

STATE OF NEW MEXICO

VILLAGE OF CIMARRON

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

(WITH AUDITOR'S REPORT THEREON)

***RICE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS***

STATE OF NEW MEXICO

VILLAGE OF CIMARRON

AUDIT REPORT

For The Year Ended June 30, 2006

(with Auditor's Report Thereon)

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VILLAGE OF CIMARRON
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STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Official Roster
Year Ended June 30, 2006

Village Council

<u>Name</u>	<u>Title</u>
Ms. Linda Pavletich	Mayor
Mr. Eloy Brazil	Mayor Pro-Tem
Ms. Judy LeDoux	Council Member
Ms. Mary Alice Tracey-Boyce	Council Member
Mr. William Blankenhorn	Council Member
Ms. Sherry Bennett	Council Member
Mr. Harl Rogers	Council Member

Village Administration

Ms. Elaine Valdez	Clerk
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Public Housing Administration

Ms. Julie Ruebush	Executive Director
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Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas
State Auditor, and
Honorable Mayor and Village Council
Village of Cimarron
Cimarron, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Cimarron, as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Village's non-major governmental funds and enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2006 as listed in the table of contents. We did not audit the financial statements of the component unit-proprietary fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the component unit-proprietary fund, is based on the report of the other auditors. These financial statements are the responsibility of the Village of Cimarron'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 *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 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 and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Cimarron, as of June 30, 2006, and the respective changes in financial position and cash

flows where applicable, thereof and the respective budgetary comparisons for the General Fund and the Fire Protection Fund 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, in all material respects, the respective financial position of each non-major governmental fund and non-major enterprise fund of the Village of Cimarron, as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the non-major governmental funds and the non-major enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2008 on our consideration of the Village of Cimarron's internal control over financial reporting and 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 assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and the budget comparisons of the Village of Cimarron. The accompanying financial information listed as supplemental information in the table of contents as Component Unit - Statement of Cash Flows, Schedule of Changes in Assets and Liabilities - All Agency Funds and Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.

Rice & Associates, C.P.A.

October 3, 2008

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Statement of Net Assets
June 30, 2006

Statement 1

	Governmental Activities	Business-Type Activities	Housing Authority Component Unit
ASSETS			
Current Assets			
Cash	\$ 442,326	\$ 127,995	\$ 43,764
Accounts receivable (net)	29,929	27,510	12,103
Prepaid assets	-	-	1,826
Total current assets	472,255	155,505	57,693
Restricted Assets			
Cash	-	46,248	2,074
Total restricted assets	-	46,248	2,074
Capital Assets			
Land (non-depreciable)	117,880	58,000	18,000
Capital assets, net of depreciation	1,691,983	2,938,117	426,739
Total capital assets	1,809,863	2,996,117	444,739
Total assets	\$ 2,282,118	\$ 3,197,870	\$ 504,506
Current Liabilities			
Interest payable	\$ 4,172	\$ -	\$ -
Accounts payable	-	-	18,272
Deposits payable	-	34,953	2,545
NMFA Loan (current portion)	17,908	9,639	-
Capital lease payable (current portion)	13,702	18,457	-
Revenue bonds payable (current portion)	-	4,000	-
RUS bonds payable	-	1,700	-
Deferred revenue	-	-	-
Total current liabilities	35,782	68,749	20,817
Non-Current Liabilities			
NMFA Loan (non-current portion)	33,715	127,152	-
Compensated absences payable	9,773	3,583	512
Revenue bonds payable	-	109,000	-
RUS bonds payable	-	184,825	-
Capital lease payable	16,845	29,183	-
Total non-current liabilities	60,333	453,743	512
Total liabilities	96,115	522,492	21,329
Net Assets			
Invested in capital assets, net of related debt	1,727,693	2,512,161	444,739
Unrestricted	458,310	163,217	38,438
Total net assets	2,186,003	2,675,378	483,177
Total liabilities and net assets	\$ 2,282,118	\$ 3,197,870	\$ 504,506

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Statement of Activities
Year Ended June 30, 2006

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 118,530	\$ 23,722	\$ 13,640	\$ -	\$ (81,168)	\$ -	\$ (81,168)	\$ -
Highways and streets	66,845	-	-	53,000	(13,845)	-	(13,845)	-
Public safety	95,326	49,466	149,065	-	103,205	-	103,205	-
Culture and recreation	27,086	-	-	644,456	617,370	-	617,370	-
Health and welfare	129	3,431	-	-	3,302	-	3,302	-
Interest on long-term debt	3,925	-	-	-	(3,925)	-	(3,925)	-
Depreciation - unallocated	154,529	-	-	-	(154,529)	-	(154,529)	-
Total governmental activities	466,370	76,619	162,705	697,456	470,410	-	470,410	-
Business-type activities:								
Water/Sewer services	149,513	195,769	-	281,128	-	327,384	327,384	-
Solid waste services	111,194	102,813	-	-	-	(8,381)	(8,381)	-
Ambulance services	31,287	45,857	11,841	-	-	26,411	26,411	-
Interest on long-term debt	19,091	-	-	-	-	(19,091)	(19,091)	-
Depreciation - unallocated	210,009	-	-	-	-	(210,009)	(210,009)	-
Total business-type activities	521,094	344,439	11,841	281,128	-	116,314	116,314	-
Total all activities	\$ 987,464	\$ 421,058	\$ 174,546	\$ 978,584	470,410	116,314	586,724	-
Component Unit:								
Housing Authority	\$ 134,491	\$ 20,933	\$ 83,975	\$ -	-	-	-	(29,583)
General Revenues:								
Property taxes					54,088	-	54,088	-
Gross receipts taxes					259,731	2,420	262,151	-
Franchise taxes					17,273	-	17,273	-
Gas tax					16,217	-	16,217	-
MVD fees					2,243	-	2,243	-
Cigarette taxes					2,435	-	2,435	-
Lodgers taxes					14,164	-	14,164	-
State did not restrict to special purpose								
General					103,113	-	103,113	-
Investment earnings					15,857	2,678	18,535	1,894
Total general revenues and transfers					485,121	5,098	490,219	1,894
Change in net assets					955,531	121,412	1,076,943	(27,689)
Net assets - beginning of year					1,230,472	2,553,966	3,784,438	510,866
Net assets - end of year					\$ 2,186,003	\$ 2,675,378	\$ 4,861,381	\$ 483,177

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Balance Sheet
 Governmental Funds
 June 30, 2006

Statement 3

	General	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash on deposit	\$ 261,861	\$ 84,996	\$ 95,469	\$ 442,326
Accounts receivable	23,102	-	6,827	29,929
Total assets	<u>\$ 284,963</u>	<u>\$ 84,996</u>	<u>\$ 102,296</u>	<u>\$ 472,255</u>
FUND BALANCE				
Unreserved:				
Designated for subsequent years expenditures	-	-	37,229	37,229
Undesignated reported in:				
General fund	284,963	-	-	284,963
Special revenue funds	-	84,996	65,067	150,063
Capital project funds	-	-	-	-
Total fund balance	<u>\$ 284,963</u>	<u>\$ 84,996</u>	<u>\$ 102,296</u>	<u>\$ 472,255</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Assets
 June 30, 2006

Statement 4

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds	\$	472,255
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	3,779,612	
Accumulated depreciation	<u>(1,969,749)</u>	
		1,809,863

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:

Interest payable	(4,172)	
Capital lease payable	(30,547)	
NMFA loan payable	(51,623)	
Compensated absences	<u>(9,773)</u>	
		<u>(96,115)</u>

Net assets of governmental activities	\$	<u><u>2,186,003</u></u>
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See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Governmental Funds

Statement 5

Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2006

	General Fund	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 54,088	\$ -	\$ 14,164	\$ 68,252
Franchise taxes	17,273	-	-	17,273
Gross receipts taxes	139,007	-	-	139,007
Rent	10,332	-	-	10,332
MVD fees	2,243	-	-	2,243
Charges for services	8,756	-	3,431	12,187
Licenses and permits	4,634	-	-	4,634
Fines and forfeitures	36,761	-	12,705	49,466
Local sources	13,640	272	-	13,912
State sources	156,113	114,063	255,800	525,976
Federal sources	12,930	-	410,456	423,386
State shared taxes	138,585	-	791	139,376
Earnings from investments	15,461	-	396	15,857
Total revenues	609,823	114,335	697,743	1,421,901
EXPENDITURES				
Current:				
General government	127,210	-	-	127,210
Highways and streets	66,845	-	-	66,845
Public safety	144,994	59,626	21,587	226,207
Health & welfare	-	-	129	129
Culture and recreation	9,362	-	17,724	27,086
Capital outlay	123,506	-	644,456	767,962
Debt service:				
Bonds paid	-	-	25,000	25,000
Interest paid	-	-	1,047	1,047
Total expenditures	471,917	59,626	709,943	1,241,486
Excess (deficiency) revenues over expenditures	137,906	54,709	(12,200)	180,415
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	137,906	54,709	(12,200)	180,415
Fund balance beginning of year	147,057	30,287	114,496	291,840
Fund balance end of year	\$ 284,963	\$ 84,996	\$ 102,296	\$ 472,255

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON

Statement 6

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ 180,415

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

Capital outlays to purchase or build capital
assets are reported in governmental funds as
expenditures. However, for governmental
activities those costs are shown in the statement
of net assets and allocated over their estimated
useful lives as annual depreciation expenses in the
statement of activities. This is the amount by which
capital outlays exceeds depreciation in the period.

Capital outlays	767,962
Depreciation expense	<u>(154,529)</u>

Excess of capital outlay over depreciation expense 613,433

In the Statement of Activities, certain operating
expenses are measured by the amount incurred
during the year. In the fund financial statements,
however, expenditures are measured by the amount
of financial resources used (essentially the amounts
actually paid). The (increases) decreases in the
liabilities for the year were:

Accrued interest payable	2,022
Compensated absences payable	3,780

Repayment of capital leases payable, loans payable and revenue
bonds payable are expenditures in the governmental funds, but
reduces long-term liabilities in the statement of net assets
and does not affect the Statement of Activities 155,881

Change in net assets of governmental activities \$ 955,531

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
General Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 37,760	\$ 37,760	\$ 54,088	\$ 16,328
Franchise taxes	17,119	17,119	17,273	154
Gross receipts taxes	106,007	106,007	139,007	33,000
Rent	8,832	8,832	10,332	1,500
MVD fees	2,000	2,000	2,243	243
Charges for services	5,060	5,060	8,756	3,696
Licenses and permits	3,850	3,850	4,634	784
Fines and forfeitures	42,000	42,000	36,761	(5,239)
Local sources	14,995	14,995	13,640	(1,355)
State sources	131,965	131,965	156,113	24,148
Federal sources	14,675	14,675	12,578	(2,097)
State shared taxes	114,733	114,733	144,797	30,064
Earnings from investments	5,345	5,345	15,461	10,116
Total revenues	<u>\$ 504,341</u>	<u>\$ 504,341</u>	<u>\$ 615,683</u>	<u>\$ 111,342</u>
EXPENDITURES				
General government	\$ 216,147	\$ 216,147	\$ 127,210	\$ 88,937
Highways and streets	87,847	73,777	139,265	(65,488)
Public safety	171,287	171,287	151,984	19,303
Culture and recreation	21,800	21,800	53,458	(31,658)
Total expenditures	<u>\$ 497,081</u>	<u>\$ 483,011</u>	<u>\$ 471,917</u>	<u>\$ 11,094</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Fire Protection Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 6,700	\$ 6,700	\$ 272	\$ (6,428)
State sources	51,316	51,316	114,063	62,747
Total revenues	<u>\$ 58,016</u>	<u>\$ 58,016</u>	<u>\$ 114,335</u>	<u>\$ 56,319</u>
EXPENDITURES				
Public safety	\$ 51,846	\$ 51,846	\$ 59,626	\$ (7,780)
Total expenditures	<u>\$ 51,846</u>	<u>\$ 51,846</u>	<u>\$ 59,626</u>	<u>\$ (7,780)</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Enterprise Funds
Statement of Net Assets
June 30, 2006

Statement 9

	Enterprise Fund
ASSETS	
Current Assets	
Cash on deposit	\$ 127,995
Accounts receivable (net)	<u>27,510</u>
Total Current Assets	<u>155,505</u>
Restricted Assets (Cash)	
Customer meter deposits	30,864
Debt service	<u>15,384</u>
Total Restricted Assets (Cash)	<u>46,248</u>
Property, Plant and Equipment	
Land	58,000
Equipment	383,398
Vehicles	237,376
Plant	5,122,753
Accumulated depreciation	<u>(2,805,410)</u>
Total Property, Plant and Equipment	<u>2,996,117</u>
Total Assets	<u>\$ 3,197,870</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ -
Customer meter deposits payable from Restricted Assets	34,953
Revenue bonds payable	4,000
RUS Bonds payable	9,639
Loans payable	1,700
Capital lease payable	<u>18,457</u>
Total Current Liabilities	<u>68,749</u>
Long-Term Liabilities	
Compensated absences	3,583
Revenue bonds payable	109,000
RUS Bonds payable	184,825
Loan payable	127,152
Capital lease payable	<u>29,183</u>
Total Long-Term Liabilities	<u>453,743</u>
NET ASSETS	
Invested in Capital Assets, net of related debt	2,512,161
Unrestricted	<u>163,217</u>
Total Net Assets	<u>2,675,378</u>
Total Liabilities and Net Assets	<u>\$ 3,197,870</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Enterprise Funds
 Statement of Revenues, Expenses and
 Changes in Fund Net Assets
 For the Year Ended June 30, 2006

	Enterprise Fund
OPERATING REVENUES	
Sales and services	\$ 344,439
Environmental gross receipts taxes	2,420
Intergovernmental	289,438
Miscellaneous	3,531
Total operating revenue	639,828
OPERATING EXPENSES	
Personal services	99,207
Maintenance and operations	192,787
Depreciation	210,009
Total operating expenses	502,003
Operating income (loss)	137,825
NON-OPERATING REVENUE (EXPENSE)	
Investment income	2,678
Investment expense	(19,091)
Total Non-Operating Revenue (Expense)	(16,413)
Income (loss) before transfers	121,412
Operating transfers in	-
Operating transfers out	-
Net transfers	-
Change in Net Assets	121,412
Total Net Assets, beginning of year	2,553,966
Total Net Assets, end of year	\$ 2,675,378

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Enterprise Funds
Statement of Cash Flows
For the Year Ended June 30, 2006

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 342,734
Cash received from state sources	10,858
Cash received from federal sources	281,128
Cash received from miscellaneous sources	3,531
Cash payments to employees and to suppliers for goods and services	<u>(294,849)</u>
Net cash provided by operating activities	<u>343,402</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(281,128)
Principal paid	(32,655)
Investment expense	<u>(19,090)</u>
Net cash provided (used) by capital and related financing activities	<u>(332,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	2,676
Security deposits	<u>3,478</u>
Net cash provided by investing activities	<u>6,154</u>
Net increase (decrease) in cash	16,683
Cash, beginning of year	<u>157,560</u>
Cash, end of year	<u><u>\$ 174,243</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 137,825
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	210,009
Changes in assets and liabilities:	
(Increase) decrease in receivables	(1,577)
Increase (decrease) in accounts payable	-
Increase (decrease) in compensated absences	<u>(2,855)</u>
Total	<u>205,577</u>
Net cash provided (used) by operating activities	<u><u>\$ 343,402</u></u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,463
Total Assets	<u>\$ 1,463</u>
LIABILITIES	
Due to bond holders	\$ 1,448
Due to other agencies	<u>15</u>
Total Liabilities	<u>\$ 1,463</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Notes to Financial Statements
Year Ended June 30, 2006

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Cimarron was incorporated in 1980 as a municipality in the State of New Mexico under the provisions to amend 1608 compiled laws 1884, House Bill 88 approved February 10, 1981. The Village of Cimarron operates under the direction of a Mayor-Council form of government. The Village provides the following services as authorized by it's charter: public safety (police and fire), highways and streets, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include water and sewer services, solid waste disposal, ambulance and public housing.

The summary of significant accounting policies of the Village of Cimarron is presented to assist in the understanding of the Village of Cimarron's financial statements. The financial statements and notes are the representation of the Village of Cimarron's management who is responsible for their integrity and objectivity. The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basis - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the Village and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each component unit addressed in defining the governments reporting entity.

Notes to Financial Statements (continued)

Village of Cimarron Housing Authority

The Village of Cimarron Housing Authority is located in Cimarron, New Mexico. The primary goal of the Low Income Housing program is the provision of a decent home in a suitable living environment for families that cannot afford standard private housing.

B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues, net of estimated refunds and estimated uncollectible amounts, in the year for which they are levied.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the

Notes to Financial Statements (continued)

revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - Fire Protection Fund - To account for the operations and maintenance of the Department. Financing provided by a specific allotment from the State Fire Marshall's Office. Authority is NMSA 59A-53-1.

The Village reports the following as Proprietary Funds.

Proprietary Funds - Enterprise Funds

Enterprise Fund - Water and Sewer Fund - To account for the operations of the Village's Water and Sewer Department, for meter deposits and payment of Joint Utility Revenue Bonds.

Enterprise Fund - Solid Waste Fund - To account for the operations of the (contracted) solid waste services.

Enterprise Fund - Ambulance Fund - To account for the operations of the emergency ambulance services.

Additionally, the Village reports the following fund types:

Fiduciary Funds - Agency Funds

Agency Funds - To account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the Village.

The Village also reports additional Government funds as non-major. They include:

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Project Funds - These funds are used to account for the acquisition of capital assets or construction of major capital projects.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions including special assessments.

Notes to Financial Statements (continued)

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Taxes and other items not properly included among program revenue are reported instead as *general revenues*.

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

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

The Village reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Village does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the Statement of Cash Flows, the Village considers all highly liquid investments including restricted cash assets to be cash equivalents.

State statutes authorize the Village to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Village are reported at cost.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as "internal balances". Advances between funds, as reported in the fund financial

Notes to Financial Statements (continued)

statement, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are not recorded as revenue until received.

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are reported at cost, and expenditures are recorded at the time individual inventory items are purchased. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when purchased.

Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) per Section 12-6-10 NMSA 1978 and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

The Village does not capitalize computer software or software developed for internal use (if applicable) unless they exceed the \$5,000 threshold. Also, the Village does not capitalize library books unless they exceed the \$5,000 threshold.

Notes to Financial Statements (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	33
Building improvements	33
Public domain infrastructure	33
System infrastructure	33
Vehicles	3 to 5
Office equipment	3 to 10
Heavy equipment	3 to 10

Deferred Revenues

Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues.

Compensated Absences

Vested or accumulated vacation and compensation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

Net Assets

The governmental activities and business-type activities financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt - This category reflects the portion of net assets that are associates with capital assets less outstanding capital asset related debt.

Restricted net assets - This category reflects the portion of net assets that have third party limitation on their use.

Notes to Financial Statements (continued)

Unrestricted net assets - This category reflects net assets of the Village not restricted for any project or other purposes.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change. Fund equity was reserved or designated for:

Unreserved, designated for subsequent year's expenditures - This represents the amounts, other than carryover expenditures, which are designated for subsequent year's expenditures in accordance with grantor status.

Unreserved, undesignated - Amounts which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the Village.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Budgetary Information

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

1. The Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Village offices to obtain taxpayer comments. The budget is legally enacted through passage of a resolution.
3. The Village Mayor and Clerk-Treasurer are authorized to transfer budget amounts between departments within any fund; however, the Local-Government Division of the State Department of Finance and Administration must approve any revisions that alter the total expenditures of any fund.
4. Formal budgetary integration is to be employed as a management control device during the year for all of the governmental fund types.
5. Encumbrances are not considered in budget preparation.
6. The level of classifications detail in which expenditures may not legally exceed appropriations for each budget is in fund total. Appropriates lapse at year-end.
7. All budgets are adopted on a cash basis.

Notes to Financial Statements (continued)

8. Budgets have been adopted for all funds of the Village, except for the Housing Authority. HUD controls the Budget of the Housing Authority. The budgetary comparison for the Housing Authority appears in the Authority's separate audit report.

F. Property Taxes

Property taxes are collected by the County Treasurer and remitted to the Village monthly. Delinquent property taxes payable to the County Treasurer are not recognized until actually collected and remitted by the Guadalupe County Treasurer to the Village. Property taxes are payable to the County Treasurer in two equal installments, due on November 10th of each year in which the tax bill was prepared and mailed and on April 10th of the following year. Pursuant to Section 7-38-46, NMSA 1978, property taxes are delinquent if not paid within thirty days after the date on which they are due. Taxes on real property may be collected by selling the real property on which the taxes are delinquent.

G. Interfund Transactions

Transactions that constitute material reimbursements to a fund for expenditures initially made from it 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.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

H. Risk Management

The City is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance of these risks of loss, including workers' compensation and employee health and accident insurance.

I. Encumbrances

The Village does not utilize encumbrance accounting.

2. DEPOSITORY COLLATERAL

New Mexico statutes provide that deposits of public monies in financial institutions must be secured by pledged collateral in an aggregate value equal to one-half of the amount of the public monies deposited after deducting the amount of Federal Deposit Insurance Corporation insurance coverage (for each financial institution).

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Village's Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

Notes to Financial Statements (continued)

The following is the Cash on Deposit at each financial institution.

International State Bank	Checking-Debt Service Account	\$ 37,229
International State Bank	Checking-Bond Account (Enterprise)	6,434
International State Bank	Checking-Municipal Bond Account	1,448
International State Bank	Checking-Municipal Court Account	4,647
International State Bank	Checking-Water Meter Account	20,063
International State Bank	Checking-General Account	498,016
International State Bank	Checking-Solid Waste Account	5,394
International State Bank	Checking-Sewer Operating Account	1,886
International State Bank	Checking-Water Income Account	29,548
International State Bank	Checking-Payroll Account	16,131
International State Bank	Checking-EMS Account	7,102
International State Bank	Checking-State Highway Co-op	-
International State Bank	Checking-Senior Center CDBG	-
International State Bank	Checking-Water Transmission	-
International State Bank	Checking-RUS	2,652
International State Bank	Certificate of Deposit- Bond Reserve	9,123
International State Bank	Certificate of Deposit- Water Meter	10,982
International State Bank	Certificate of Deposit- General Account	19,439
	Total	<u>\$ 670,094</u>

Total amount on deposit	\$ 670,094
Rounding	(2)
Outstanding checks	<u>(52,456)</u>
Deposits in transit	396
Total per financial statements	<u>\$ 618,032</u>

The following schedule details the public money held by International State Bank and pledged collateral held by the Village follows:

	<u>International State Bank</u>
Cash on deposit at June 30, 2006	\$ 670,094
Less F.D.I.C.	<u>(139,544)</u>
Uninsured funds	530,550
50% Collateral requirement	<u>265,275</u>
Pledged collateral at June 30, 2006	293,694
Excess of pledged collateral	<u>\$ 28,419</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$530,550

Notes to Financial Statements (continued)

of the Village's bank balance of \$670,094 was exposed to custodial credit risk as follows:

A. Uninsured and Uncollateralized	\$ 236,856
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Villages name	<u>293,694</u>
Total	<u>\$ 530,550</u>

Pledged collateral of the International State Bank consists of the following at June 30, 2006:

<u>Federal Reserve Bank, Denver, Colorado</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FHLB #3133X6Q47	9-25-2007	\$ 72,839
FHLB #3133RBQ47	9-28-2007	46,570
FHLB #3133MJUR9	11-15-2006	126,333
FHLB #3133MOGP4	11-13-2009	<u>47,952</u>
		<u>\$ 293,694</u>

3. ACCOUNTS RECEIVABLE

Receivables as of June 30, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Receivables from customers	\$ -	\$ 27,143
Less allowance for uncollectible accounts	<u>-</u>	<u>-</u>
Subtotal	-	27,143
Franchise taxes	778	-
Property taxes	648	-
Gas taxes	778	-
Cigarette tax	247	-
Gross receipts tax	15,660	-
Lodgers tax	2,372	-
Intergovernmental	<u>9,446</u>	<u>367</u>
Total	<u>\$ 29,929</u>	<u>\$ 27,510</u>

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, 2006, the following changes occurred in the liabilities reported in the Statement of Net Assets:

Notes to Financial Statements (continued)

	Balance 6-30-2005	Additions	Deletions	Balance 6-30-2006	Due Within One Year
Revenue Bonds	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ -
Compensated absences	13,553	1,000	4,780	9,773	-
NMFA Loan	169,361	-	17,738	151,623	17,908
Capital Lease	43,690	-	13,143	30,547	13,702
Total	\$251,604	\$ 1,000	\$ 60,661	\$ 191,943	\$ 31,610

The General and Road Funds normally pay for all compensated absences.

The Village entered into a loan agreement with the New Mexico Finance Authority (NMFA) to pay principal in the amount of \$184,501 and interest for the purpose of defraying the cost of acquiring a fire tanker for the Villages fire department. The yearly payments are to be redirected from the Villages share of the State Fire Fund revenues to the NMFA. The interest rate is 0.880% 3.49% plus 0.25% administrative fee. The maturity date is May 1, 2014.

Year Ending June 30	Principal	Interest	Total
2007	\$ 17,908	\$ 2,874	\$ 20,782
2008	18,114	2,668	20,782
2009	15,601	2,411	18,012
	\$ 51,623	\$ 7,953	\$ 59,576

The Village entered into a capital lease agreement to help defray the cost of three police vehicles to be paid out of the General Fund. The total lease is for 5 years for a total principal amount of \$70,000. The interest rate is 4.25%. The maturity date is September 15, 2007.

Year Ending June 30	Principal	Interest	Total
2007	\$ 13,702	\$ 1,298	\$ 15,000
2008	16,845	716	17,561
	\$ 30,547	\$ 2,014	\$ 32,561

5. LONG-TERM DEBT OBLIGATIONS - ENTERPRISE FUNDS

The following is a summary of changes in long-term obligations for the enterprise Fund for the year ended June 30:

	Balance 6-30-2005	Additions	Deletions	Balance 6-30-2006	Due Within One Year
Water/Sewer Bonds	\$117,000	\$ -	\$ 4,000	\$ 113,000	\$ 4,000
Water Loan	146,148	-	9,358	136,790	9,639
Compensated absences	6,438	500	3,355	3,583	-
RUS Bonds	188,125	-	1,600	186,525	1,700
Capital lease	65,337	-	17,696	47,641	18,457
Total	\$523,048	\$ 500	\$ 36,009	\$ 487,539	\$ 33,796

Notes to Financial Statements (continued)

1985 Water and Sewer Revenue Bonds

Original amount \$140,000 payable in annual installments each January 1st through the year 2025. Interest is 5% per annum. The annual requirements to amortize the amounts outstanding are as follows.

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 4,000	\$ 5,650	\$ 9,650
2008	4,000	5,450	9,450
2009-13	22,000	24,200	46,200
2014-18	28,000	18,100	46,100
2019-23	37,000	10,200	47,200
2024-25	18,000	1,350	19,350
	<u>\$ 113,000</u>	<u>\$ 64,950</u>	<u>\$ 177,950</u>

Water System Loan

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 9,639	\$ 4,103	\$ 13,742
2008	9,928	3,815	13,743
2009	10,226	3,516	13,742
2010	10,532	3,210	13,742
2011	10,848	2,894	13,742
2012	11,174	2,569	13,743
2013	11,509	2,233	13,742
2014	11,854	1,888	13,742
2015	12,210	1,532	13,742
2016	12,576	1,167	13,743
2017	12,953	789	13,742
2018	13,341	401	13,742
	<u>\$ 136,790</u>	<u>\$ 28,117</u>	<u>\$ 164,907</u>

2004 Water System Revenue Bonds (RUS)

Original amount \$188,125 payable in annual installments each September 28 through the year 2045. Interest is 4.375% per annum. The annual requirements to amortize the amounts outstanding are as follows.

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,700	\$ 8,860	\$ 10,560
2008	1,800	8,007	9,807
2009	1,900	7,924	9,824
2010	1,900	7,841	9,741
2011-15	11,000	37,805	48,805
2016-20	14,100	35,001	49,101
2021-25	17,700	31,466	49,166
2026-30	22,500	26,977	49,477
2031-35	28,200	21,338	49,538
2036-40	35,600	14,220	49,820
2041-45	50,125	5,009	55,134
	<u>\$ 186,525</u>	<u>\$ 204,448</u>	<u>\$ 390,973</u>

Notes to Financial Statements (continued)

Capital Lease - Ambulance

The Village of Cimarron entered into a capital lease in the amount of \$90,935 with semi-annual payments of \$10,144 due October 1st and April 1st through the year 2009. Interest is 4.25% per annum. The annual requirements to amortize the amounts outstanding are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 18,457	\$ 1,831	\$ 20,288
2008	19,250	1,038	20,288
2009	9,933	211	10,144
	<u>\$ 47,640</u>	<u>\$ 3,080</u>	<u>\$ 50,720</u>

6. DEPOSITS HELD FOR OTHERS , ENTERPRISE FUND

Deposits in the Water and Wastewater Utility Enterprise Fund consist of the following:

Hydrant Meter deposits \$34,953

Water meter deposits are charged to new customers and consist of the following:

Residential properties \$ 60
Commercial properties \$ 120

7. CAPITAL ASSETS

The amount of property, plant and equipment in the **Governmental-Type Activities** consists of the following:

	<u>Balances June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2006</u>
Land	\$ 117,880	\$ -	\$ -	\$ 117,880
Buildings	996,588	688,551	-	1,685,139
Infrastructure	1,109,776	72,421	-	1,182,197
Vehicles	578,790	-	(13,520)	565,270
Equipment	225,336	6,990	(3,200)	229,126
Sub-total	<u>3,028,370</u>	<u>767,962</u>	<u>(16,720)</u>	<u>3,779,612</u>
Less: accumulated depreciation	<u>(1,831,940)</u>	<u>(154,529)</u>	<u>16,720</u>	<u>(1,969,749)</u>
Net capital assets	<u>\$ 1,196,430</u>	<u>\$ 613,433</u>	<u>\$ -</u>	<u>\$ 1,809,863</u>

The amount of property, plant and equipment in the **Business-Type Activities** consists of the following:

Notes to Financial Statements (continued)

	Balances June 30, 2005	Additions	Deletions	Balances June 30, 2006
Land	\$ 58,000	\$ -	\$ -	\$ 58,000
Equipment	404,051	-	-	404,051
Vehicles	216,723	-	-	216,723
Plant	<u>4,841,625</u>	<u>281,128</u>	<u>-</u>	<u>5,122,753</u>
Sub-total	<u>5,520,399</u>	<u>281,128</u>	<u>-</u>	<u>5,801,527</u>
Less: accumulated depreciation	<u>(2,595,401)</u>	<u>(210,009)</u>	<u>-</u>	<u>(2,805,410)</u>
Net capital assets	<u>\$ 2,924,998</u>	<u>\$ 71,119</u>	<u>\$ -</u>	<u>\$ 2,996,117</u>

8. PROPERTY TAXES

The Village of Cimarron receives property taxes from the Sandoval County Treasurer for operational purposes. Property taxes are assessed on January 1st of each year, except on livestock, and are payable in two equal installments on November 10th of the year in which the tax bill is prepared and April 10th of the following year. In addition, tax levies are authorized by statute to service payments due on general obligation bonds which have been authorized pursuant to state law. The full faith and credit of the necessary to pay the interest and on the principal of the negotiable bonds as the interest and principal become due, without limitation as to rate or amount. The Village may pay the principal or interest on any general obligation bonds from any available revenues, and the levy or levies of taxes may be diminished to the extent such other revenues are available for the payment of such principal and interest.

Proceeds from the issuance of general obligation bonds are restricted in usage.

1. Erecting and operating natural or artificial gas works;
2. Erecting and operating electric works;
3. Constructing, purchasing, rehabilitating or remodeling, or any combination thereof, public buildings, including additions and improvements thereto;
4. Building, beautifying and improving public parks within or without the municipal boundary, but not beyond the planning and platting jurisdiction of the municipality;
5. Acquiring land or buildings for playgrounds, recreation centers, zoos, and other recreational purposes and the equipment thereof, or any combination thereof;
6. Providing proper means for protecting from fire including but not limited to purchasing apparatus for fire protection and providing, enlarging and improving fire equipment and facilities;
7. Laying off, opening, constructing, repairing, and otherwise improving municipal alleys, streets, public roads, and bridges or any combination thereof;
8. Providing apparatus for the collection and disposal of garbage and refuse; acquiring, constructing and maintaining garbage and refuse;

Notes to Financial Statements (continued)

9. Constructing or purchasing a system for supplying water or constructing and purchasing such a system, for the municipality, including without limiting the generality of the foregoing, the enlargement, improvement, extension or acquisition of the system, and acquisition of water or water rights, necessary real estate or rights of way, bridges and easements, and necessary apparatus for a water system, or any combination of the foregoing;
10. Construction or purchasing a sewer system or the construction and purchase of a sewer system, including without limiting the generality of the foregoing, acquiring, enlarging, improving, or extending, or any combination of the foregoing, said system;
11. Flood control purposes are provided in Section 3-41-1 NMSA 1978;
12. Constructing, purchasing, rehabilitating or remodeling, or any combination thereof, hospital, including additions and improvements thereto;
13. Purchasing, improving, or erecting public auditoriums or public buildings of a similar nature for a general civic purposes, or for authorizing the improvement of erection of public auditoriums or buildings of similar nature by agreement, with officers of the county in which the municipality is located; and
14. Acquiring, purchasing, constructing, improving, rehabilitating, or remodeling, or any combination thereof, of cemeteries or mausoleums.

9. BUDGET TO GAAP RECONCILIATION

	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Non- Major Special Revenue Fund</u>	<u>Non- Major Capital Projects Fund</u>	<u>Non- Major Debt Service Fund</u>
<u>Revenues</u>					
Modified accrual basis	\$609,823	\$ 114,335	\$ 52,891	\$ 644,456	\$ 396
Budgetary basis	<u>615,683</u>	<u>114,335</u>	<u>52,738</u>	<u>644,456</u>	<u>396</u>
Increase (decrease) in receivables	<u>\$ (5,860)</u>	<u>\$ -</u>	<u>\$ 153</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Expenditures</u>					
Modified accrual basis	\$471,917	\$ 59,626	\$ 39,440	\$ 644,456	\$ 26,047
Budgetary basis	<u>471,917</u>	<u>59,626</u>	<u>39,440</u>	<u>644,456</u>	<u>26,047</u>
Increase (decrease) in payables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

10. BUDGET VIOLATIONS

The Capital Projects Senior Citizens Center Fund had a budget overrun in the amount of \$17,137.

11. RETIREMENT PLAN

Plan Description. Substantially all of Village of Cimarron'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 Board (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and

Notes to Financial Statements (continued)

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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy. Plan members are required to contribute 7% for policemen 9.15% for all other members (range from 4% to 16.3% depending upon the division, i.e., state general, state hazardous duty, state police, municipal general, municipal police, municipal fire) of their gross salary. The Village of Cimarron is required to contribute 10% for policemen and 9.15% for all other plan members (range from 7% to 25.72% depending upon the division) of the gross covered salary. The contribution requirements of plan members and the Village of Cimarron are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The Village of Cimarron's contributions to PERA for the years ending June 30, 2006, 2005, and 2004 were \$21,921, \$24,107 and \$26,681 respectively equal to the amount of the required contributions for the year.

12. RETIREE HEALTH CARE ACT

The Village has elected not to participate in the Retiree Health Care Act of New Mexico's retiree health care program.

13. RISK MANAGEMENT

The Village is exposed to various risks for loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the Village carries insurance with the New Mexico Self Insurer's Fund for a shared premium cost. The Village established a limited risk management program for general and auto liability, workman's compensation, employer's liability, and property. Premiums are paid by the General, Fire and Enterprise Funds.

14. COMPONENT UNIT

The Village of Cimarron Housing Authority is a component unit of the Village. The Housing Authority issues a separate, publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Village of Cimarron Housing Authority, PO Box 654, Cimarron, NM 87714.

NON-MAJOR FUNDS

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Non-Major Governmental Funds
 Combining Balance Sheet - By Fund Type
 June 30, 2006

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
ASSETS				
Cash on deposit	\$ 58,240	\$ -	\$ 37,229	\$ 95,469
Accounts receivable	<u>6,827</u>	<u>-</u>	<u>-</u>	<u>6,827</u>
 Total assets	 <u>\$ 65,067</u>	 <u>\$ -</u>	 <u>\$ 37,229</u>	 <u>\$ 102,296</u>
FUND BALANCE				
Unreserved:				
Designated for subsequent years expenditures	\$ -	\$ -	\$ 37,229	\$ 37,229
Undesignated	<u>65,067</u>	<u>-</u>	<u>-</u>	<u>65,067</u>
 Total fund balance	 <u>\$ 65,067</u>	 <u>\$ -</u>	 <u>\$ 37,229</u>	 <u>\$ 102,296</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - By Fund Type
Year Ended June 30, 2006

Statement A-2

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
REVENUES				
Taxes	\$ 14,164	\$ -	\$ -	\$ 14,164
Charges for services	3,431	-	-	3,431
Fines and forfeitures	12,705	-	-	12,705
Local sources	-	-	-	-
State sources	21,800	234,000	-	255,800
Federal sources	-	410,456	-	410,456
State shared taxes	791	-	-	791
Earnings from investments	-	-	396	396
	52,891	644,456	396	697,743
EXPENDITURES				
Current:				
Public safety	21,587	-	-	21,587
Culture and recreation	17,724	-	-	17,724
Health and welfare	129	-	-	129
Capital outlay	-	644,456	-	644,456
Bonds paid	-	-	25,000	25,000
Interest paid	-	-	1,047	1,047
	39,440	644,456	26,047	709,943
Excess (deficiency) of revenues over expenditures	13,451	-	(25,651)	(12,200)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	13,451	-	(25,651)	(12,200)
Fund balance at beginning of year	51,616	-	62,880	114,496
Fund balance at end of year	\$ 65,067	\$ -	\$ 37,229	\$ 102,296

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Combined Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Governmental Fund Types - Non-Major
 Special Revenue Funds
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 16,000	\$ 16,000	\$ 13,588	\$ (2,412)
Charges for services	2,000	2,000	3,431	1,431
Licenses and permits	500	500	-	(500)
Fines and forfeitures	7,000	7,000	13,097	6,097
Local sources	500	500	-	(500)
State sources	21,800	21,800	21,800	-
Federal sources	-	-	-	-
State shared taxes	800	800	822	22
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 48,600</u>	<u>\$ 48,600</u>	<u>\$ 52,738</u>	<u>\$ 4,138</u>
EXPENDITURES				
Public safety	\$ 27,800	\$ 27,800	\$ 21,587	\$ 6,213
Culture and recreation	19,300	19,300	17,724	1,576
Health and welfare	1,300	1,300	129	1,171
Total expenditures	<u>\$ 48,400</u>	<u>\$ 48,400</u>	<u>\$ 39,440</u>	<u>\$ 8,960</u>
BUDGETED CASH BALANCE	<u>\$ 2,200</u>	<u>\$ 2,200</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Combined Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Governmental Fund Types - Non-Major
 Capital Projects Funds
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 200,000	\$ 200,000	\$ 234,000	\$ 34,000
Federal sources	<u>427,319</u>	<u>427,319</u>	<u>410,456</u>	<u>(16,863)</u>
Total revenues	<u>\$ 627,319</u>	<u>\$ 627,319</u>	<u>\$ 644,456</u>	<u>\$ 17,137</u>
EXPENDITURES				
Capital outlay	<u>\$ 627,319</u>	<u>\$ 627,319</u>	<u>\$ 644,456</u>	<u>\$ (17,137)</u>
Total expenditures	<u>\$ 627,319</u>	<u>\$ 627,319</u>	<u>\$ 644,456</u>	<u>\$ (17,137)</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Combined Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Governmental Fund Types - Non-Major
 Debt Service Funds
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ 50	\$ 50	\$ 396	\$ 346
Total revenues	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 396</u>	<u>\$ 346</u>
EXPENDITURES				
Bonds paid	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Coupons paid	<u>1,047</u>	<u>1,047</u>	<u>1,047</u>	<u>-</u>
Total expenditures	<u>\$ 26,047</u>	<u>\$ 26,047</u>	<u>\$ 26,047</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 26,000</u>	<u>\$ 26,000</u>		

See accompanying notes to financial statements.

NON-MAJOR SPECIAL REVENUE FUNDS

LAW ENFORCEMENT PROTECTION FUND (LEPF) - To account for funds allotted by the Law Enforcement Protection Fund , Section 29-13-5, NMSA 1978, to "enhance the efficiency and effectiveness of law enforcement service."

RECREATION FUND - To account for the operation and maintenance of all Village-owned recreational facilities. Financing is provided by a specific annual cigarette tax levy. Authority is NMSA 7-12-1 and 7-12-15.

CEMETERY FUND - To account for the operations and maintenance of the cemetery. Financing is provided by the sale of burial permits. Authority is NMSA 3-45-1.

LODGER'S TAX FUND - To account for the operations of promoting tourism in the Village. Financing is provided by a special lodger's tax charged on transient lodging in the Village. Authority is NMSA 3-38-15.

CORRECTION FEES FUND - To account for fines collected by the Village Courts and designated to be used for the operation and maintenance of the Village jail. Authority is Section 35-14-11 NMSA.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2006

	Law Enforcement Protection Fund	Recreation Fund	Cemetary Fund	Lodgers Tax Fund	Correction Fees Fund	Total
ASSETS						
Cash on deposit	\$ 2,183	\$ 3,422	\$ 6,076	\$ 4,258	\$ 42,301	\$ 58,240
Accounts receivable	-	82	-	2,372	4,373	6,827
Total assets	<u>\$ 2,183</u>	<u>\$ 3,504</u>	<u>\$ 6,076</u>	<u>\$ 6,630</u>	<u>\$ 46,674</u>	<u>\$ 65,067</u>
FUND BALANCE						
Unreserved:						
Undesignated for subsequent years expenditures	<u>\$ 2,183</u>	<u>\$ 3,504</u>	<u>\$ 6,076</u>	<u>\$ 6,630</u>	<u>\$ 46,674</u>	<u>\$ 65,067</u>
Total fund balance	<u>\$ 2,183</u>	<u>\$ 3,504</u>	<u>\$ 6,076</u>	<u>\$ 6,630</u>	<u>\$ 46,674</u>	<u>\$ 65,067</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2006

	Law Enforcement Protection Fund	Recreation Fund	Cemetary Fund	Lodgers Tax Fund	Correction Fees Fund	Total
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 14,164	\$ -	\$ 14,164
Charges for services	-	-	3,431	-	-	3,431
Fines and forfeitures	-	-	-	-	12,705	12,705
Local sources	-	-	-	-	-	-
State sources	21,800	-	-	-	-	21,800
State shared taxes	-	791	-	-	-	791
Total revenues	<u>21,800</u>	<u>791</u>	<u>3,431</u>	<u>14,164</u>	<u>12,705</u>	<u>52,891</u>
EXPENDITURES						
Current:						
Public safety	20,060	-	-	-	1,527	21,587
Culture and recreation	-	1,061	-	16,663	-	17,724
Health and welfare	-	-	129	-	-	129
Total expenditures	<u>20,060</u>	<u>1,061</u>	<u>129</u>	<u>16,663</u>	<u>1,527</u>	<u>39,440</u>
Net change in fund balance	1,740	(270)	3,302	(2,499)	11,178	13,451
Fund balance, beginning of year	443	3,774	2,774	9,129	35,496	51,616
Fund balance, end of year	<u>\$ 2,183</u>	<u>\$ 3,504</u>	<u>\$ 6,076</u>	<u>\$ 6,630</u>	<u>\$ 46,674</u>	<u>\$ 65,067</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Non-Major Special Revenue - Law Enforcement Protection Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 21,800	\$ 21,800	\$ 21,800	\$ -
Total revenues	<u>\$ 21,800</u>	<u>\$ 21,800</u>	<u>\$ 21,800</u>	<u>\$ -</u>
EXPENDITURES				
Public safety	\$ 21,800	\$ 21,800	\$ 20,060	\$ 1,740
Total expenditures	<u>\$ 21,800</u>	<u>\$ 21,800</u>	<u>\$ 20,060</u>	<u>\$ 1,740</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Non-Major Special Revenue - Recreation Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 500	\$ 500	\$ -	\$ (500)
State shared taxes	<u>800</u>	<u>800</u>	<u>822</u>	<u>22</u>
Total revenues	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ 822</u>	<u>\$ (478)</u>
EXPENDITURES				
Culture & recreation	\$ 1,100	\$ 1,100	\$ 1,061	\$ 39
Total expenditures	<u>\$ 1,100</u>	<u>\$ 1,100</u>	<u>\$ 1,061</u>	<u>\$ 39</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Non-Major Special Revenue - Cemetery Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 2,000	\$ 2,000	\$ 3,431	\$ 1,431
Licenses and permits	500	500	-	(500)
Total revenues	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 3,431</u>	<u>\$ 931</u>
EXPENDITURES				
Health and welfare	\$ 1,300	\$ 1,300	\$ 129	\$ 1,171
Total expenditures	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ 129</u>	<u>\$ 1,171</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Non-Major Special Revenue - Lodgers Tax Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 16,000	\$ 16,000	\$ 13,588	\$ (2,412)
Total revenues	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 13,588</u>	<u>\$ (2,412)</u>
EXPENDITURES				
Culture & recreation	\$ 18,200	\$ 18,200	\$ 16,663	\$ 1,537
Total expenditures	<u>\$ 18,200</u>	<u>\$ 18,200</u>	<u>\$ 16,663</u>	<u>\$ 1,537</u>
BUDGETED CASH BALANCE	<u>\$ 2,200</u>	<u>\$ 2,200</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Non-Major Special Revenue - Correction Fees Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Fines and forfeitures	\$ 7,000	\$ 7,000	\$ 13,097	\$ 6,097
Total revenues	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 13,097</u>	<u>\$ 6,097</u>
EXPENDITURES				
Public safety	\$ 6,000	\$ 6,000	\$ 1,527	\$ 4,473
Total expenditures	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 1,527</u>	<u>\$ 4,473</u>

See accompanying notes to financial statements.

NON-MAJOR CAPITAL PROJECTS FUND

Senior Citizen Center - To account for resources received from a CDBG Grant (\$500,000) a special appropriation from the State Legislature (\$200,000) an emergency appropriation from the New Mexico Aging and Long-Term Services Department, Laws of 2005 (\$36,000) an in-kind cash matching from the Village (\$10,000) for the construction of a Senior Citizen Center. The building is to be built on the site of the previous Senior Center and in accordance with applicable codes and ADA requirements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Non-Major Capital Projects Fund
Balance Sheet
June 30, 2006

Statement C-1

Senior Citizen
Center Fund

ASSETS

Cash on deposit

\$ _____ -

Total assets

\$ _____ -

FUND BALANCE

Unreserved:

Designated for subsequent
years expenditures

\$ _____ -

Total fund balance

\$ _____ -

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Non-Major Capital Projects Fund
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2006

	Senior Citizen Center Fund
REVENUES	
State sources	\$ 234,000
Federal sources	410,456
Total revenues	644,456
EXPENDITURES	
Capital outlay	644,456
Total expenditures	644,456
Net change in fund balance	-
Fund balance, beginning of year	-
Fund balance, end of year	\$ -

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Non-Major Capital Projects Fund - Senior Citizens Center Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 200,000	\$ 200,000	\$ 234,000	\$ 34,000
Federal sources	<u>427,319</u>	<u>427,319</u>	<u>410,456</u>	<u>(16,863)</u>
Total revenues	<u>\$ 627,319</u>	<u>\$ 627,319</u>	<u>\$ 644,456</u>	<u>\$ 17,137</u>
EXPENDITURES				
Capital outlay	\$ <u>627,319</u>	\$ <u>627,319</u>	\$ <u>644,456</u>	\$ <u>(17,137)</u>
Total expenditures	<u>\$ 627,319</u>	<u>\$ 627,319</u>	<u>\$ 644,456</u>	<u>\$ (17,137)</u>

See accompanying notes to financial statements.

NON-MAJOR DEBT SERVICE FUND

Sales Tax Bond Fund - To account for the payment of general long-term debt principal and interest.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Non-Major Debt Service Fund
Balance Sheet
June 30, 2006

	<u>Sales Tax Bond Fund</u>
ASSETS	
Cash on deposit	\$ 37,229
Total assets	<u>\$ 37,229</u>
FUND BALANCE	
Reserved for debt service	\$ 37,229
Total fund balance	<u>\$ 37,229</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Non-Major Debt Service Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance
 Year Ended June 30, 2006

	<u>Sales Tax Bond Fund</u>
REVENUES	
Taxes	\$ -
Earnings from investments	<u>396</u>
Total revenues	<u>396</u>
EXPENDITURES	
Bonds	25,000
Interest	<u>1,047</u>
Total expenditures	<u>26,047</u>
Excess (deficiency) of revenues over expenditures	<u>(25,651)</u>
OTHER FINANCING SOURCES	
Transfer in	<u>-</u>
Net change in fund balance	(25,651)
Fund balance at beginning of year	<u>62,880</u>
Fund balance at end of year	<u><u>\$ 37,229</u></u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Non-Major Debt Service Fund - Sales Tax Bond
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ 50	\$ 50	\$ 396	\$ 346
Total revenues	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 396</u>	<u>\$ 346</u>
EXPENDITURES				
Bonds paid	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Coupons paid	<u>1,047</u>	<u>1,047</u>	<u>1,047</u>	<u>-</u>
Total expenditures	<u>\$ 26,047</u>	<u>\$ 26,047</u>	<u>\$ 26,047</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 26,000</u>	<u>\$ 26,000</u>		

See accompanying notes to financial statements.

ENTERPRISE FUNDS

WATER AND SEWER FUND - To account for the operations of the Village's Water and Sewer Department, for meter deposits and payment of Joint Utility Revenue Bonds.

SOLID WASTE FUND - To account for the operations of the (contracted) solid waste services.

AMBULANCE FUND - To account for the operations of the emergency ambulance services.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Enterprise Funds
Combining Statement of Net Assets
June 30, 2006

Statement E-1

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Total
ASSETS				
Current Assets				
Cash on deposit	\$ 29,737	\$ 5,394	\$ 92,864	\$ 127,995
Accounts receivable (net)	<u>17,696</u>	<u>9,814</u>	<u>-</u>	<u>27,510</u>
Total Current Assets	<u>47,433</u>	<u>15,208</u>	<u>92,864</u>	<u>155,505</u>
Restricted Assets (Cash)				
Customer meter deposits	30,864	-	-	30,864
Debt service	<u>15,384</u>	<u>-</u>	<u>-</u>	<u>15,384</u>
Total Restricted Assets (Cash)	<u>46,248</u>	<u>-</u>	<u>-</u>	<u>46,248</u>
Property, Plant and Equipment				
Land	58,000	-	-	58,000
Equipment	304,291	5,643	73,464	383,398
Vehicles	-	-	237,376	237,376
Plant	5,122,753	-	-	5,122,753
Accumulated depreciation	<u>(2,527,154)</u>	<u>(5,643)</u>	<u>(272,613)</u>	<u>(2,805,410)</u>
Total Property, Plant and Equipment	<u>2,957,890</u>	<u>-</u>	<u>38,227</u>	<u>2,996,117</u>
Total Assets	<u>\$ 3,051,571</u>	<u>\$ 15,208</u>	<u>\$ 131,091</u>	<u>\$ 3,197,870</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Customer meter deposits payable from Restricted Assets	34,953	-	-	34,953
Revenue bonds payable	4,000	-	-	4,000
RUS bonds payable	1,700	-	-	1,700
Loans payable	9,639	-	-	9,639
Capital lease payable	<u>2,144</u>	<u>-</u>	<u>16,313</u>	<u>18,457</u>
Total Current Liabilities	<u>52,436</u>	<u>-</u>	<u>16,313</u>	<u>68,749</u>
Long-Term Liabilities				
Compensated absences	3,583	-	-	3,583
Revenue bonds payable	109,000	-	-	109,000
RUS bonds payable	184,825	-	-	184,825
Loan payable	127,152	-	-	127,152
Capital lease payable	<u>2,489</u>	<u>-</u>	<u>26,694</u>	<u>29,183</u>
Total Long-Term Liabilities	<u>427,049</u>	<u>-</u>	<u>26,694</u>	<u>453,743</u>
NET ASSETS				
Invested in Capital Assets	2,516,941	-	(4,780)	2,512,161
Unrestricted	<u>55,145</u>	<u>15,208</u>	<u>92,864</u>	<u>163,217</u>
Total Net Assets	<u>2,572,086</u>	<u>15,208</u>	<u>88,084</u>	<u>2,675,378</u>
Total Liabilities and Net Assets	<u>\$ 3,051,571</u>	<u>\$ 15,208</u>	<u>\$ 131,091</u>	<u>\$ 3,197,870</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Enterprise Funds
 Combining Statement of Revenues, Expenses and
 Changes in Fund Net Assets
 For the Year Ended June 30, 2006

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Totals
OPERATING REVENUES				
Sales and services	\$ 195,769	\$ 102,813	\$ 45,857	\$ 344,439
Environmental gross receipts taxes	-	2,420	-	2,420
Intergovernmental	281,128	-	8,310	289,438
Miscellaneous	-	-	3,531	3,531
Total operating revenue	<u>476,897</u>	<u>105,233</u>	<u>57,698</u>	<u>639,828</u>
OPERATING EXPENSES				
Personal services	86,027	13,180	-	99,207
Maintenance and operations	63,486	98,014	31,287	192,787
Depreciation	190,192	-	19,817	210,009
Total operating expenses	<u>339,705</u>	<u>111,194</u>	<u>51,104</u>	<u>502,003</u>
Operating income (loss)	<u>137,192</u>	<u>(5,961)</u>	<u>6,594</u>	<u>137,825</u>
NON-OPERATING REVENUE (EXPENSE)				
Investment income	2,678	-	-	2,678
Investment expense	(16,595)	-	(2,496)	(19,091)
Total Non-Operating Revenue (Expense)	<u>(13,917)</u>	<u>-</u>	<u>(2,496)</u>	<u>(16,413)</u>
Income (loss) before transfers	<u>123,275</u>	<u>(5,961)</u>	<u>4,098</u>	<u>121,412</u>
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Net transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>123,275</u>	<u>(5,961)</u>	<u>4,098</u>	<u>121,412</u>
Total Net Assets, beginning of year	<u>2,448,811</u>	<u>21,169</u>	<u>83,986</u>	<u>2,553,966</u>
Total Net Assets, end of year	<u>\$ 2,572,086</u>	<u>\$ 15,208</u>	<u>\$ 88,084</u>	<u>\$ 2,675,378</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2006

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 194,245	\$ 102,632	\$ 45,857	\$ 342,734
Cash received from state sources	-	2,548	8,310	10,858
Cash received from federal sources	281,128	-	-	281,128
Cash received from miscellaneous sources	-	-	3,531	3,531
Cash payments to employees and to suppliers for goods and services	<u>(152,368)</u>	<u>(111,194)</u>	<u>(31,287)</u>	<u>(294,849)</u>
Net cash provided by operating activities	<u>323,005</u>	<u>(6,014)</u>	<u>26,411</u>	<u>343,402</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(281,128)	-	-	(281,128)
Principal paid	(17,103)	-	(15,552)	(32,655)
Investment expense	<u>(16,594)</u>	<u>-</u>	<u>(2,496)</u>	<u>(19,090)</u>
Net cash provided (used) by capital and related financing activities	<u>(314,825)</u>	<u>-</u>	<u>(18,048)</u>	<u>(332,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	2,676	-	-	2,676
Security deposits	<u>3,478</u>	<u>-</u>	<u>-</u>	<u>3,478</u>
Net cash provided by investing activities	<u>6,154</u>	<u>-</u>	<u>-</u>	<u>6,154</u>
Net increase (decrease) in cash	14,334	(6,014)	8,363	16,683
Cash, beginning of year	<u>61,651</u>	<u>11,408</u>	<u>84,501</u>	<u>157,560</u>
Cash, end of year	<u>\$ 75,985</u>	<u>\$ 5,394</u>	<u>\$ 92,864</u>	<u>\$ 174,243</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 137,192	\$ (5,961)	\$ 6,594	\$ 137,825
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	190,192	-	19,817	210,009
Changes in assets and liabilities:				
(Increase) decrease in receivables	(1,524)	(53)	-	(1,577)
Increase (decrease) in accounts payable	-	-	-	-
Increase (decrease) in compensated absences	<u>(2,855)</u>	<u>-</u>	<u>-</u>	<u>(2,855)</u>
Total	<u>185,813</u>	<u>(53)</u>	<u>19,817</u>	<u>205,577</u>
Net cash provided (used) by operating activities	<u>\$ 323,005</u>	<u>\$ (6,014)</u>	<u>\$ 26,411</u>	<u>\$ 343,402</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Proprietary Funds
 Water/Sewer Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and services	\$ 213,750	\$ 213,750	\$ 194,245	\$ (19,505)
State sources	-	-	-	-
Federal sources	829,500	829,500	281,128	(548,372)
Interest income	100	100	2,676	2,576
Total revenues	<u>\$ 1,043,350</u>	<u>\$ 1,043,350</u>	<u>\$ 478,049</u>	<u>\$ (565,301)</u>
EXPENDITURES				
Personal services	\$ 111,004	\$ 111,004	\$ 86,027	\$ 24,977
Maintenance and operations	61,919	61,919	66,341	(4,422)
Capital outlay	829,500	829,500	281,128	548,372
Revenue bonds principle	4,000	4,000	4,000	-
Loan principle	13,376	13,376	13,103	273
Interest expense	18,610	18,610	16,594	2,016
Total expenditures	<u>\$ 1,038,409</u>	<u>\$ 1,038,409</u>	<u>\$ 467,193</u>	<u>\$ 571,216</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Proprietary Funds
 Solid Waste Funds
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and services	\$ 115,000	\$ 115,000	\$ 102,813	\$ (12,187)
Environmental gross receipts tax	<u>6,870</u>	<u>6,870</u>	<u>2,420</u>	<u>(4,450)</u>
Total revenues	<u>\$ 121,870</u>	<u>\$ 121,870</u>	<u>\$ 105,233</u>	<u>\$ (16,637)</u>
EXPENDITURES				
Personal services	\$ 24,747	\$ 24,747	\$ 13,180	\$ 11,567
Maintenance and operations	<u>97,123</u>	<u>97,123</u>	<u>98,014</u>	<u>(891)</u>
Total expenditures	<u>\$ 121,870</u>	<u>\$ 121,870</u>	<u>\$ 111,194</u>	<u>\$ 10,676</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Proprietary Funds
 Ambulance Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and services	\$ 65,000	\$ 65,000	\$ 45,857	\$ (19,143)
Local sources	500	500	3,531	3,031
State sources	8,402	8,402	8,310	(92)
Total revenues	<u>\$ 73,902</u>	<u>\$ 73,902</u>	<u>\$ 57,698</u>	<u>\$ (16,204)</u>
EXPENDITURES				
Maintenance and operations	\$ 51,002	\$ 51,002	\$ 31,287	\$ 19,715
Principal bond	15,552	15,552	15,552	-
Investment expense	2,496	2,496	2,496	-
Total expenditures	<u>\$ 69,050</u>	<u>\$ 69,050</u>	<u>\$ 49,335</u>	<u>\$ 19,715</u>

See accompanying notes to financial statements.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Schedule of Changes in
Assets and Liabilities -
Agency Funds
Year Ended June 30, 2006

	Balance <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2006</u>
ASSETS				
Cash	\$ 1,316	\$ 57,648	\$ 57,501	\$ 1,463
Total assets	<u>\$ 1,316</u>	<u>\$ 57,648</u>	<u>\$ 57,501</u>	<u>\$ 1,463</u>
LIABILITIES				
Due to bond holders	\$ 1,298	\$ 2,335	\$ 2,185	\$ 1,448
Due to other agencies	<u>18</u>	<u>55,313</u>	<u>55,316</u>	<u>15</u>
Total liabilities	<u>\$ 1,316</u>	<u>\$ 57,648</u>	<u>\$ 57,501</u>	<u>\$ 1,463</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Component Unit
Housing Authority
Statement of Cash Flows
For the Year Ended June 30, 2006

	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 24,101
Cash payments to employees	(62,277)
Cash payments to suppliers for goods and services	(42,770)
Net cash provided by operating activities	(80,946)
CASH FLOWS FROM FINANCING ACTIVITIES	
Subsidy from federal grant	30,263
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grant	38,395
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	1,878
Net increase (decrease) in cash	(10,410)
Cash, beginning of year	56,248
Cash, end of year	\$ 45,838
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ (113,558)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	17,781
Changes in assets and liabilities:	
Accounts receivable	2,442
Restricted cash	-
Prepaid rent	(284)
Prepaid items	296
Accounts payable	10,954
Customer deposits	1,010
Accrued payroll	(1,144)
PILOT liability	1,557
Total	32,612
Net cash (used) by operating activities	\$ (80,946)

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

<u>Originating Funding Source and Program</u>	<u>Pass Through Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through New Mexico Department of *Finance and Administration:			
Community Development Block Grant/ State's Program	03-C-RS-I-3-G-5	14.228	\$ 410,456
<u>U.S. Department of Transportation</u>			
Passed through NM State Highway and Transportation Department:			
ODWI	05-AL-64-020	20.601	352
ODWI	05-AL-64-020	20.601	1,056
ODWI	06-ID-63-020	20.601	704
OBD	05-OP-RF-020	20.602	2,508
OBD	06-RF-01-020	20.602	308
STEP	06-RF-01-020	20.602	<u>6,990</u>
Total Department of Transportation			<u>11,918</u>
<u>U.S. Department of the Treasury</u>			
Passed through New Mexico Department of Finance and Administration:			
Water Systems Improvement	03-T-003	21.999	<u>281,128</u>
Total Expenditures of Federal Awards			<u>\$ 703,502</u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Accounting

The Schedule of Expenditures of Federal Awards was prepared using the modified accrual method accounting. This is the same basis as was used to prepare the financial statements.

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Village of Cimarron and is presented on the cash basis of accounting, which is not the same basis as was used to prepare the financial statements. The financial statements were prepared using the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Non-Cash Assistance

The Village did not receive any federal awards in the form of non-cash assistance during the year.

3. Sub-recipients

The Village did not provide any federal awards to sub-recipients during the year.

*Treated as a Major Program

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

**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
Honorable Mayor and Village Council
Village of Cimarron
Cimarron, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the general fund and major special revenue fund budgetary comparison and the aggregate remaining fund information of the Village of Cimarron as of and for the year ended June 30, 2006, and have issued our report thereon dated October 3, 2008. We also have audited the financial statements of each of the Village's combining and individual funds and budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2006. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the component unit proprietary fund, as described in our report on the Village's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record,

process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Status of Comments as Comments 03-01, 03-03, 03-04, 03-05, 03-06, 04-01, 04-05, 05-01, 05-03, 05-04 and 06-03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Cimarron'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 of 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 that are required to be reported under *Government Auditing Standards*. They are listed in the accompanying Status of Comments as Comments 02-02, 03-01, 03-03, 04-01, 05-02, 06-01, 06-02, 06-04 and 06-05.

This report is intended solely for the information and use of the Councilors, management, federal awarding agencies, the New Mexico Legislature, the Office of the State Auditor and the Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.



October 3, 2008

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Hector H. Balderas
New Mexico State Auditor
and
Honorable Mayor and Village Council
Village of Cimarron
Cimarron, New Mexico

Compliance

We have audited the compliance of the Village of Cimarron (Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2006. The Village's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures or the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, management, federal awarding agencies, the New Mexico Legislature, the Village Council, the Office of the State Auditor and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

Rice & Associates, C.P.A.

October 3, 2008

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part 1 - Summary of Auditor Results

1. Type of Report - Unqualified
2. Reportable Conditions - Immaterial instances 02-02, 03-01, 03-03, 03-04, 03-05, 03-06, 04-01, 04-05, 05-02, 05-03, 5-04 and 06-03
3. Non-Compliance - Immaterial instances 02-02, 03-01, 03-03, 04-01, 05-02, 05-03, 06-01 and 06-02
4. Reportable Conditions Over Major Programs - NONE
5. Type of Report Issued on Compliance with the Major Program - Unqualified
6. Audit Findings (Required under 510(a) of Circular A-133) - NONE
7. Major Programs - Community Development Block Grant CFDA 14.228
8. Dollar Threshold Used to Distinguish Type A and Type B Programs - \$300,000
9. The Village of Cimarron did qualify as a low-risk auditee.

Part 2 - Findings

1. Village Comments - 02-02, 03-01, 03-03, 03-04, 03-05, 03-06, 04-01, 04-05, 05-02, 05-03, 05-04, 06-01, 06-02, 06-03, 06-04 and 06-05.

Component Unit (Housing Authority) Comments - 04-01, 06-01, 06-03 and 06-04.

Part 3 - Questioned Costs

NONE

STATUS OF COMMENTS

Prior Year Audit Findings

1. Late Audit Report (02-02) - Repeated.
2. Sales Taxes Paid (03-01) - Repeated.
3. Budget Overruns (03-03) - Repeated.
4. Old Meter Deposits (03-04) - Repeated.
5. Water Meter Deposits (03-05) - Repeated.
6. Imprest Bank Account (03-06) - Repeated.
7. Depreciation Policy (04-01) - Repeated.
8. Grant Balances (04-05) - Repeated.
9. Voided Receipts (05-01) - Resolved.
10. CFDA Data Collection Form (05-02) - Repeated.
11. Rental Agreement (05-03) - Repeated.
12. User Rates (05-04) - Repeated.

Current Year Audit Findings

1. Penalties and Interest Charged (06-01)
2. DFA Quarterly Report Incorrect (06-02)
3. Expenditure Allowed From an Agency Fund (06-03)
4. Exit Conference Held by Phone (06-04)
5. Housing Authority Representative Not Present For Exit Conference (06-05)

Component Unit Audit Findings

Prior Year

1. Late Audit Report (04-01) - Repeated.
2. Budget Overruns (04-02) - Resolved

Current Year

1. Lack of Careful Review and Reconciliation of Monthly Financial Reports (06-01)
2. Lack of Complete Capital Assets Schedule (06-03)
3. Cell Phone Overages Not Reimbursed (06-04)

Late Audit Report
(02-02)

CONDITION	The audit report was submitted to the State Auditor after the required deadline of December 1, 2006. The State Auditors Office received the audit report on October 27, 2008.
CRITERIA	Village audits are required to be submitted to the State Auditor by December 1 as required by NMAC 2.2.2.9A(1)(d).
CAUSE	The 2005 audit report was late. This situation then forced the 2006 audit report to be late.
EFFECT	NMAC 2.2.2.9A(1)(d) was not followed.
RECOMMENDATION	The Village should work closely with the new State Auditor to ensure all future audits are prepared timely.
RESPONSE	Once our audits are caught up our audits will be conducted in a timely manner.

Sales Taxes Paid
(03-01)

CONDITION	The Village is remitting sales taxes to Taxation and Revenue for entities that are exempt from paying sales taxes. These entities include departments of the Village (example: The Senior Center) the County of Mora/Colfax and certain non-profits.
CRITERIA	The Village should remit sales taxes for all individual and entities that have paid sales tax on their water/sewer/solid waste usage, but not for exempt individuals or entities. Exempt entities include governmental agencies (7-9-13 NMSA 1978) and (7-9-54 NMSA 1978) and non-profit entities (7-9-29 NMSA 1978).
CAUSE	Prior management of the Village was unaware of this difference in exempt and non-exempt entities.
EFFECT	The Village is paying monies to Taxation and Revenue that is not required to do so.
RECOMMENDATION	The Village has new management at this time and they are aware of these statutes.
RESPONSE	We are now making every attempt to file our gross receipts correctly.

Budget Overruns

(03-03)

CONDITION	The Village had a budget overrun in the Fire Fund in the amount of \$7,780 and the Non-Major Capital Projects Fund in the amount of \$17,137.
CRITERIA	According to State Statute 6-6-2 and 6-6-6 NMSA 1978 all expenditures may not exceed approved budgets. Also, DFA's Local Government Division regulations address budget requirements needed by the Village.
CAUSE	Budgetary adjustments did not occur to correct budget deficits.
EFFECT	Department of Finance and Administration regulations have not been adhered to.
RECOMMENDATION	Review financial statements periodically for possible overruns and request the appropriate budgetary increases before expenditures exceed budget.
RESPONSE	We are now requesting budget adjustments along with a resolution with the Village Council and filing them with the DFA.

Old Meter Deposits
(03-04)

CONDITION	The Village has failed to create a policy providing guidance on when meter deposits could be returned after a designated time period.
CRITERIA	The Village may determine that meter deposits could be returned after a certain time period, instead of keeping them indefinitely.
CAUSE	Management was unaware they could prepare such a policy.
EFFECT	Staff time is wasted on keeping track of \$5 meter deposits that are over 10 years old.
RECOMMENDATION	The Village should prepare a policy as soon as possible and return these deposits.
RESPONSE	Utility Ordinance #244 passed 12-7-2007, returns deposits after five years of good payment history. Deposits are now tracked on the Caselle Utility Module.

Water Meter Deposits
(03-05)

CONDITION	The Village is not reconciling their monthly water meter deposit to the restricted bank account each month. As of June 30, 2006 the Meter Deposit List had \$4,000 more due to constituents than money available in the restricted bank account. Also, these monthly listings are not created on the last day of each month.
CRITERIA	The monthly meter deposit list should be reconciled and agree to the reconciled bank account each month. This complies with good accounting practices.
CAUSE	Management is aware of this situation but has not completed an accurate meter deposit list and reconciled it to the reconciled bank account on a monthly basis.
EFFECT	Available resources could not be budgeted for and used in the Water Fund.
RECOMMENDATION	Management should designate an employee to perform this duty each month, identify differences and resolve those differences.
RESPONSE	Deposits are now tracked on the new (software) Caselle Utility Module for each meter.

Imprest Bank Account

(03-06)

CONDITION	The Payroll imprest bank account is not being reconciled correctly. The monthly reconciled balance is not the same each month.
CRITERIA	All imprest accounts should be reconciled correctly monthly, resulting in a zero balance. This complies with good accounting practices.
CAUSE	Prior management was not reconciling this account at all. Current management understands that it should be reconciled and is trying diligently to do so.
EFFECT	The General Fund would have to cover any cash deficiencies that might occur.
RECOMMENDATION	Management has obtained guidance from outside sources on how to reconcile this account. However, management should continue to ensure this account is reconciled correctly.
RESPONSE	This account will be reconciled by June 2008 and then closed.

Depreciation Policy
(04-01)

CONDITION	The Village has not approved a depreciation policy so depreciation can be charged to capital assets.
CRITERIA	The Village needs a depreciation policy so capital assets can be depreciated correctly. This is due to the implementation of GASB 34.
CAUSE	The Village Board has not approved a policy for management to follow.
EFFECT	Depreciation may be charged incorrectly because no set policy is in place.
RECOMMENDATION	The Village Board should approve a policy as soon as possible. Management should then implement that policy as soon as possible.
RESPONSE	The Village approved Resolution 2008-21 "Depreciation Policy for Fixed Assets" on March 19, 2008.

Grant Balances

(04-05)

CONDITION	The Village did not receive the full amount of a grant that totaled \$8,927.00. Only \$8,543 was requested and received from the New Mexico Department of Transportation. The grant was a Selective Traffic Enforcement Program (S.T.E.P.) passed through the NM Department of Transportation for improvements to the Village's police cars.
CRITERIA	All grants should be reviewed periodically to ensure the full amount is received and spent.
CAUSE	A change over in Management occurred resulting in this grant not being completed.
EFFECT	State resources of \$384 was not received and spent to the Villages benefit.
RECOMMENDATION	All grants should be monitored periodically to ensure all monies are received and spent correctly.
RESPONSE	Current management will monitor all grants to ensure all monies are received and spent correctly.

CFDA Data Collection Form
(05-02)

CONDITION	The CFDA Data Collection Form was not submitted to the federal clearing house within nine months after the fiscal year end due to the audit not being completed within nine months after the fiscal year end.
CRITERIA	The CFDA Data Collection Form is to be submitted to the federal clearing house within nine months after the fiscal year end according to OMB Circular A-133.320.
CAUSE	The audit was not completed within the nine month period after the fiscal year end. The audit report must be submitted with the Data Collection Form. Thus, the Data Collection Form could not be submitted until the audit report was completed.
EFFECT	The Village was unable to comply with OMB Circular A-133.
RECOMMENDATION	The audit report should be completed within nine months after the fiscal year end.
RESPONSE	The Village will strive to comply with the CFDA in the future and once all audits have been brought up to date will have their audit done within the nine month period.

Rental Agreement
(05-03)

CONDITION	The Village leases office space to the Colfax County Magistrate Court. The rental agreement however, has not been updated since 1992.
CRITERIA	All agreements should be updated each year so as to provide the Village with the option to increase rates, cancel the lease or change any existing conditions.
CAUSE	Prior management was not concerned with this issue and did not look into requiring a valid, signed lease each year.
EFFECT	The Village could be losing monies because the rate has not changed for several years.
RECOMMENDATION	The new management should ensure that a new valid lease is obtained each year.
RESPONSE	The Village rental agreement will be updated once every fiscal year.

User Rates

(05-04)

CONDITION	The Village water software did not calculate the charges correctly based on the new user rate ordinance.
CRITERIA	When user rate ordinances are changed, management should ensure they are properly changed in the system.
CAUSE	Prior management did not ensure this procedure occurred.
EFFECT	The Village lost approximately \$3,000 in user charges.
RECOMMENDATION	Management should ensure that the new billing software is calculating user charges based on the current ordinance.
RESPONSE	The problem was corrected during the installation of the new Caselle software in the 2007-2008 fiscal year.

Penalties and Interest
(06-01)

CONDITION	Village management submitted their monthly CRS-1 reports to Taxation and Revenue after the required deadline.
CRITERIA	Taxation and Revenue require monthly CRS-1 reports to be submitted by the 25 th of the following month.
CAUSE	Village management did not ensure these reports were submitted timely.
EFFECT	The Village was charged penalties and interest that were not budgeted for or allowed as an expenditure by the Department of Finance and Administration.
RECOMMENDATION	Village management should ensure that these reports are submitted timely and avoid any interest and penalties.
RESPONSE	This was an irregular event. The Utility Clerk was in the hospital with pregnancy complications. A procedure is now in place to ensure timely reporting.

DFA Quarterly Report Incorrect
(06-02)

CONDITION Management of the Village did not prepare the end of year quarterly report correctly.

CRITERIA According to Statute 6-6-3 NMSA 1978 all local governments are to submit an accurate quarterly performance report to the Department of Finance and Administration.

CAUSE A change in management occurred during the year.

EFFECT The Village books of record could not be traced and compared to the DFA quarterly report.

RECOMMENDATION Village management should obtain training in the preparation of the report so all future reports will be submitted correctly.

RESPONSE The new software is in place and is being reviewed monthly for accuracy. Personnel training is ongoing.

Expenditure Allowed From an Agency Fund
(06-03)

CONDITION	Management of the Village allowed a disbursement to be made from the Water Meter Bank Account as payment for an invoice. The expenditure totaled \$111.
CRITERIA	The Water Meter Bank Account is to keep all monies on behalf of deposit holders only. It is not to be used as an actual checking account merely a savings account held on behalf of others.
CAUSE	A change of management occurred during the year. Because of this management was not aware of the purpose of an agency fund bank account.
EFFECT	Management of the Village needs to reimburse this bank account for the overdraft created by the payment of the \$111 bill.
RECOMMENDATION	Management should repay this amount from the General Fund.
RESPONSE	New management was unaware of the incurred expense which was a bank debit.

Exit Conference Held by Phone
(06-04)

CONDITION	The exit conference for the Village was held by conference call.
CRITERIA	According to SAO Rule 2.2.2.10 I(6) NMAC, telephone exit conferences should not be held. All exit conferences should be held in person.
CAUSE	Village management and the contracted auditor were trying to accelerate the audit process so the audit could be submitted as soon as possible.
EFFECT	SAO Rule 2.2.2.10 I(6) NMAC was not adhered to.
RECOMMENDATION	The Village management and the contracted auditor should not hold telephonic conferences in the future.
RESPONSE	Village management will <u>require</u> in-person exit conferences in the future.

Housing Authority Representative Not Present for Exit Conference
(06-05)

CONDITION A representative of the Component Unit (Housing Authority) was not present at the exit conference held October 3, 2008.

CRITERIA According to SAO Rule 2.2.2.10 J(1-3) a member of the component unit must be present at the exit conference.

CAUSE Village management and the contracted auditor were not aware of this requirement. Especially since the comments for either agency did not reflect upon the other in any manner.

EFFECT SAO Rule 2.2.2.10 J(1-3) was not adhered to.

RECOMMENDATION Village management and the contracted auditor should hold all future exit conferences with a component unit representative present.

RESPONSE Village management will require a Housing Authority representative present for all future exit interviews.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2006 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 112. However, these financial statements are the responsibility of the Village of Cimarron's management.

EXIT CONFERENCE

An exit conference was held by conference call on October 3, 2008, to discuss the current audit report and auditors' comments. In attendance were Ms. Mindy Cahill, Village Clerk/Administrator, Ms. Linda Pavletich, Mayor, Mr. Joseph Cruz, Council Member and Ms. Pamela A. Rice, CPA, Contract Auditor.