>Pooled cash, end of year</i>	<i>\$45,795</i>	<i>\$0</i>	<i>\$45,795</i>
* Pooled cash, end of year	\$42,510		
Adjusted for security deposits cash	3,285		
Adjusted pooled cash, beginning of year	\$45,795		
Beginning cash corrected	\$91,088		
Less CD's with original maturity greater than 90 days	(20,000)		
	<u>\$71,088</u>		

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, 2014

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	(\$53,052)	(\$883)	(\$53,935)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	28,850	883	29,733
Change in assets and liabilities:			
Accounts receivable	117	0	117
Prepaid expenses	(82)	0	(82)
Inventory	(2,604)	0	(2,604)
Tenants prepaid rent	737	0	737
Accounts and contracts payable	2,146	0	2,146
Accrued payroll	(2,857)	0	(2,857)
Customer deposits	385	0	385
Accrued employee leave	(789)	0	(789)
Total adjustments	25,903	883	26,786
Net cash provided (used) by operating activities	(\$27,149)	\$0	(\$27,149)

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, 2014

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, deferred outflows of resources, liabilities, deferred inflows of resources, net position, 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.

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, 2014

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. All assets, all liabilities and deferred outflows and inflows of resources associated with the operations are included on the statement of net position.

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. It is the Housing Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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, 2014

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, 2014 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 \$1,000 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, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources – Unearned Revenue

The Authority reports unearned revenue on its statement of net position, when applicable. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when the Authority receives resources before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and revenue is recognized.

Net Position

Net position is displayed in three components:

Net Investment in Capital Assets – 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 Position – Net position is reported as restricted when constraints placed on net position 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 Position – Net position that does not meet the definition of “restricted” and “Net investment in capital assets.”

VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 2. CASH AND INVESTMENTS

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, 2014, the Housing Authority held only one certificate of deposit with an original maturity greater than 90 days and therefore is reported as an investment.

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

	Bank Balance	Carrying Amounts
<u>International Bank</u>		
Public Fund – Regular Checking	\$42,402	\$41,581
Public Fund – Savings	261	261
Public Fund – Tenant Sec Deposits	3,953	3,953
Public Fund – CFP Checking	0	0
Certificate of Deposit	20,100	20,100
<i>Total cash on deposit</i>	66,716	65,895
Less amounts shown as investments	20,100	20,100
<i>Total cash</i>	\$46,616	\$45,795

Investments

	WAM	Cost	Market Value
Certificates of deposit	360 days	\$20,100	\$20,100
<i>Total investments</i>		\$20,100	\$20,100

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority's deposits may not be returned to it.

There were no uninsured bank deposits.

	International Bank
Amount held in bank	\$66,716
Less F.D.I.C.	(66,716)
<i>Amount uninsured</i>	\$0
100% Collateral requirement	\$0

VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 \$728.

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, 2013	Additions	Transfers	Balance June 30, 2014
Non Depreciable Assets:				
Land	\$18,600	\$0	\$0	\$18,600
Construction in progress	0	0	0	0
Depreciable Assets:				
Buildings	668,754	0	0	668,754
Non dwelling structures	188,207	0	0	188,207
Machinery and equipment	72,542	0	0	72,542
<i>Total</i>	948,103	0	0	948,103
Less Accumulated Depreciation:				
Buildings	(346,170)	(21,601)	0	(367,771)
Non dwelling structures	(107,480)	(8,132)	0	(115,612)
Machinery and equipment	(72,542)	0	0	(72,542)
<i>Total accumulated depreciation</i>	(526,192)	(29,733)	0	(555,925)
<i>Net capital assets</i>	\$421,911	(\$29,733)	\$0	\$392,178

Depreciation expense for the year was \$29,733.

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	\$55,971

VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 6. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Substantially all of the Authority’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA’s website at <http://www.pera.state.nm.us>.

Funding Policy. Plan members are required to contribute 9.15% of their gross salary. The Authority is required to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Authority’s required contributions to PERA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$1,973, \$2,218, and \$1,726, respectively. See finding 2013-002 **Timely Filing and Payment of PERA.**

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	\$1,810	\$1,810
CFP	0	0	0
<i>Total</i>	\$0	\$1,810	\$1,810

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	\$0	\$0
CFP	0	0	0
<i>Total</i>	\$0	\$0	\$0

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

VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 8. CHANGES IN ACCRUED COMPENSATED ABSENCES

The following summarizes the changes in accrued compensated absences during 2014:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Amount Due Within One Year
Accrued compensated absences	\$789	\$0	\$789	\$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 \$6,225.

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 a minimum annual payment of \$3,000 without interest, until paid in full. The balance due to the Village at June 30, 2014 is \$21,468.

NOTE 11. SUBSEQUENT EVENTS

Cimarron Housing Authority became part of the Northern Regional Housing Authority as of July 2014. The Northern Regional Housing Authority has assumed all assets and liabilities associated with the Cimarron Housing Authority.

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 (HUD BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
Rental income	\$39,360	\$28,060	\$29,113	\$1,053
HUD grants and subsidy	30,316	31,202	31,203	1
Other	1,350	860	715	(145)
<i>Total revenues</i>	<u>71,026</u>	<u>60,122</u>	<u>61,031</u>	<u>909</u>
OPERATING EXPENSES:				
Personnel	43,200	28,120	30,620	(2,500)
Admin expense	17,450	36,750	37,084	(334)
Operating and maintenance	18,400	17,880	17,451	429
Tenant services	600	200	0	200
Capital outlay	0	0	0	0
Utilities	3,000	4,260	3,410	850
<i>Total operating expenses</i>	<u>82,650</u>	<u>87,210</u>	<u>88,565</u>	<u>(1,355) *</u>
<i>Operating income (loss)</i>	<u>(11,624)</u>	<u>(27,088)</u>	<u>(27,534)</u>	<u>(446)</u>
NON-OPERATING REVENUE (EXPENSES):				
Interest	170	150	146	(4)
Transfers in	6,000	0	1,810	1,810
<i>Total non-operating revenue (expenses)</i>	<u>6,170</u>	<u>150</u>	<u>1,956</u>	<u>1,806</u>
<i>Net income</i>	<u>(5,454)</u>	<u>(26,938)</u>	<u>(\$25,578)</u>	<u>\$1,360</u>
Budgeted cash carryover	5,454	26,938		
	<u>\$0</u>	<u>\$0</u>		

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, 2014, is presented below:

Net income (budgetary basis)	(\$25,578)
Adjustments for capital purchases and revenue accruals	(854)
Adjustments for expenditure accruals and depreciation	(24,664)
Change in net position (GAAP basis)	(\$51,096)

*The Housing Authority adopts budgets in accordance with the Housing and Urban Development program agreements. The budget serves only as a guideline.

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 - 2011

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP) AND ACTUAL (HUD BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	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	1,688	1,688	0	1,688
<i>Total operating expenses</i>	1,688	1,688	0	1,688
<i>Operating income (loss)</i>	(1,688)	(1,688)	0	1,688
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	1,688	1,688	1,688	0
Transfers (out)	0	0	(1,688)	(1,688)
<i>Total non-operating revenue (expenses)</i>	1,688	1,688	0	(1,688)
<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, 2014, 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	(416)
Change in net position (GAAP basis)	(\$416)

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 - 2012

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP) AND ACTUAL (HUD BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	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	122	122	0	122
<i>Total operating expenses</i>	122	122	0	122
<i>Operating income (loss)</i>	(122)	(122)	0	122
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	122	122	122	0
Transfers (out)	0	0	(122)	(122)
<i>Total non-operating revenue (expenses)</i>	122	122	0	(122)
<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, 2014, 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	(467)
<i>Change in net position (GAAP basis)</i>	<i>(\$467)</i>

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				
6/30/2014				
Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	42,510	-	42,510
114	Cash - Tenant Security Deposits	3,285	-	3,285
100	Total Cash	45,795	-	45,795
126	Accounts Receivable - Tenants	1,418	-	1,418
126.1	Allowance for Doubtful Accts - Tenants	(728)	-	(728)
128	Fraud Recovery	2,845	-	2,845
128.1	Allowance for Doubtful Accts - Fraud	(2,560)	-	(2,560)
129	Accrued Interest Receivable	3	-	3
120	Total Receivables, Net of Allowance for Doubtfull Accts	978	-	978
131	Investments - Unrestricted	20,100	-	20,100
142	Prepaid Expenses and Other Assets	2,594	-	2,594
143	Maintenance Materials Inventory	2,893	-	2,893
143.1	Allowance for obsolete inventories	(289)	-	(289)
150	Total Current Assets	72,071	-	72,071
161	Land	18,600	-	18,600
162	Buildings	843,713	13,248	856,961
163	Furniture, Equipment & Machinery - Dwellings	35,791	-	35,791
164	Furniture, Equipment & Machinery - Administration	36,751	-	36,751
166	Accumulated Depreciation	(554,111)	(1,814)	(555,925)
160	Total Capital Assets, Net of Accumulated Depreciation	380,744	11,434	392,178
180	Total Non-Current Assets	380,744	11,434	392,178
190	Total Assets	452,815	11,434	464,249
312	Accounts Payable <= 90 Days	3,247	-	3,247
321	Accrued Wages / Payroll Taxes Payable	5,652	-	5,652
322	Accrued Compensated Absences - Current Portion	-	-	-
341	Tenant Security Deposits	3,285	-	3,285
342	Deferred Revenue	916	-	916
346	Accrued Liabilities - Other	3,000	-	3,000
310	Total Current Liabilities	16,100	-	16,100
353	Non-current liabilities - other	18,468	-	18,468
354	Accrued Compensated Absences - Non Current	-	-	-
350	Total Noncurrent Liabilities	18,468	-	18,468
300	Total Liabilities	34,568	-	34,568
508.1	Invested in Capital Assets, Net of Related Debt	380,744	-	380,744
512.1	Unrestricted Net Assets	37,503	-	37,503
513	Total Equity/Net Assets	418,247	-	418,247
600	Total Liabilities and Equity/Net Assets	452,815	-	452,815
70300	Net Tenant Rental Revenue	28,080	-	28,080
70400	Tenant Revenue - Other	179	-	179
70500	Total Tenant Revenue	28,259	-	28,259
70600	HUD PHA Operating Grants	31,203	-	31,203
70810	Capital Grants	-	1,810	1,810
70700	Total Fee Revenue	31,203	1,810	33,013
71100	Investment Income - Unrestricted	146	-	146
71500	Other Revenue	715	-	715
70000	Total Revenue	60,323	1,810	62,133
91100	Administrative Salaries	14,962	-	14,962
91200	Auditing Fees	5,554	-	5,554
91300	Management Fee	13,575	-	13,575
91400	Advertising & Marketing	32	-	32
91500	Employee Benefit Contributions - Administrative	2,323	-	2,323
91600	Office Expenses	6,260	-	6,260
91700	Legal Expense	10,180	-	10,180
91800	Travel	267	-	267

Housing Authority of the Village of Cimarron (NM048)				
Cimarron, NM				
Financial Data Schedule				
6/30/2014				
Line		Low Rent	Public Housing	
Item #	Account Description	Public	Capital Fund	Total
		Housing	Program	
91900	Other	3,252	-	3,252
91000	Total Operating - Administrative	56,405	-	56,405
92400	Tenant Services - Other	-	-	-
92500	Total Tenant Services	-	-	-
93100	Water	375	-	375
93200	Electricity	1,727	-	1,727
93300	Gas	1,032	-	1,032
93800	Other Utilities	300	-	300
93000	Total Utilities	3,434	-	3,434
94100	Ordinary Maintenance and Operations - Labor	8,290	-	8,290
94200	Ordinary Maintenance and Operations - Materials & Other	6,038	-	6,038
94300	Ordinary Maint and Operations - Contract Costs	1,399	-	1,399
94500	Employee Benefit Contributions - Ordinary Maintenance	1,399	-	1,399
94000	Total Maintenance	17,126	-	17,126
96110	Property Insurance	3,050	-	3,050
96120	Liability Insurance	558	-	558
96130	Workmen's Compensation	-	-	-
96140	All Other Insurance	2,535	-	2,535
96100	Total Insurance Premiums	6,143	-	6,143
96210	Compensated Absences	-	-	-
96400	Bad debt - Tenant Rents	1,271	-	1,271
96000	Total Other General Expenses	1,271	-	1,271
96900	Total Operating Expenses	84,379	-	84,379
97000	Excess Operating Revenue over Operating Expenses	(24,056)	1,810	(22,246)
97400	Depreciation Expense	28,850	883	29,733
90000	Total Expenses	113,229	883	114,112
10010	Operating Transfers In	1,810	-	1,810
10020	Operating Transfers Out	-	(1,810)	(1,810)
10100	Total Other Financing Sources (Uses)	1,810	(1,810)	-
10000	Excess (Deficiency) of Total Rev Over (Under) Total Exp	(51,096)	(883)	(51,979)
11030	Beginning Equity	\$ 469,343	\$ 12,317	\$ 481,660
11050	Changes in Compensated Absence Balance	\$ (789)	\$ -	\$ (789)
11190	Unit Months Available	192	-	192
11210	Number of Unit Months Leased	185	-	185

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

Independent Auditor's Report

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Village of Cimarron Housing Authority, a component unit of the Village of Cimarron as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the related budgetary comparisons of the Authority, presented as supplemental information, and have issued our report thereon dated November 24, 2014.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2014-001 and 2006-003

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2014-002, 2013-001, 2013-002, and 2013-003.

The Authority's Responses to Findings

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

Purpose of this Report

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

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

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 24, 2014

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, 2014

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2014-001 Inadequate Internal Controls over Cash Receipts – Significant Deficiency

Statement of Condition – Significant discrepancies between receipt/posting dates for tenant payments in the Housing Authority’s accounting system and bank deposit dates.

- Total daily receipts are supposed to correspond to daily deposits, but this was not the case for 10 of the 25 receipts tested. Regular Daily Cash Receipt reports were discontinued during the last half of the fiscal year, and receipts from different days were often combined and deposited together during that same period.
- Monthly deposits for tenant receipts did not correspond to monthly tenant receipt reports in the Housing Authority’s accounting system for the five months of the last half of the fiscal year tested. Funds were often collected and deposited into the bank in one month, but not shown as receipted/posted in the Housing Authority’s accounting system until the following month.

Criteria – Cash receipts are supposed to be posted and deposited daily. A Daily Cash Receipts report should be generated that details the date, receipt number, tenant name, amount collected and purpose of the payment. The total on this report should tie to the bank deposit. Detailed monthly tenant account receivable reports should tie to cash collections on the monthly accounts receivable and security deposit summary reports.

Cause – The Housing Authority’s Executive Director was put on administrative leave at the end of November 2013 and terminated June 30, 2014. At this time responsibilities were transferred to the City of Cimarron, who then requested help from the Raton Housing Authority.

Effect – It is difficult to determine whether all cash collected was deposited to the bank and posted to the proper account(s), as internal reports may not be entirely reliable. Errors or irregularities could occur and go undetected in this environment.

Recommendation – Housing Authority personnel should receive adequate training in proper cash handling techniques, and in how to properly post receipts and produce reports from the accounting software.

Management’s Response – Cimarron Housing Authority became part of the Northern Regional Housing Authority as of July 1, 2014. The Northern Regional Housing Authority has assumed all assets and liabilities associated with the Cimarron Housing Authority.

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, 2014

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2014-002 Late Independent Public Accountant Recommendation – Non Compliance

Statement of Condition – The State Auditor received the IPA Recommendation Form and Audit Contract on August 28, 2014 after the required due date of May 15, 2014.

Criteria – Paragraph (6)(c) of Subsection G of 2.2.2.8 NMAC requires that component units of municipalities submit a completed IPA Recommendation Form and Audit Contract to the State Auditor by May 15.

Effect – The Housing Authority is not in compliance with state statute regarding submission of IPA Recommendation Form and Audit Contract.

Cause – The Housing Authority does not have a procedure to ensure that the IPA Recommendation Form and Audit Contracts are delivered to the State Auditor by the deadline.

Recommendation – We recommend that the Housing Authority implement a procedure to ensure that future Recommendation Forms and Audit Contracts are delivered to the State Auditor by the prescribed deadline.

Management's Response – Cimarron Housing Authority became part of the Northern Regional Housing Authority as of July 1, 2014. The Northern Regional Housing Authority has assumed all assets and liabilities associated with the Cimarron Housing Authority.

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, 2014

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2013-001 (2013-01) Timely Filing and Payment of Payroll Taxes – Non Compliance

Repeated with modifications.

Statement of Condition – The quarterly 941 (Employers Quarterly Federal Tax Return), CRS-1 (for New Mexico income tax withholdings), and ES903a (New Mexico Employers Quarterly Wage and Contribution Report) for the third quarter (September 30, 2013 quarter ending) did not include the information for the first four pay periods. Consequently, the payment made to those taxing authorities was incomplete.

Criteria – Filings to the Internal Revenue Service and State of New Mexico Department of Workforce Solutions for employment taxes must be submitted by the last day of the month following the end of the quarter. Filing and payments to the New Mexico Taxation and Revenue Department are due by pre-established deadlines in the month following the end of a quarter.

Cause – Lack of knowledge of previous CHA management. Previous management of CHA processed the payroll through the pay period ending August 14, 2013. After this date, the Village of Cimarron processed the payroll, paid the employees and related taxing authorities, and filed the appropriate reports. For the pay periods prior to the Village assuming the payroll processing function, the federal 941, state 903, and state income taxes withheld were not submitted to the appropriate taxing authority and remain due and payable at June 30, 2014.

Effect – The Housing Authority is not in compliance with IRS and State of New Mexico tax filings and payments. CHA is subject to penalties and interest.

Recommendation – Management should ensure that all delinquent tax payments are brought current and that the third quarter tax return submissions are corrected.

Management's Response – Cimarron Housing Authority became part of the Northern Regional Housing Authority as of July 1, 2014. The Northern Regional Housing Authority has assumed all assets and liabilities associated with the Cimarron Housing Authority.

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, 2014

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2013-002 (2013-02) Timely Filing and Payment of PERA – Non Compliance

Repeated with modifications.

Statement of Condition – On January 1, 2013, the Housing Authority took over payroll processing on Housing Authority employees from the Village of Cimarron. At that time, the CHA Board adopted resolution 2013-01 affiliating themselves with the New Mexico Public Employees Retirement Association. The CHA has withheld 9.15% of each qualifying employee's covered wages. In August, 2014, the Village of Cimarron assumed the payroll processing responsibility. The PERA filings and payment of both employee and employer contributions have not been made for the period prior to the time the Village assumed payroll processing responsibility.

Criteria – Affiliated public employers shall transmit to PERA both the member and employer contributions for every member in its employ for each pay period on or before the fifth working day following the payday applicable to the pay period. The contributions shall be accompanied by a transmittal report in a format designated by PERA.

Cause – Lack of knowledge of CHA management.

Effect – CHA is not in compliance with 2.80.500.8 NMAC for the period of July 1, 2013 to August 15, 2013. As such, CHA is subject to a penalty of \$50 per day for any employee and employer contribution transmittal report that is untimely. Additionally, CHA is subject to an interest assessment on the unpaid contributions.

Recommendation – Management should ensure that all delinquent filings and contributions are submitted and that all future filings and contributions are made in a timely manner.

Management's Response – Cimarron Housing Authority became part of the Northern Regional Housing Authority as of July 1, 2014. The Northern Regional Housing Authority has assumed all assets and liabilities associated with the Cimarron Housing Authority.

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, 2014

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2013-003 (2013-03) Mileage Reimbursement Incorrectly Calculated – Non Compliance

Repeated with modifications.

Statement of Condition – Employee was reimbursed mileage and per diem in excess of maximum amounts described in the New Mexico Mileage and Per Diem Act. One disbursement was identified as related to mileage and per diem reimbursements. This disbursement resulted in an overpayment of \$60.16

Criteria – Reimbursement of travel expenses to employees and Board members of all state agencies and local public bodies must comply with the New Mexico Mileage and Per Diem Act (2.42.2 NMAC).

Cause – The client has developed a travel reimbursement form for employees and Board members to complete when traveling on behalf of the Housing Authority. The section for mileage reimbursement calculation includes a rate that is incorrect and the per diem calculation is misleading.

Effect – Employees and Board members have followed the form and were reimbursed for mileage and per diem in excess of the maximum amount per the Mileage and Per Diem Act.

Recommendation – Management should review the New Mexico Mileage and Per Diem Act and modify forms to ensure compliance.

Management's Response – Cimarron Housing Authority became part of the Northern Regional Housing Authority as of July 1, 2014. The Northern Regional Housing Authority has assumed all assets and liabilities associated with the Cimarron Housing Authority.

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, 2014

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2006-003 (2006-03) Lack of Complete Capital Assets Schedule – Significant Deficiency

Repeated with modifications.

Statement of Condition – Client does not maintain a complete 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 complete 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 – Cimarron Housing Authority became part of the Northern Regional Housing Authority as of July 1, 2014. The Northern Regional Housing Authority has assumed all assets and liabilities associated with the Cimarron Housing Authority.

VILLAGE OF CIMARRON HOUSING AUTHORITY

(A Component Unit of the Village of Cimarron)

EXIT CONFERENCE

JUNE 30, 2014

EXIT CONFERENCE:

The exit conference was held December 1, 2014 and was attended by the following:

From the Village of Cimarron:

Judy LeDoux, Mayor

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

Ken Shaw, CPA/Shareholder

Kristi Granados, CPA/Staff Auditor

FINANCIAL STATEMENTS PREPARATION

Preparation of financial statements is the responsibility of management. Although, Terry Baca, Management Consultant provided significant assistance in the preparation, the statements and related footnotes were prepared by Kriegel/Gray/Shaw & Co., P.C.