

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2015

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**

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VILLAGE OF CIMARRON**

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VILLAGE OF CIMARRON**

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STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Directory of Officials
June 30, 2015

ELECTED OFFICIALS

Judy LeDoux Mayor
Ron Hickman Mayor Pro-Tem
Phillip Salazar Councilor
Lukas Snart Councilor
Ray Gothard Councilor
Keith Graham Municipal Judge

DEPARTMENT HEADS

Karen M. Cahill Clerk-Administrator
Lee O. Ferguson Police Chief
Anthony Martinez Fire Chief
Nate Lay Ambulance Director
Damian Casias Public Works Supervisor

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www.fierrocpa.comIndependent Auditors' ReportTimothy Keller, State Auditor
and
Mayor and Village Council
Village of Cimarron
Cimarron, New Mexico**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Village of Cimarron (Village), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental funds, and the budgetary comparison for the major capital projects and enterprise funds and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions

The Village has not maintained adequate subsidiary records to support the reported capital asset amounts in the governmental activities. Accounting principles generally accepted in the United States of America require that all capital assets, including, but not limited to, general infrastructure assets be capitalized and depreciated, which would increase the assets, net position and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

The Village did not reconcile cash reflected within the general ledger with amounts reflected in the bank accounts. The computer accounting software utilizes a pool cash account however, amounts reflected within the various funds does not reconcile with the amount reflected in the pooled account or the bank accounts. Proper allocation of the cash amounts is dependent on financial activity that occurs during the fiscal year. The proper allocation of cash which would affect assets, liabilities, equity, revenues, expenditures or expenses has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinions” paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, except for the effects of the cash reconciliation matter described in the “Basis for Qualified Opinions” paragraphs, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village as of June 30, 2015, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital projects and major enterprise funds, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

In the year ended June 30, 2015, the Village adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which modified the presentation of the financial statements by establishing standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit pension plans. In addition, Statement 68 requires disclosure of information related to pension benefits. As discussed in Note 11 to the basic financial statements, the adoption of GASB statements 68 and 71 resulted in the restatement of beginning net position. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America requested that the schedule of the Village's proportionate share of the net pension liability and the schedule of the Village's contributions on page sixty-four through sixty-eight be presented to supplement the basic financial statements.

Other Matters (continued)

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Village's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of vendor information for purchases exceeding \$60,000 (excluding GRT) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2017 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

February 7, 2017

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash	\$ 700,979	\$ 235,282	\$ 936,261
Receivables, net	75,649	72,651	148,300
Inventory	-	3,247	3,247
Prepaid expenses	-	2,619	2,619
Internal balances	103,692	(103,692)	-
Total current assets	880,320	210,107	1,090,427
Noncurrent assets:			
Restricted cash	-	45,307	45,307
Restricted investments held by fiscal agent	51	-	51
Restricted investments:			
Land and construction in progress	180,021	76,600	256,621
Other capital assets, net of depreciation	2,294,213	2,976,021	5,270,234
Total capital assets	2,474,234	3,052,621	5,526,855
Total noncurrent assets	2,474,285	3,097,928	5,572,213
Total assets	3,354,605	3,308,035	6,662,640
Deferred Outflows of Resources:			
Pension related	18,178	6,906	25,084
Total assets and deferred outflows of resources	\$ 3,372,783	\$ 3,314,941	\$ 6,687,724
Liabilities:			
Current liabilities:			
Accounts payable	\$ 75,915	\$ 44,872	\$ 120,787
Accrued salaries	10,183	1,968	12,151
Accrued payroll liabilities	5,331	1,844	7,175
Accrued interest payable	1,817	8,649	10,466
Accrued liabilities	-	228	228
Deposits payable	-	42,337	42,337
Unearned revenue	-	612	612
Note payable	17,080	22,208	39,288
Bonds payable	-	8,600	8,600
Compensated absences	6,119	1,860	7,979
Total current liabilities	116,445	133,178	249,623
Noncurrent liabilities:			
Note payable	174,356	97,410	271,766
Bonds payable	-	232,625	232,625
Compensated absences	2,801	299	3,100
Net pension liability	182,534	96,842	279,376
Total noncurrent liabilities	359,691	427,176	786,867
Total liabilities	476,136	560,354	1,036,490
Deferred Inflows of Resources:			
Pension related	77,698	37,952	115,650
Net Position:			
Net investment in capital assets	2,282,798	2,691,778	4,974,576
Restricted for:			
Debt service	51	42,497	42,548
State mandated per statutes	278,932	-	278,932
Unrestricted (deficit)	257,168	(17,640)	239,528
Total net position	2,818,949	2,716,635	5,535,584
Total liabilities, deferred inflows of resources and net position	\$ 3,372,783	\$ 3,314,941	\$ 6,687,724

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 275,403	\$ 23,863	\$ 171,033	\$ -	\$ (80,507)	\$ -	\$ (80,507)
Public safety	422,805	46,659	205,616	-	(170,530)	-	(170,530)
Highway and streets	93,507	-	18,905	42,861	(31,741)	-	(31,741)
Culture and recreation	24,534	-	-	-	(24,534)	-	(24,534)
Health and welfare	14,372	376	-	-	(13,996)	-	(13,996)
Interest on long-term debt	3,253	-	-	-	(3,253)	-	(3,253)
Total governmental activities	833,874	70,898	395,554	42,861	(324,561)	-	(324,561)
Business-type activities:							
Water	401,632	192,879	-	-	-	(208,753)	(208,753)
Wastewater	94,671	68,734	-	-	-	(25,937)	(25,937)
Solid waste	158,313	143,696	-	-	-	(14,617)	(14,617)
Ambulance	102,785	82,159	-	-	-	(20,626)	(20,626)
Public housing	92,074	28,606	29,375	-	-	(34,093)	(34,093)
Interest on long-term debt	23,113	-	-	-	-	(23,113)	(23,113)
Total business-type activities	872,588	516,074	29,375	-	-	(327,139)	(327,139)
Total primary government	<u>\$ 1,706,462</u>	<u>\$ 586,972</u>	<u>\$ 424,929</u>	<u>\$ 42,861</u>	(324,561)	(327,139)	(651,700)
General Revenues:							
Gross receipts taxes					340,900	5,542	346,442
Property taxes, levied for general purposes					80,513	-	80,513
Lodgers' taxes					18,810	-	18,810
Franchise taxes					25,826	-	25,826
Public service taxes					54,139	-	54,139
Interest income					1,648	218	1,866
Donations					6,125	660	6,785
Insurance recoveries					7,205	-	7,205
Miscellaneous					2,615	1,505	4,120
Special item - Gain on sale of assets					33,681	-	33,681
Transfers					(23,902)	23,902	-
Total general revenues, special item and transfers					<u>547,560</u>	<u>31,827</u>	<u>579,387</u>
Change in net position					222,999	(295,312)	(72,313)
Net position, beginning of year					2,846,056	2,705,189	5,551,245
Restatements					(250,106)	306,758	56,652
Net position, beginning of year, restated					<u>2,595,950</u>	<u>3,011,947</u>	<u>5,607,897</u>
Net position, end of year					<u>\$ 2,818,949</u>	<u>\$ 2,716,635</u>	<u>\$ 5,535,584</u>

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Fire Protection Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 430,190	\$ 120,838	\$ -	\$ 149,951	\$ 700,979
Receivables, net	72,362	-	-	3,287	75,649
Due from other funds	153,418	-	-	-	153,418
Restricted:					
Cash held by fiscal agent	-	51	-	-	51
Total assets	<u>\$ 655,970</u>	<u>\$ 120,889</u>	<u>\$ -</u>	<u>\$ 153,238</u>	<u>\$ 930,097</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 25,295	\$ 34,780	\$ 12,415	\$ 3,425	\$ 75,915
Accounts salaries	10,183	-	-	-	10,183
Accrued payroll liabilities	5,331	-	-	-	5,331
Due to other funds	-	-	49,726	-	49,726
Total liabilities	40,809	34,780	62,141	3,425	141,155
Deferred Inflows of Resources:					
Unavailable property tax revenue	10,685	-	-	-	10,685
Fund Balances:					
Nonspendable:					
Noncurrent interfund receivable	103,692	-	-	-	103,692
Reserved for:					
Debt service	-	51	-	-	51
State mandated per statutes	-	86,058	-	138,984	225,042
State mandated budget reserve	53,890	-	-	-	53,890
Assigned	-	-	-	10,829	10,829
Unassigned	446,894	-	(62,141)	-	384,753
Total fund balances	<u>604,476</u>	<u>86,109</u>	<u>(62,141)</u>	<u>149,813</u>	<u>778,257</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 655,970</u>	<u>\$ 120,889</u>	<u>\$ -</u>	<u>\$ 153,238</u>	<u>\$ 930,097</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

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

Total fund balance governmental funds (page seven)	\$	778,257
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,474,234
Recognition of property tax revenue is reflected on full accrual basis within the statement of net assets. Governmental funds recognize property tax on the modified accrual basis.		10,685
Deferred outflows of resources related to pensions are applicable to future periods and are not reported in the funds.		18,178
Certain accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(1,817)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.		(382,890)
Deferred inflows of resources related to pensions are applicable to future periods and are not reported in the funds.		(77,698)
Net position of governmental activities (page five)	\$	2,818,949

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Fire Protection Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Gross receipts taxes	\$ 340,900	\$ -	\$ -	\$ -	\$ 340,900
Property taxes	69,828	-	-	-	69,828
Franchise taxes	25,826	-	-	-	25,826
Lodgers' taxes	-	-	-	18,810	18,810
Public service taxes	54,139	-	-	-	54,139
Intergovernmental:					
Federal	47,208	-	-	-	47,208
State	186,531	177,876	-	21,800	386,207
Local	-	5,000	-	-	5,000
Charges for services	26,660	-	-	376	27,036
Fines and forfeitures	31,192	-	-	12,670	43,862
Interest	1,162	486	-	-	1,648
Miscellaneous	15,945	-	-	-	15,945
Total revenues	799,391	183,362	-	53,656	1,036,409
Expenditures:					
Current:					
General government	237,639	-	-	-	237,639
Public safety	295,124	111,690	-	11,359	418,173
Highways and streets	54,023	-	-	-	54,023
Culture and recreation	-	-	-	19,669	19,669
Health and welfare	13,184	-	-	227	13,411
Capital outlay	-	332,874	62,141	-	395,015
Debt service:					
Principal	-	-	-	14,300	14,300
Interest and other charges	-	1,436	-	665	2,101
Total expenditures	599,970	446,000	62,141	46,220	1,154,331
Excess (deficiency) revenues over expenditures	199,421	(262,638)	(62,141)	7,436	(117,922)
Other Financing Sources (Uses):					
Transfers in	2,098	-	-	-	2,098
Transfers (out)	(26,000)	-	-	-	(26,000)
Note proceeds	-	191,436	-	-	191,436
Total other financing sources (uses)	(23,902)	191,436	-	-	167,534
Special Item:					
Proceeds from sale of assets	33,681	-	-	-	33,681
Net change in fund balances	209,200	(71,202)	(62,141)	7,436	83,293
Fund balance, beginning of year	395,276	157,311	-	142,377	694,964
Fund balance, end of year	\$ 604,476	\$ 86,109	\$ (62,141)	\$ 149,813	\$ 778,257

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Amounts reported governmental funds are different from the statement of activities because:

Net change in fund balances total governmental fund (page nine)	\$	83,293
Governmental funds report capital outlay as expenditures in the amount of \$395,015; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of \$104,408.		290,607
Some of the Village's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds. The property taxes earned and payable are reflected in the statement of activities, regardless when the taxes are received.		10,685
The issuance of long-term debt (notes, bonds, leases) provides current resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Note proceeds received		(191,436)
Note obligation principal payments		14,300
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Change in compensated absences		8,650
Change in accrued interest payable		(1,152)
Pension expense		8,052
		8,052
Net change in net position - statement of activities (page six)	\$	222,999

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Gross receipts taxes	\$ 384,000	\$ 384,000	\$ 320,857	\$ 20,043	\$ 340,900	\$ (63,143)
Property taxes	65,000	65,000	70,611	(783)	69,828	5,611
Franchise taxes	24,000	24,000	25,953	(127)	25,826	1,953
Public service taxes	36,000	36,000	55,713	(1,574)	54,139	19,713
Intergovernmental:						
Federal	-	-	42,861	4,347	47,208	42,861
State	150,000	151,123	325,695	(139,164)	186,531	174,572
Charges for services	6,250	6,250	26,625	35	26,660	20,375
Fines and forfeitures	70,000	70,000	32,227	(1,035)	31,192	(37,773)
Interest	800	800	1,162	-	1,162	362
Miscellaneous	6,600	6,600	15,945	-	15,945	9,345
Total revenues	742,650	743,773	917,649	(118,258)	799,391	173,876
Expenditures:						
Current:						
General government	217,394	217,394	222,484	15,155	237,639	(5,090)
Public safety	299,471	299,471	285,987	9,137	295,124	13,484
Public works	44,835	44,835	52,315	1,708	54,023	(7,480)
Health and welfare	10,000	10,000	10,257	2,927	13,184	(257)
Total expenditures	571,700	571,700	571,043	28,927	599,970	657
Excess (deficiency) of revenues over expenditures	170,950	172,073	346,606	(147,185)	199,421	174,533
Other Financing Sources (Uses):						
Transfers in	-	-	2,098	-	2,098	2,098
Transfers (out)	(60,000)	(86,000)	(26,000)	-	(26,000)	60,000
Total other financing sources (uses)	(60,000)	(86,000)	(23,902)	-	(23,902)	62,098
Special Item:						
Proceeds from sale of assets	-	-	33,681	-	33,681	33,681
Net change	110,950	86,073	356,385	\$ (147,185)	\$ 209,200	270,312
Cash balance, beginning of year	123,531	123,531	123,531			-
Cash advanced to other funds	-	-	(49,726)			(49,726)
Cash balance, end of year	\$ 234,481	\$ 209,604	\$ 430,190			\$ 220,586
Explanation of Differences:						
Change in receivables				\$ (107,573)		
Change in accounts payable				(13,413)		
Change in accrued salaries				(10,183)		
Change in accrued payroll taxes				(5,331)		
Change in unavailable revenues				(10,685)		
				\$ (147,185)		

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
FIRE PROTECTION FUND**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 74,587	\$ 74,587	\$ 177,876	\$ -	\$ 177,876	\$ 103,289
Local	-	-	5,000	-	5,000	5,000
Interest	-	-	435	51	486	435
Miscellaneous	175,999	175,999	-	-	-	(175,999)
Total revenues	250,586	250,586	183,311	51	183,362	(67,275)
Expenditures:						
Current:						
Public safety	65,400	65,400	105,878	5,812	111,690	(40,478)
Capital outlay	155,000	155,000	113,906	218,968	332,874	41,094
Debt service:						
Interest and other charges	-	-	-	1,436	1,436	-
Total expenditures	220,400	220,400	219,784	226,216	446,000	616
Excess (deficiency) of revenues over expenditures	30,186	30,186	(36,473)	(226,165)	(262,638)	(67,891)
Other Financing Sources (Uses):						
Note payable proceeds	-	-	-	191,436	191,436	-
Net change	30,186	30,186	(36,473)	<u>\$ (34,729)</u>	<u>\$ (71,202)</u>	(67,891)
Cash balance, beginning of year	157,311	157,311	157,311			-
Cash balance, end of year	<u>\$ 187,497</u>	<u>\$ 187,497</u>	<u>\$ 120,838</u>			<u>\$ (67,891)</u>
Explanation of Differences:						
Change in accounts payable				\$ (34,780)		
Interest earned in restricted investments				51		
				<u>\$ (34,729)</u>		

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Enterprise Funds				
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	Housing Authority	Total
Assets:					
Current assets:					
Cash	\$ 4,685	\$ 15,545	\$ 188,338	\$ 26,714	\$ 235,282
Receivables, net	20,257	12,959	12,507	26,928	72,651
Inventory	-	-	-	3,247	3,247
Prepaid expenses	-	-	-	2,619	2,619
Due from other funds	7,075	-	-	-	7,075
Total current assets	32,017	28,504	200,845	59,508	320,874
Noncurrent assets:					
Restricted assets:					
Cash	42,497	-	-	2,810	45,307
Capital assets:					
Land	58,000	-	-	18,600	76,600
Buildings	-	-	-	856,961	856,961
Distribution and collection systems	6,621,537	-	-	-	6,621,537
Vehicles, equipment and other assets	439,961	-	434,129	72,542	946,632
Less accumulated depreciation	(4,482,959)	-	(380,492)	(585,658)	(5,449,109)
Total capital assets, net	2,636,539	-	53,637	362,445	3,052,621
Total noncurrent assets	2,679,036	-	53,637	365,255	3,097,928
Deferred Outflows of Resources:					
Pension related	5,624	-	-	1,282	6,906
Total assets and deferred outflows of resources	\$ 2,716,677	\$ 28,504	\$ 254,482	\$ 426,045	\$ 3,425,708
Liabilities:					
Current liabilities:					
Accounts payable	\$ 10,332	\$ 14,454	\$ 17,356	\$ 2,730	\$ 44,872
Accrued salaries	1,968	-	-	-	1,968
Accrued payroll liabilities	1,370	-	-	474	1,844
Accrued liabilities	-	-	-	228	228
Accrued interest payable	8,498	-	151	-	8,649
Due to other funds	82,224	-	7,075	21,468	110,767
Deposits payable	39,527	-	-	2,810	42,337
Unearned revenues	-	-	-	612	612
Current maturities of liabilities:					
Notes payable	14,298	-	7,910	-	22,208
Bonds payable	8,600	-	-	-	8,600
Compensated absences	1,860	-	-	-	1,860
Total current liabilities	168,677	14,454	32,492	28,322	243,945
Noncurrent Liabilities:					
Notes payable	54,434	-	42,976	-	97,410
Bonds payable	232,625	-	-	-	232,625
Compensated absences	299	-	-	-	299
Net pension liability	68,849	15,201	-	12,792	96,842
Total noncurrent liabilities	356,207	15,201	42,976	12,792	427,176
Total liabilities	524,884	29,655	75,468	41,114	671,121
Deferred Inflows of Resources:					
Pension related	26,983	5,956	-	5,013	37,952

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Enterprise Funds				Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	Housing Authority	
Net Position:					
Net investment in capital assets	2,326,582	-	2,751	362,445	2,691,778
Restricted debt service	42,497	-	-	-	42,497
Unrestricted (deficit)	(204,269)	(7,107)	176,263	17,473	(17,640)
Total net position	2,164,810	(7,107)	179,014	379,918	2,716,635
Total liabilities, deferred inflows of resources and net position	\$ 2,716,677	\$ 28,504	\$ 254,482	\$ 426,045	\$ 3,425,708

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds				Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	Housing Authority Fund	
Operating Revenues:					
Charges for services	\$ 261,613	\$ 143,696	\$ 82,159	\$ 28,606	\$ 516,074
Operating Expenses:					
Personnel services	100,437	7,550	-	10,013	118,000
Utilities	12,487	-	4,530	5,252	22,269
Contractual services	15,851	146,993	6,262	224	169,330
Professional services	7,295	-	4,910	29,498	41,703
Repairs and maintenance	22,730	599	11,155	4,126	38,610
General operating	71,890	2,088	21,080	6,967	102,025
Fuel	16,242	72	8,163	-	24,477
Insurance claims and expenses	5,694	1,011	7,943	6,261	20,909
Depreciation	243,677	-	38,742	29,733	312,152
Total operating expenses	496,303	158,313	102,785	92,074	849,475
Operating (loss)	(234,690)	(14,617)	(20,626)	(63,468)	(333,401)
Non-Operating Revenues (Expenses):					
Gross receipts taxes	-	5,542	-	-	5,542
Intergovernmental revenues	-	-	-	29,375	29,375
Miscellaneous revenues	-	-	660	1,505	2,165
Interest income	94	-	-	124	218
Interest expense	(21,989)	-	(1,124)	-	(23,113)
Total non-operating revenues (expenses)	(21,895)	5,542	(464)	31,004	14,187
(Loss) before transfers	(256,585)	(9,075)	(21,090)	(32,464)	(319,214)
Transfers:					
Transfers in	5,000	21,000	-	-	26,000
Transfers (out)	(2,098)	-	-	-	(2,098)
Total transfers	2,902	21,000	-	-	23,902
Change in net position	(253,683)	11,925	(21,090)	(32,464)	(295,312)
Net position, beginning of year	2,511,604	1,524	192,061	-	2,705,189
Restatement	(93,111)	(20,556)	8,043	412,382	306,758
Net position, beginning of year, restated	2,418,493	(19,032)	200,104	412,382	3,011,947
Net position, end of year	<u>\$ 2,164,810</u>	<u>\$ (7,107)</u>	<u>\$ 179,014</u>	<u>\$ 379,918</u>	<u>\$ 2,716,635</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds				Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	Housing Authority Fund	
Cash Flows From Operating Activities:					
Cash received from customers	\$ 263,401	\$ 146,770	\$ 77,695	\$ 28,210	\$ 516,076
Cash payments to suppliers for goods and services	(139,684)	(165,431)	(56,686)	(15,967)	(377,768)
Cash payments to employees for services	(102,203)	(6,949)	-	(56,385)	(165,537)
Net cash provided (used) by operating activities	21,514	(25,610)	21,009	(44,142)	(27,229)
Cash Flows From Non-Capital and Related Financing Activities:					
Cash received from gross receipts taxes	-	4,855	-	-	4,855
Intergovernmental	-	-	-	3,517	3,517
Cash received from customer deposits	3,287	-	-	-	3,287
Miscellaneous	-	-	660	1,605	2,265
Refund of customer deposits	(2,501)	-	-	(475)	(2,976)
Short-term advance from other funds	-	-	-	3,000	3,000
Transfers	2,902	21,000	-	-	23,902
Net cash provided (used) by non-capital and related financing activities	3,688	25,855	660	7,647	37,850
Cash Flows from Capital and Financing Activities:					
Principal payment on capital debt	(21,327)	-	(7,749)	-	(29,076)
Interest paid	(13,491)	-	(973)	-	(14,464)
Net cash (used) by capital and related financing activities	(34,818)	-	(8,722)	-	(43,540)
Cash Flows From Investing Activities:					
Interest income	94	-	-	124	218
Net increase (decrease) in cash	(9,522)	245	12,947	(36,371)	(32,701)
Cash and cash equivalents, beginning of year	71,523	15,300	175,391	-	262,214
Restatement	(14,819)	-	-	65,895	51,076
Cash and cash equivalents, beginning of year, restated	56,704	15,300	175,391	65,895	313,290
Cash and cash equivalents, end of year	<u>\$ 47,182</u>	<u>\$ 15,545</u>	<u>\$ 188,338</u>	<u>\$ 29,524</u>	<u>\$ 280,589</u>
Displayed as:					
Cash	\$ 4,685	\$ 15,545	\$ 188,338	\$ 26,714	\$ 235,282
Restricted cash	42,497	-	-	2,810	45,307
	<u>\$ 47,182</u>	<u>\$ 15,545</u>	<u>\$ 188,338</u>	<u>\$ 29,524</u>	<u>\$ 280,589</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds				Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	Housing Authority Fund	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating (loss)	\$ (234,690)	\$ (14,617)	\$ (20,626)	\$ (63,468)	\$ (333,401)
Adjustment to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	243,677	-	38,742	29,733	312,152
Bad debts (reduction in allowance for doubtful accounts)	(1,250)	500	-	(1,689)	(2,439)
Change in Assets and Liabilities:					
(Increase) decrease in accounts receivable	3,038	2,574	(4,464)	1,597	2,745
(Increase) in inventory	-	-	-	(743)	(743)
(Increase) in prepaid expenses	-	-	-	(25)	(25)
Increase (decrease) in deferred outflows of resources	781	1,414	-	(92)	2,103
Increase (decrease) in accounts payable	10,332	(14,668)	7,357	(517)	2,504
Increase (decrease) in accrued salaries	1,968	-	-	-	1,968
Increase (decrease) in accrued payroll liabilities	1,370	-	-	(5,178)	(3,808)
Increase (decrease) in accrued liabilities	-	-	-	(2,772)	(2,772)
(Decrease) in unearned revenue	-	-	-	(304)	(304)
Increase (decrease) in compensated absences	(28)	-	-	-	(28)
Increase (decrease) in deferred inflows of resources	26,983	5,956	-	5,013	37,952
Increase (decrease) in net pension liability	(30,667)	(6,769)	-	(5,697)	(43,133)
Total adjustments	<u>256,204</u>	<u>(10,993)</u>	<u>41,635</u>	<u>19,326</u>	<u>306,172</u>
Net cash provided (used) by operating activities	<u>\$ 21,514</u>	<u>\$ (25,610)</u>	<u>\$ 21,009</u>	<u>\$ (44,142)</u>	<u>\$ (27,229)</u>

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FINANCIAL STATEMENT

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2015

	<u>Agency Fund</u>
Assets:	
Cash	<u>\$ 400</u>
Liabilities:	
Due to bond holders	\$ 300
Due to other agencies	<u> 100</u>
Total liabilities	<u>\$ 400</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Village of Cimarron, a political subdivision of the state of New Mexico, operates under the council-treasurer form of government. The Village provides the following authorized services: public safety, public works, water, sanitation, health and welfare, culture and recreation, public improvements, planning and zoning, and general administrative services. The Village's basic financial statements include all activities and accounts of the Village's *financial reporting entity*. The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, up until June 30, 2014, the Village had a publicly funded Housing Authority that was considered a component unit of the Village. The financial statements of the Village of Cimarron Housing Authority had been included in the Village's financial statements as a *discretely presented* component unit. Effective July 1, 2014, the governing board and management of the Village assumed fiduciary and operational responsibilities for the Cimarron Housing Authority with the intention of transferring the Cimarron Housing Authority program operations to the Northern Regional Housing Authority. To that end, and by board resolution, the Village entered into a management contract with the Northern Regional Housing Authority to administer the programs and properties temporarily in accordance with the requirements imposed by the U.S. Department of Housing and Urban Development (HUD) until HUD approves the final transfer. The financial statements of the Housing Authority have been included in the Village's financial statements for the fiscal year ended June 30, 2015 as a *blended* component unit.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Blending means that the component unit's financial data is reported as though the unit is part of the primary government. The Housing Authority is a proprietary fund type.

The Village is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2015.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Village as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support. The statement of net position and the statement of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise, public service taxes, interest income, etc.). The Village does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term is considered an indirect expense and is reported separately on the Statement of Activities.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The Village's fiduciary fund (which has been refined and narrowed in scope) is presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party (other than state and local governments), and cannot be used to address activities or obligations of the government; this fund is not incorporated in the governmental-wide statements.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. 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. For this purpose, the Village considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. 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, claims and judgments, are recorded only when payment is made.

In addition to assets, the statement of position will, at time, report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future reporting period(s); therefore, is not recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of position will, at times, report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future reporting period(s); therefore, will not be recognized as an inflow of resources (revenue) until that time.

Property, franchise, sales, and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Village; therefore, revenues are recognized based upon the expenditures recorded.

In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating 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.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

The principal operating revenues of the Village's water and sewer, solid waste, ambulance and public housing funds are charges to customers for sales and services. Operating expenses for the 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 non-operating revenues and expenses.

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property, sales and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenues. Expenditures include all costs associated with the daily operation of the Village, except for items included in other funds.

The *fire protection fund* accounts for proceeds of the state fire allotment, and the expenditures for public safety therefrom. New Mexico state law requires these funds be used to help maintain the fire department. The fund was established by local ordinance and in accordance with state law Section 59A-53-1, NMSA 1978. Section 59A-53-8 of the code restricts the use of the funds for only the maintenance of the Village's fire department.

The *capital projects* fund accounts for receipts and disbursements for infrastructure and improvements. Financing is provided from federal and state grants.

The Village maintains five other individual governmental funds that are considered non-major funds. A description of each non-major governmental fund is as follows:

Special Revenue Funds

The *law enforcement protection fund* accounts for the state grant to be used for the repair and/or replacement of law enforcement equipment, according to state law Section 29-13.1 through 29-13.9, NMSA, 1978. The fund was established by local ordinance to comply with state statutes. Section 29-13-17A, NMSA 1978 limits distributions from the fund for law enforcement related expenditures, including, but not limited to, the purchase of equipment, expenses associated with advanced law enforcement planning and training.

The *recreation fund* accounts for receipts, which is restricted use in recreational areas only. Originally, the funding source of revenues was from one-third of the cigarette tax. Currently, the majority of revenues are from charges for services from concession sales and rentals. The fund was established by local ordinance. The cigarette tax was imposed and collected as authorized by Section 7-12-1 through 7-12-17, NMSA 1978.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

The *cemetery fund* accounts for the operation and maintenance of the Village cemetery. Financing is provided through lot sales and fees for services. The funding is authorized by Section 3-40-1 through 3-40-9, NMSA 1978.

The *lodgers' tax fund* accounts for funds received from a special local lodgers' tax that is to be used for promotion of the Village. The fund was established by local ordinance authorized by Section 3-38-13 through 3-38-24, NMSA 1978. Section 3-38-(E), NMSA 1978, restricts the use of the tax for advertising, publicizing and promoting, establishing and operating tourist-related attractions, facilities and events.

The *corrections fund* accounts for the fees collected by the municipal judge, which are legally restricted to expenditure for jail related costs. The fund was established by local ordinance in order to comply with Section 35-14-11, NMSA 1978.

The Village reports the following major business-type funds:

The *water and sewer fund* is used to account for the provision of water and sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The *solid waste fund* is used to account for the provisions of solid waste disposal for the residents of the Village. All activities necessary to provide such services are accounted for in this fund.

The *ambulance fund* accounts for the receipts and disbursements of the Village's emergency ambulance services. The majority of revenues are from insurance and customer billings. Village council authorized the fund.

The function of the *housing authority fund* is to administer the Housing and Urban Development (HUD) programs to provide housing for qualified individuals in the Village of Cimarron area. The funding is provided through various HUD grant programs. The Housing Authority is a Village organization created by Village ordinance. The Village has the ability to appoint management, influence operations, and influence the disposition of funds. The Housing Authority is a blended component unit of the Village and is accounted for as a proprietary fund under the HUD UFRS guidelines.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets

Budgets for all funds are prepared by management and approved by the Village Council and the New Mexico Department of Finance and Administration. The clerk-administrator is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the Village Council for approval by resolution.

The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is presented as a committed portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local Council approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from the NM Department of Finance and Administration. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Investments in the Village's cash and certificates of deposit are stated at cost, which approximates fair value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

2. 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 interfund balance. Long-term advances between funds, reported in the fund financial statements as noncurrent, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain long-term assets are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as *deposits held in trust for others*.

5. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

6. Inventory

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

7. Capital Assets

Property, plant, and equipment purchased or acquired are carried at historical cost or estimated cost. Contributed capital assets are recorded at estimated fair market value at the time received. The Village does not capitalize library books as the cost of the library books are generally under the capitalization threshold. Purchased computer software is recorded at historical cost.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

7. Capital Assets (continued)

Infrastructure capital assets consisting of roads, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. The Village defines capital assets as assets with an estimated useful life in excess of one year and costing greater than \$5,000. 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 when material.

Net revenue bond interest cost incurred during construction is capitalized as part of the construction project.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	20-50
Water and sewer utility system	7-40
Buildings and other improvements	20-50
Machinery and equipment, including computer software	5-15

8. Compensated Absences

Village employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned is reported in the government-wide financial statements.

Village employees do not accumulate sick leave that is paid upon termination or retirement.

9. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent consumption of resources of net assets that is applicable to future reporting periods that are reported in a separate section after assets in the statement of financial position.

Deferred inflows of resources represent acquisition of net assets by the Village that is applicable to a future reporting period. The deferred inflows are reported in the separate section after liabilities in the statement of financial position.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

10. Short-Term Obligations

No short-term debt occurred during the current fiscal year.

11. Long-Term Obligations

In the government-wide and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities within a statement of net position.

Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of acquisition.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets – This category reflects the portion of net position that is associated with capital assets less outstanding capital asset related debt.

Restricted net position – This category reflects the portion of net position that has third party limitations on their use.

Unrestricted net position – This category reflects net position of the Village, not restricted for any project or other purpose.

13. Fund Equity Reservation and Designations

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

13. Fund Equity Reservation and Designations (continued)

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Village council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Village council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the Village’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Village Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Village’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

F. Other Matters

1. Presentation

Certain reclassifications of prior year information have been made to conform to current year presentation.

2. Cash Flows

For the purposes of the statement of cash flows, the Village considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Other Matters (continued)

3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited with Financial Institutions

The Village maintains cash deposits in one financial institution within Cimarron, New Mexico. The Village's deposits are carried at cost. The Federal Depository Insurance Corporation (FDIC) insures the cash accounts at the financial institution.

As of June 30, 2015, the amount of cash reported on the financial statements differs from the amount on deposit with the institution because of transactions in transit and outstanding checks. The location and amounts deposited are as follows:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
International Bank	<u>\$ 1,001,011</u>	<u>\$ (19,043)</u>	<u>\$ 981,968</u>

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

The amounts reported as cash for the primary government within the financial statement is displayed as:

Statement of Net Position:	
Cash	\$ 936,261
Restricted cash	45,307
Statement of Fiduciary Assets and Liabilities	400
Total cash reported on financial statements	\$ 981,968

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Village. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Village carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	International Bank
Total deposits in bank	\$ 1,001,011
Less FDIC coverage	(250,000)
Uninsured public funds	751,011
Pledged collateral held by pledging bank's agent, but not in the Village's name	392,981
Uninsured and uncollateralized public funds	\$ 358,030
Total pledged collateral	\$ 392,981
50% pledged collateral requirement per state statute	(375,506)
Over (under) collateralization	\$ 17,475

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$751,011 of the Village's bank balance of \$1,001,011 was exposed to custodial credit risk as follows:

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

	International Bank
Uninsured and collateralized held by pledging bank's trust department or agent not in the Village's name.	\$ 751,011

3. RESTRICTED ASSETS

The amounts reported as restricted assets for the government within the financial statements are displayed as:

	Government Activities	Business-Type Activities	Total
Statement of Net Position:			
Restricted - cash	\$ -	\$ 45,307	\$ 45,307
Restricted - investment held by fiscal agent	51	-	51
	\$ 51	\$ 45,307	\$ 45,358
Purpose of the Restriction:			
Held by fiscal agent for debt service	\$ 51	\$ -	\$ 51
Utility meter deposits	-	42,497	42,497
Housing tenant deposits	-	2,810	2,810
	\$ 51	\$ 45,307	\$ 45,358

Investments Held by Fiscal Agent

As required by note agreement with the New Mexico Finance Authority (NMFA), the Village has cash held and invested with the NMFA. For the fiscal year ended June 30, 2015, the NMFA has invested the funds held in the debt service pool in short-term, high-credit-quality money market instruments. None of the cash invested can be specifically identified, since the Village's portion is co-mingled with other local governments from the state of New Mexico. As of June 30, 2015, the NMFA held \$51.

Interest Rate Risk

Interest rate is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The NMFA debt service pool fund weighted average maturity is 1.812 years or 661 days.

The Village does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

4. RECEIVABLES, NET

Receivables, net of allowance for doubtful accounts, at June 30, 2015, consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$ -	\$ 126,260
Court fines	1,957	-
Allowance for doubtful accounts	-	(80,540)
Total	1,957	45,720
Taxes receivable:		
Gross receipts taxes	36,288	1,070
Property taxes	11,957	-
Franchise taxes	5,160	-
Lodgers' taxes	2,987	-
Public service taxes	2,486	-
Allowance for doubtful accounts	(235)	-
Total	58,643	1,070
Intergovernmental receivables:		
Youth Conservation Corps	10,702	-
FEMA reimbursements	4,347	-
Housing and Urban Development - operating	-	21,358
Housing and Urban Development - capital	-	4,500
Total	15,049	25,858
Interest receivable	-	3
Total	\$ 75,649	\$ 72,651

The Village's policy is to provide for uncollectible amounts based upon expected defaults.

5. PROPERTY TAX

Property taxes attached as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Colfax County Assessor to develop the property tax schedule by October 1st. Tax notices are sent by the Colfax County Treasurer to property owners by November 1st of each year.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

5. PROPERTY TAX (continued)

Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year. Thirty days later the bill becomes delinquent and the county treasurer assesses penalties and interest. Taxes are collected on behalf of the Village by the county treasurer, and are remitted to the Village in the month following collection. The Colfax County treasurer is statutorily required to collect taxes as an intermediary agency for all governments within the county. Distribution of taxes collected is made through the county treasurer's office.

The Village is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Village is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the Village. The Village's total tax rate to finance general government services for the tax year 2014, was \$7.650 per \$1,000 for non-residential and \$5.128 for residential property. In the year 2014, there was no tax rate established for payment of bonds principal and interest.

6. CAPITAL ASSETS

Governmental activities capital assets for the fiscal year ended June 30, 2015

	Balance 06/30/14	Increases	Decreases	Adjustments	Balance 06/30/15
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 117,880	\$ -	\$ -	\$ -	\$ 117,880
Construction in progress	-	62,141	-	-	62,141
Total capital assets, not being depreciated	117,880	62,141	-	-	180,021
Other capital assets, being depreciated:					
Buildings and improvements	1,720,371	-	-	-	1,720,371
Infrastructure	2,193,682	-	-	-	2,193,682
Vehicles	568,840	291,364	-	-	860,204
Equipment	436,926	41,510	-	-	478,436
Total other capital assets	4,919,819	332,874	-	-	5,252,693
Less accumulated depreciation for:					
Buildings and improvements	(960,933)	(52,582)	-	1	(1,013,514)
Infrastructure	(954,447)	(31,603)	-	(1)	(986,051)
Vehicles	(547,552)	(7,749)	-	(1)	(555,302)
Equipment	(391,139)	(12,474)	-	-	(403,613)
Total accumulated depreciation	(2,854,071)	(104,408)	-	(1)	(2,958,480)
Other capital assets, net	2,065,748	228,466	-	(1)	2,294,213
Total capital assets, net	<u>\$ 2,183,628</u>	<u>\$ 290,607</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 2,474,234</u>

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

6. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions (programs) as follows:

Governmental Activities:	
General government	\$ 41,292
Public safety	18,056
Highway and streets	39,234
Health and welfare	961
Culture and recreation	4,865
	\$ 104,408
	\$ 104,408

As discussed in Note 1A, the financial statements of Cimarron Housing Authority have been blended with the Village financial statements. To facilitate the presentation of capital assets at June 30, 2015, the capital assets have been restated. The increases represent the capital assets of the Cimarron Housing Authority at June 30, 2014 as follows:

	Balance 06/30/14	Increases	Decreases	Restated Balance 06/30/14
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 58,000	\$ 18,600	\$ -	\$ 76,600
Other capital assets, being depreciated:				
Water and sewer utility system	6,621,537	-	-	6,621,537
Buildings	-	856,961	-	856,961
Equipment	510,768	72,542	-	583,310
Heavy equipment	59,800	-	-	59,800
Vehicles	293,523	-	-	293,523
Total other capital assets	7,485,628	929,503	-	8,415,131
Less accumulated depreciation for:				
Water and sewer utility system	(3,807,813)	-	-	(3,807,813)
Buildings	-	(483,383)	-	(483,383)
Equipment	(487,581)	(72,542)	-	(560,123)
Heavy equipment	(59,800)	-	-	(59,800)
Vehicles	(225,838)	-	-	(225,838)
Total accumulated depreciation	(4,581,032)	(555,925)	-	(5,136,957)
Other capital assets, net	2,904,596	373,578	-	3,278,174
Total capital assets, net	\$ 2,962,596	\$ 392,178	\$ -	\$ 3,354,774

Business-type activities capital assets for the fiscal year ended June 30, 2015:

	Restated Balance 06/30/14	Increases	Decreases	Balance 06/30/15
Land	\$ 76,600	\$ -	\$ -	\$ 76,600

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

6. CAPITAL ASSETS (continued)

	Restated Balance 06/30/14	Increases	Decreases	Balance 06/30/15
Other capital assets, being depreciated:				
Water and sewer utility system	6,621,537	-	-	6,621,537
Buildings	856,961	-	-	856,961
Equipment	583,310	9,999	-	593,309
Heavy equipment	59,800	-	-	59,800
Vehicles	293,523	-	-	293,523
Total other capital assets	8,415,131	9,999	-	8,425,130
Less accumulated depreciation for:				
Water and sewer utility system	(3,807,813)	(241,886)	-	(4,049,699)
Buildings	(483,383)	(29,733)	-	(513,116)
Equipment	(560,123)	(6,690)	-	(566,813)
Heavy equipment	(59,800)	-	-	(59,800)
Vehicles	(225,838)	(33,843)	-	(259,681)
Total accumulated depreciation	(5,136,957)	(312,152)	-	(5,449,109)
Other capital assets, net	3,278,174	(302,153)	-	2,976,021
Total capital assets, net	<u>\$ 3,354,774</u>	<u>\$ (302,153)</u>	<u>\$ -</u>	<u>\$ 3,052,621</u>

7. LONG-TERM OBLIGATIONS

Governmental Activities Debt

Changes in governmental activities loan activity during the year ended June 30, 2015, were as follows:

	Balance 06/30/14	Additions	Deletions	Balance 06/30/15	Amounts Due Within One Year
Notes payable	\$ 14,300	\$ 191,436	\$ (14,300)	\$ 191,436	\$ 17,080
Compensated absences	17,570	10,262	(18,912)	8,920	6,119
Total	<u>\$ 31,870</u>	<u>\$ 201,698</u>	<u>\$ (33,212)</u>	<u>\$ 200,356</u>	<u>\$ 23,199</u>

Note Payable – New Mexico Finance Authority PP-3230

On December 5, 2014, the Village borrowed \$191,436 from the New Mexico Finance Authority for the purpose of financing the costs of purchasing a Class A fire pumper for the use by the Village. The loan is to be repaid solely from the distribution of fire protection fund revenues distributed by the state treasurer, pursuant to Village resolution no. 2015-9, adopted on October 22, 2014. The note matures May 1, 2025. The annual payment is approximately \$21,312 and accrues interest at a blended rate of 1.870392%. The following is a schedule of the annual payments required for the note:

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. LONG-TERM OBLIGATIONS (continued)

Due in the fiscal year ending June 30:

	Principal	Interest	Total
2016	\$ 17,080	\$ 4,231	\$ 21,311
2017	18,388	2,924	21,312
2018	18,519	2,793	21,312
2019	18,696	2,615	21,311
2020	18,926	2,385	21,311
2021-2025	99,827	6,731	106,558
	\$ 191,436	\$ 21,679	\$ 213,115

Compensated Absences

A liability for unused vacation for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered.
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the general fund.

Business-Type Activities Debt

Changes in business-type activities loan activity during the year ended June 30, 2015, were as follows:

	Balance 06/30/14	Additions	Deletions	Balance 06/30/15	Amounts Due Within One Year
Business-Type Activities:					
Bonds payable	\$ 248,625	\$ -	\$ (7,400)	\$ 241,225	\$ 8,600
Notes payable	141,294	-	(21,676)	119,618	22,208
Compensated absences	2,187	3,530	(3,558)	2,159	1,860
Total	\$ 392,106	\$ 3,530	\$ (32,634)	\$ 363,002	\$ 32,668

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. LONG-TERM OBLIGATIONS (continued)

1985 Water and Sewer Revenue Bonds

In January 1987, the Village authorized the issuance of the Village of Cimarron, New Mexico Water and Wastewater System Improvement Revenue bonds in the principal amount of \$151,000 at par, and at an interest rate of 5.00% per annum for the purpose of financing improvements to the Village's wastewater system. The bonds are payable and collectible solely from net revenues derived from the operation of the Village's wastewater system. The bonds mature on January 1, 2025. The following is a schedule of the annual payments required for the bonds:

Due in the fiscal year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 6,000	\$ 3,650	\$ 9,650
2017	6,000	3,350	9,350
2018	6,000	3,050	9,050
2019	7,000	2,750	9,750
2020	7,000	2,400	9,400
2021	7,000	2,050	9,050
2022-2025	<u>34,000</u>	<u>4,350</u>	<u>38,350</u>
	<u>\$ 73,000</u>	<u>\$ 21,600</u>	<u>\$ 94,600</u>

2004 Water System Revenue Bonds

On September 29, 2004, the Village authorized the issuance of the Village of Cimarron, New Mexico, Water System Improvement Revenue Bonds in the principal amount of \$188,125 at par, and at an interest rate of 4.75% per annum for the purpose of financing improvements to the Village's water system. The bonds are payable and collectible solely from net revenues derived from the operation of the Village's water system. The bonds mature on September 29, 2044. The following is a schedule of the annual payments required for the bonds:

Due in the fiscal year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,600	\$ 7,991	\$ 10,591
2017	2,700	7,128	9,828
2018	2,800	7,006	9,806
2019	2,900	6,879	9,779
2020	3,100	6,743	9,843
2021	3,200	6,603	9,803
2022-2026	18,600	30,652	49,252
2027-2031	23,500	25,949	49,449
2032-2036	29,600	20,043	49,643
2037-2041	37,300	12,588	49,888
2042-2045	<u>41,925</u>	<u>3,193</u>	<u>45,118</u>
	<u>\$ 168,225</u>	<u>\$ 134,775</u>	<u>\$ 303,000</u>

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. LONG-TERM OBLIGATIONS (continued)

*Note Payable – NM Environmental Department
#93-04 - Water Utility System Improvements*

In May 1994, the Village borrowed \$180,932 from the New Mexico Environmental Department for the purpose of financing the cost of replacing water distribution lines, complete the improvements to the existing filter plant, replacing pipes at the transmission line and to make improvements to the sewer lagoons. The loan is to be repaid with annual payments to be made by the Village. The annual payment is approximately \$13,742 and accrues interest at 3.00%. The note matures November 27, 2017. The following is a schedule of the annual payments required for the note:

Due in the fiscal year ending June 30:

	Principal	Interest	Total
2016	\$ 12,576	\$ 1,166	\$ 13,742
2017	12,953	789	13,742
2018	13,342	400	13,742
	\$ 38,871	\$ 2,355	\$ 41,226

Note Payable – New Mexico Finance Authority WTB-0210

On May 11, 2012, the Village borrowed \$35,000 from the New Mexico Finance Authority for planning and design for construction of a zero discharge water reused system. The loan is to be repaid from net system revenues as defined in the Village resolution no. 2012-34 adopted March 28, 2012. The note matures June 1, 2032. The annual payment is approximately \$1,796, does not accrue interest but does carry an administrative fee of .25%. The following is a schedule of the annual payments required for the note:

Due in the fiscal year ending June 30:

	Principal	Administrative Fee	Total
2016	\$ 1,722	\$ 75	\$ 1,797
2017	1,726	70	1,796
2018	1,730	66	1,796
2019	1,735	62	1,797
2020	1,739	58	1,797
2021	1,743	53	1,796
2022-2026	8,782	200	8,982
2027-2031	8,892	89	8,981
2032	1,792	5	1,797
	\$ 29,861	\$ 678	\$ 30,539

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. LONG-TERM OBLIGATIONS (continued)

Note Payable – New Mexico Finance Authority EJP PP-2623

On November 4, 2011, the Village borrowed \$81,200 from the New Mexico Finance Authority for the purchase of an ambulance for use by the Village. The loan is to be repaid from the monthly distribution of the fifth increment of municipal gross receipts tax. The note matures May 1, 2021. The annual payment is approximately \$9,090, and accrues interest at a blended interest rate of 1.705%. The following is a schedule of the annual payments required for the note:

Due in the fiscal year ending June 30:

	Principal	Interest	Total
2016	\$ 7,910	\$ 908	\$ 8,818
2017	8,097	821	8,918
2018	8,314	709	9,023
2019	8,563	571	9,134
2020	8,845	407	9,252
2021	9,157	216	9,373
	\$ 50,886	\$ 3,632	\$ 54,518

8. UNAVAILABLE REVENUES

The Village has recorded unavailable property taxes of \$10,685 as deferred inflows of resources within the governmental general fund at June 30, 2015.

9. INTERFUND BALANCES AND TRANSFERS

Interfund Balances

The composition of interfund balances as of June 30, 2015, is as follows:

Receivable Fund	Payable Fund	Amount
General	Water & Sewer	\$ 82,224
General	Capital Projects	49,726
General	Housing Authority	21,468
Water & Sewer	Ambulance	7,075
		\$ 160,493

These balances resulted from the time lag between the transactions and the receipt of revenue to offset the expenditures an advances of pooled cash between funds. The Village has not established a plan for repayment of the funds. At the present time, \$103,692 is considered noncurrent.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

9. INTERFUND BALANCES AND TRANSFERS (continued)

Transfers

	Transfers In			Total
	General Fund	Water Fund	Solid Waste Fund	
Transfers (Out):				
General Fund	\$ -	\$ 5,000	\$ 21,000	\$ 26,000
Water Fund	(2,098)	-	-	(2,098)
	\$ (2,098)	\$ 5,000	\$ 21,000	\$ 23,902

The Village uses transfers to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

10. DEFICIT FUND BALANCE

The capital projects fund has a deficit fund balance of \$62,141 as of June 30, 2015. The Village anticipates the receipt of grant revenues and/or transfers from the general fund to eliminate the deficit. The solid waste fund had a deficit unrestricted net position balance of \$7,107 at June 30, 2015. The Village intends to increase rates to reduce the deficit.

11. RESTATEMENT OF NET POSITION

The Village has implemented GASB 68, which has required a restatement of net position. Additionally, the Village discovered an error in the beginning of year ambulance receivable balances.

A description and the effect of the changes are as follows:

	Government-Wide		
	Governmental Activities	Business-Type Activities	Individual Funds
Government-Wide Financial Statements			
Implementation of GASB 68	\$ (250,106)		
<i>Major Funds</i>			
Water and Sewer Fund			
Implementation of GASB 68.		\$ (93,111)	\$ (93,111)
Solid Waste Fund			
Implementation of GASB 68.		(20,556)	\$ (20,556)
Ambulance Fund			
The Village recorded ambulance receivables not previously reported.		8,043	\$ 8,043
Housing Authority fund			
Implementation of GASB 68		(17,299)	\$ (17,299)
The Village blended the net assets of the Housing Authority		429,681	429,681
	\$ (250,106)	\$ 306,758	\$ 412,382
Total Government-Wide Financial Statements			

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Summary of Significant Accounting Policies

Plan description - Compliant with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015. The Village has part of the primary government of the state of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the PERA. Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the CAFR of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

General Information about the Pension Plan

The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Audit Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at the following internet address:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Contributions - The contribution requirements of defined benefit plan members and the Village of Cimarron are established in state statute Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY 14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report which can be located at the following internet address:[http://osanm.org/media/audits/366 Public Employees Retirement Association 2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf). The PERA coverage options that apply to Village of Cimarron are: Municipal General and Municipal Police. Statutorily required contributions to the pension plan from the Village of Cimarron were \$25,084 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013.

The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11, NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village of Cimarron's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

PERA Fund Municipal General Division - At June 30, 2015, the Village of Cimarron reported a liability of \$178,645 for its proportionate share of the net pension liability. At June 30, 2014, the Village of Cimarron's proportion was .0229 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

For the year ended June 30, 2015, the Village of Cimarron recognized PERA Fund Municipal General Division pension expense of \$7,453. At June 30, 2015, the Village of Cimarron reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 121
Net difference between projected and actual earnings on pension plan investments	-	69,890
Village of Cimarron contributions subsequent to the measurement date	14,984	-
	\$ 14,984	\$ 70,011

\$1,984 reported as deferred outflows of resources related to pensions resulting from Village of Cimarron's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
2016	\$ 17,053
2017	17,053
2018	17,053
2019	17,053
2020	1
Thereafter	-

PERA Fund Municipal Police Division - At June 30, 2015, the Village of Cimarron reported a liability of \$100,731 for its proportionate share of the net pension liability. At June 30, 2014, the Village of Cimarron's proportion was .0309 percent, which was an increase of zero from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the Village of Cimarron recognized PERA Fund Municipal Police Division pension expense of \$6,765. At June 30, 2015, the Village of Cimarron reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 8,183
Net difference between projected and actual earnings on pension plan investments	-	37,456
Village of Cimarron contributions subsequent to the measurement date	10,100	-
	\$ 10,100	\$ 45,639

\$10,100 reported as deferred outflows of resources related to pensions resulting from Village of Cimarron’s contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
2016	\$ 11,400
2017	11,400
2018	11,400
2019	11,400
2020	41
Thereafter	-

Actuarial assumption - As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>All Funds Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%
Total	100.00%	

Discount rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village of Cimarron's proportionate share of the net pension liability to changes in the discount rate - The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Village of Cimarron's net pension liability in each PERA Fund Division that Village of Cimarron participates in, under the current single rate assumption; as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
PERA Fund			
Municipal General Division			
Village of Cimarron's proportionate share of the net pension liability	\$ 336,785	\$ 178,645	\$ 56,473
PERA Fund			
Municipal Police Division			
Village of Cimarron's proportionate share of the net pension liability	\$ 192,093	\$ 100,731	\$ 32,511

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

13. CHANGE IN GROSS REVENUES

Charges for services within the Water and Sewer fund increased by \$250 due to the decrease of the allowance for doubtful accounts. Charges for services within the Solid Waste fund increased by \$1,000 due to the decrease of the allowance for doubtful accounts. Charges for services within the Ambulance fund increased by \$4,464 due to the decrease of the allowance for doubtful accounts.

14. POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978) provides comprehensive group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co-payments or out-of-pocket payments to eligible retirees. The Village has elected not to participate in the post-employment health insurance plan.

15. RISK MANAGEMENT

The Village 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 Village has joined together with other local governments in the state, and obtained insurance through the New Mexico Self Insured Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The Village pays an annual premium to New Mexico Self Insured Fund for its general insurance coverage, and all risk of loss is transferred.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

16. COMMITMENTS AND CONTINGENCIES

During the fiscal year ending June 30, 2011, the Village of Cimarron presented an invoice to the Cimarron Housing Authority requesting reimbursement of \$62,437 in legal fees in connection to the Gruver Settlement. The Housing Board agreed to reimburse the Village for \$32,000 of this amount, in a minimum annual payment of \$3,000 without interest, until paid in full. The balance due to the Village from the Housing Authority at June 30, 2015 is \$21,468.

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal and agencies of the state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

17. SUBSEQUENT EVENTS

On March 29, 2016, the U.S. Department of Housing and Urban Development approved the transfer of the entire Cimarron Housing Authority (CHA) public housing units effective as of July 1, 2016. Accordingly, CHA, consisting of 16 public housing units under an Annual Contributions Contract was directed to transfer its units and all equity to the Northern Regional Housing Authority (NRHA). NRHA has agreed to accept the transfer of the CHA public housing units to serve the needs of the residents. As of February 7, 2017, the transfer had not been completed.

Subsequent events were evaluated through February 7, 2017, which is the date the financial statements were available for issuance.

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL OTHER
GOVERNMENTAL FUND FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds					
	Law Enforcement Fund	Recreation Fund	Cemetery Fund	Lodgers' Tax Fund	Corrections Fund	Total Other Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 5,756	\$ 286	\$ 10,562	\$ 2,785	\$ 130,562	\$ 149,951
Receivables, net	-	-	-	2,987	300	3,287
Total assets	\$ 5,756	\$ 286	\$ 10,562	\$ 5,772	\$ 130,862	\$ 153,238
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 880	\$ -	\$ 19	\$ 2,526	\$ -	\$ 3,425
Fund Balances:						
Reserved for:						
State mandated per statutes	4,876	-	-	3,246	130,862	138,984
Committed for:						
Subsequent years' expenditures	-	-	-	-	-	-
Assigned	-	286	10,543	-	-	10,829
Total fund balances	4,876	286	10,543	3,246	130,862	149,813
Total liabilities and fund balances	\$ 5,756	\$ 286	\$ 10,562	\$ 5,772	\$ 130,862	\$ 153,238

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds					
	Law Enforcement Fund	Recreation Fund	Cemetery Fund	Lodgers' Tax Fund	Corrections Fund	Total Other Governmental Funds
Revenues:						
Lodgers' taxes	\$ -	\$ -	\$ -	\$ 18,810	\$ -	\$ 18,810
Intergovernmental:						
State	21,800	-	-	-	-	21,800
Charges for services	-	-	376	-	-	376
Fines and forfeitures	-	-	-	-	12,670	12,670
Total revenues	<u>21,800</u>	<u>-</u>	<u>376</u>	<u>18,810</u>	<u>12,670</u>	<u>53,656</u>
Expenditures:						
Current:						
Public safety	5,911	-	-	-	5,448	11,359
Culture and recreation	-	-	-	19,669	-	19,669
Health and welfare	-	-	227	-	-	227
Debt service:						
Principal	14,300	-	-	-	-	14,300
Interest and other charges	665	-	-	-	-	665
Total expenditures	<u>20,876</u>	<u>-</u>	<u>227</u>	<u>19,669</u>	<u>5,448</u>	<u>46,220</u>
Net change in fund balances	924	-	149	(859)	7,222	7,436
Fund balances, beginning of year	<u>3,952</u>	<u>286</u>	<u>10,394</u>	<u>4,105</u>	<u>123,640</u>	<u>142,377</u>
Fund balances, end of year	<u>\$ 4,876</u>	<u>\$ 286</u>	<u>\$ 10,543</u>	<u>\$ 3,246</u>	<u>\$ 130,862</u>	<u>\$ 149,813</u>

The accompanying notes are an integral part of these financial statements.

**OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
LAW ENFORCEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 21,800	\$ 21,800	\$ 21,800	\$ -	\$ 21,800	\$ -
Expenditures:						
Current:						
Public safety	5,105	5,105	5,031	880	5,911	74
Debt service:	13,700					
Principal	1,300	13,700	14,300	-	14,300	(600)
Interest	-	1,300	665	-	665	635
Total expenditures	20,105	20,105	19,996	880	20,876	109
Net change in cash balance	1,695	1,695	1,804	<u>\$ (880)</u>	<u>\$ 924</u>	109
Cash balance, beginning of year	3,952	3,952	3,952			-
Cash balance, end of year	<u>\$ 5,647</u>	<u>\$ 5,647</u>	<u>\$ 5,756</u>			<u>\$ 109</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ (880)</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:						
Current:						
Culture and recreation	-	-	-	-	-	-
(Deficiency) of revenues over expenditures	-	-	-	-	-	-
Other Financing Sources (Uses):						
Transfers in	-	-	-	-	-	-
Net change	-	-	-	\$ -	\$ -	-
Cash balance, beginning of year	286	286	286			-
Cash balance, end of year	<u>\$ 286</u>	<u>\$ 286</u>	<u>\$ 286</u>			<u>\$ -</u>

Explanation of Differences:

None.

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Charges for services	\$ 600	\$ 600	\$ 376	\$ -	\$ 376	\$ (224)
Expenditures:						
Current:						
Health and welfare	500	500	208	19	227	292
Net change	100	100	168	\$ (19)	\$ 149	68
Cash balance, beginning of year	10,394	10,394	10,394			-
Cash balance, end of year	\$ 10,494	\$ 10,494	\$ 10,562			\$ 68
Explanation of Differences:						
Change in receivables				\$ (19)		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
LODGERS' TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Lodgers' taxes	\$ 20,000	\$ 20,000	\$ 18,531	\$ 279	\$ 18,810	\$ (1,469)
Expenditures:						
Current:						
Culture and recreation	18,000	18,000	17,143	2,526	19,669	857
Net change	2,000	2,000	1,388	<u>(2,247)</u>	<u>(859)</u>	(612)
Cash balance, beginning of year	1,397	1,397	1,397			-
Cash balance, end of year	<u>\$ 3,397</u>	<u>\$ 3,397</u>	<u>\$ 2,785</u>			<u>\$ (612)</u>
Explanation of Differences:						
Change in receivables				\$ 279		
Change in accounts payable				<u>(2,526)</u>		
				<u>\$ (2,247)</u>		

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
CORRECTIONS FUND**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Fines and forfeitures	\$ 89,797	\$ 89,797	\$ 13,140	\$ (470)	\$ 12,670	\$ (76,657)
Expenditures:						
Current:						
Public safety	<u>85,000</u>	<u>85,000</u>	<u>5,448</u>	<u>-</u>	<u>5,448</u>	<u>79,552</u>
Net change	4,797	4,797	7,692	<u>\$ (470)</u>	<u>\$ 7,222</u>	2,895
Cash balance, beginning of year	<u>122,870</u>	<u>122,870</u>	<u>122,870</u>			<u>-</u>
Cash balance, end of year	<u>\$ 127,667</u>	<u>\$ 127,667</u>	<u>\$ 130,562</u>			<u>\$ 2,895</u>
Explanation of Differences:						
Change in receivables				<u>\$ (470)</u>		

The accompanying notes are an integral part of these financial statements.

**CAPITAL PROJECT FUND
BUDGETARY COMPARISON STATEMENT**

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ (500,000)
State	3,934,134	3,934,134	-	-	-	(3,934,134)
Total revenues	4,434,134	4,434,134	-	-	-	(4,434,134)
Expenditures:						
Capital outlay	4,309,134	4,309,134	49,726	12,415	62,141	4,259,408
Net change	125,000	125,000	(49,726)	<u>\$ (12,415)</u>	<u>\$ (62,141)</u>	(174,726)
Cash balance, beginning of year	-	-	-			-
Cash advanced from general fund	49,726	49,726	49,726			-
Cash balance, end of year	<u>\$ 174,726</u>	<u>\$ 174,726</u>	<u>\$ -</u>			<u>\$ (174,726)</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ (12,415)</u>		

The accompanying notes are an integral part of these financial statements.

**MAJOR ENTERPRISE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 276,700	\$ 276,700	\$ 263,401	\$ (1,788)	\$ 261,613	\$ (13,299)
Operating Expenses:						
Personnel services	104,000	104,000	100,030	407	100,437	3,970
Utilities	-	-	11,525	962	12,487	(11,525)
Contractual services	-	-	10,089	5,762	15,851	(10,089)
Professional services	-	-	7,295	-	7,295	(7,295)
Repairs and maintenance	-	-	22,442	288	22,730	(22,442)
General operating	40,469	40,469	68,894	2,996	71,890	(28,425)
Fuel	142,782	142,782	15,918	324	16,242	126,864
Insurance claims and expenses	-	-	5,694	-	5,694	(5,694)
Depreciation	-	-	-	243,677	243,677	-
Total operating expenses	287,251	287,251	241,887	254,416	496,303	45,364
Operating income (loss)	(10,551)	(10,551)	21,514	(256,204)	(234,690)	32,065
Non-Operating Revenues (Expenses):						
Deposits received from customers	-	-	3,287	(3,287)	-	3,287
Interest income	-	-	94	-	94	94
Refund of deposits held	-	-	(2,501)	2,501	-	(2,501)
Debt service - principal	-	-	(21,327)	21,327	-	(21,327)
Interest expense and other charges	-	-	(13,491)	(8,498)	(21,989)	(13,491)
Total non-operating revenues (expenses)	-	-	(33,938)	12,043	(21,895)	(33,938)
(Loss) before transfers	(10,551)	(10,551)	(12,424)	(244,161)	(256,585)	(1,873)
Transfers:						
Transfers in	35,000	45,000	5,000	-	5,000	(40,000)
Transfers (out)	-	-	(2,098)	-	(2,098)	(2,098)
Total transfers	35,000	45,000	2,902	-	2,902	(42,098)
Net change	24,449	34,449	(9,522)	\$ (244,161)	\$ (253,683)	(43,971)
Cash balance, beginning of year	71,523	71,523	71,523			-
Restatement	(14,819)	(14,819)	(14,819)			-
Cash balance, beginning of year, restated	56,704	56,704	56,704			-
Cash balance, end of year	\$ 81,153	\$ 91,153	\$ 47,182			\$ (43,971)

Explanation of Differences:

Change in receivables	\$ (3,038)
Change in deferred outflow of resources	(781)
Change in payables	(10,332)
Change in accrued salaries	(1,968)
Change in accrued payroll liabilities	(1,370)
Change in accrued interest payable	(8,498)
Change in deposits payable	(786)
Change in compensated absences	28
Change in deferred inflows of resources	(26,983)
Change in net pension liability	30,667
Payment of long-term debt	21,327
Depreciation expense	(243,677)
Reduction of allowance for doubtful accounts	1,250
	<u>\$ (244,161)</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 190,000	\$ 190,000	\$ 146,770	\$ (3,074)	\$ 143,696	\$ (43,230)
Operating Expenses:						
Personnel services	35,000	35,000	6,949	601	7,550	28,051
Contractual services	172,921	172,921	161,661	(14,668)	146,993	11,260
Repairs and maintenance	-	-	599	-	599	(599)
General operating	-	-	2,088	-	2,088	(2,088)
Fuel	-	-	72	-	72	(72)
Insurance claims and expenses	-	-	1,011	-	1,011	(1,011)
Total operating expenses	207,921	207,921	172,380	(14,067)	158,313	35,541
Operating (loss)	(17,921)	(17,921)	(25,610)	10,993	(14,617)	(7,689)
Non-Operating Revenues (Expenses):						
Gross receipts taxes	9,000	9,000	4,855	687	5,542	(4,145)
(Loss) before transfers	(8,921)	(8,921)	(20,755)	11,680	(9,075)	(11,834)
Transfers:						
Transfers in	25,000	41,000	21,000	-	21,000	(20,000)
Net change	16,079	32,079	245	\$ 11,680	\$ 11,925	(31,834)
Cash balance, beginning of year	15,300	15,300	15,300			-
Cash balance, end of year	\$ 31,379	\$ 47,379	\$ 15,545			\$ (31,834)
Explanation of Differences:						
Change in receivables				\$ (1,887)		
Change in deferred outflows of resources				(1,414)		
Change in payables				14,668		
Change in deferred inflows of resources				(5,956)		
Change in net pension liability				6,769		
Bad debts expense				(500)		
				\$ 11,680		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
AMBULANCE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 163,500	\$ 163,500	\$ 77,695	\$ 4,464	\$ 82,159	\$ (85,805)
Operating Expenses:						
Utilities	-	-	4,236	294	4,530	(4,236)
Contractual services	-	-	6,051	211	6,262	(6,051)
Professional services	-	-	3,110	1,800	4,910	(3,110)
Repairs and maintenance	-	-	10,860	295	11,155	(10,860)
General operating	158,847	158,847	17,141	3,939	21,080	141,706
Fuel	-	-	7,345	818	8,163	(7,345)
Insurance claims and expenses	-	-	7,943	-	7,943	(7,943)
Depreciation	-	-	-	38,742	38,742	-
Total operating expenses	158,847	158,847	56,686	46,099	102,785	102,161
Operating income (loss)	4,653	4,653	21,009	(41,635)	(20,626)	16,356
Non-Operating Revenues (Expenses):						
Miscellaneous revenues	-	-	660	-	660	660
Debt service - principal	-	-	(7,749)	7,749	-	(7,749)
Interest expense	-	-	(973)	(151)	(1,124)	(973)
Total non-operating revenues (expenses)	-	-	(8,062)	7,598	(464)	(8,062)
Net change	4,653	4,653	12,947	\$ (34,037)	\$ (21,090)	8,294
Cash balance, beginning of year	175,391	175,391	175,391			-
Cash balance, end of year	\$ 180,044	\$ 180,044	\$ 188,338			\$ 8,294
Explanation of Differences:						
Change in receivables				\$ 4,464		
Change in accounts payable				(7,357)		
Change in accrued interest payable				(151)		
Retirement of long-term debt				7,749		
Depreciation expense				(38,742)		
				\$ (34,037)		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
HOUSING AUTHORITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 27,740	\$ 26,660	\$ 28,606	\$ -	\$ 28,606	\$ 1,946
Operating Expenses:						
Personnel services	9,490	12,860	10,789	(776)	10,013	2,071
Utilities	4,320	3,290	5,252	-	5,252	(1,962)
Contractual services	300	200	224	-	224	(24)
Professional services	17,630	34,720	29,498	-	29,498	5,222
Repairs and maintenance	10,150	5,660	4,126	-	4,126	1,534
General operating	7,850	9,080	6,967	-	6,967	2,113
Insurance claims and expenses	6,280	6,310	6,261	-	6,261	49
Depreciation	-	-	29,733	-	29,733	(29,733)
Total operating expenses	56,020	72,120	92,850	(776)	92,074	(20,730)
Operating (loss)	(28,280)	(45,460)	(64,244)	776	(63,468)	(18,784)
Non-Operating Revenues (Expenses):						
Intergovernmental revenues	32,383	44,865	29,375	-	29,375	(15,490)
Miscellaneous revenues	860	760	1,505	-	1,505	745
Interest	150	130	124	-	124	(6)
Total non-operating revenues (expenses)	33,393	45,755	31,004	-	31,004	(14,751)
Net change	5,113	295	(33,240)	776	(32,464)	(33,535)
Net position, beginning of year	-	-	-	-	-	-
Restatement	412,382	412,382	412,382	-	412,382	-
Net position, beginning of year, restated	412,382	412,382	412,382	-	412,382	-
Net position, end of year	\$ 417,495	\$ 412,677	\$ 379,142	\$ 776	\$ 379,918	\$ (33,535)
Explanation of Differences:						
Changes in deferred outflows pension related				\$ 92		
Changes in net pension liability				5,697		
Changes in deferred inflows pension related				(5,013)		
				\$ 776		

The accompanying notes are an integral part of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
 SCHEDULE OF PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY OF PERA FUND MUNICIPAL GENERAL DIVISION
 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
 LAST 10 FISCAL YEARS*

	<u>2015</u>
Village of Cimarron's proportion of the net pension liability (asset)	0.0229%
Village of Cimarron's proportionate share of the net pension liability (asset)	\$ 178,645
Village of Cimarron's covered-employee payroll	\$ 170,667
Village of Cimarron's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	104.67%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

*The amounts presented were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is complied, the Village of Cimarron will present information for those years for which information is available.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
 SCHEDULE OF PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY OF PERA FUND MUNICIPAL POLICE DIVISION
 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
 LAST 10 FISCAL YEARS*

	<u>2015</u>
Village of Cimarron's proportion of the net pension liability (asset)	0.0309%
Village of Cimarron's proportionate share of the net pension liability (asset)	\$ 100,731
Village of Cimarron's covered-employee payroll	\$ 120,618
Village of Cimarron's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	83.51%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

*The amounts presented were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is complied, the Village of Cimarron will present information for those years for which information is available.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
 SCHEDULE OF CONTRIBUTIONS
 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
 PERA FUND MUNICIPAL GENERAL DIVISION
 LAST 10 FISCAL YEARS*

	2015
Contractually required contribution	\$ 16,707
Contributions in relation to the contractually required contribution	16,707
Contribution deficiency (excess)	\$ -
Village of Cimarron's covered-employee payroll	\$ 170,667
Contributions as a percentage of covered-employee payroll	9.78%

*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the Village of Cimarron will present information for those years for which information is available.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
 SCHEDULE OF CONTRIBUTIONS
 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
 PERA FUND MUNICIPAL POLICE DIVISION
 LAST 10 FISCAL YEARS*

	2015
Contractually required contribution	\$ 8,439
Contributions in relation to the contractually required contribution	8,439
Contribution deficiency (excess)	\$ -
Village of Cimarron's covered-employee payroll	\$ 120,618
Contributions as a percentage of covered-employee payroll	6.99%

*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the Village of Cimarron will present information for those years for which information is available.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Changes of benefit terms - The PERA fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 14 audit report. That report is available at the following internet address:

http://www.pera.state.nm.us/pdf/AuditFinancialStatement/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of assumption - The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2014, is available at the following internet address:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014PERA%Valutation%20Report_FINAL.pdf.

The summary of key findings for the PERA fund (on page 2 of the report) states, *based on recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.*

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2015

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
International Bank P.O. Box 417 31062 Hwy 64 Cimarron, New Mexico 87714				
Checking accounts:				
General	Checking	\$ 839,211	\$ (3,736)	\$ 835,475
Payroll	Checking	20,834	(865)	19,969
Municipal Court	Checking	2,235	(144)	2,091
CDBG	Checking	48	-	48
Municipal Court Bond	Checking	400	-	400
Water	Checking	4,371	(87)	4,284
Water Meter Deposit	Checking	29,756	(251)	29,505
Sewer	Checking	14,286	-	14,286
Solid Waste	Checking	13,746	(13,290)	456
Cimarron Housing Authority	Checking	6,880	(503)	6,377
Cimarron Housing Authority	Checking	2,852	(167)	2,685
Other accounts:				
Cimarron Housing Authority	Savings	261	-	261
Certificate of deposit	CD	23,284	-	23,284
Certificate of deposit	CD	12,992	-	12,992
Certificate of deposit	CD	9,654	-	9,654
Certificate of deposit - Housing Authority	CD	20,201	-	20,201
		<u>\$ 1,001,011</u>	<u>\$ (19,043)</u>	<u>\$ 981,968</u>

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
 SCHEDULE OF PLEDGED COLLATERAL
 JUNE 30, 2015

International Bank
 P.O. Box 417
 31062 Hwy 64
 Cimarron, New Mexico 87714

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Value</u>
FNMA 1.200 12/20/18'13	3136G12K4	12/20/18	\$ 98,646
FHLB 1.460 12/13/19'13	313381DN2	12/13/19	147,168
FHLB 1.460 12/13/19'13	313381DN2	12/13/19	147,167
		Total	<u>\$ 392,981</u>

The holder of the security pledged by International Bank is Bankers Bank of the West, 1099 18th Street, Suite 2700, Denver, Colorado 80202.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>06/30/14</u>	<u>Adjustments</u>	<u>Increases/ Receipts</u>	<u>Decreases/ Disbursements</u>	<u>Balance</u> <u>06/30/15</u>
Municipal Court Bonds					
Assets:					
Cash	\$ 177	\$ 223	\$ 1,000	\$ (1,000)	\$ 400
Liabilities:					
Due to the general fund	\$ 100	\$ (100)	\$ -	\$ -	\$ -
Due to bond holders	300	-	1,000	(1,000)	300
Due to other agencies	(223)	323	-	-	100
Total liabilities	<u>\$ 177</u>	<u>\$ 223</u>	<u>\$ 1,000</u>	<u>\$ (1,000)</u>	<u>\$ 400</u>

ADDITIONAL INFORMATION

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
 SCHEDULE OF VENDOR INFORMATION
 FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
 FOR THE YEAR ENDED JUNE 30, 2015

<u>RFP#</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>Amount Awarded Contract</u>	<u>Amount Amended Contract</u>	<u>Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded</u>	<u>In-State/ Out of State Vendor (Y or N) (Based on Statutory Definition)</u>	<u>Was the Vendor in-state and Chose Veteran's Preference (Yes or No) for Federal Funds Answer N/A</u>	<u>Brief Description of the Scope of Work</u>
None	None	None	None	None	None	None	None	None

OTHER SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

Line Item	Description	Total Projects
111	Cash - unrestricted	\$ 6,513
114	Cash - tenant security deposits	2,810
122	Total cash	<u>9,323</u>
122-010	Accounts receivable - HUD other projects - Operating Subsidy	21,358
122-020	Accounts receivable - HUD other projects - Capital Fund	4,500
122	Accounts receivable - HUD other projects	<u>25,858</u>
126	Accounts receivable - tenants	1,559
126.1	Allowance for doubtful accounts - dwelling rent	(935)
128	Fraud recovery	1,107
128.1	Allowance for doubtful accounts - fraud	(664)
129	Accrued interest receivable	3
120	Total receivables, net of allowance for doubtful	<u>26,928</u>
131	Investments - unrestricted	20,201
142	Prepaid expenses and other assets	2,619
143	Inventories	3,608
143.1	Allowance for obsolete inventories	(361)
150	Total current assets	<u>62,318</u>
161	Land	18,600
162	Buildings	856,961
163	Furniture, equipment and machinery - dwellings	35,791
164	Furniture, equipment and machinery - administration	36,751
166	Accumulated depreciation	(585,658)
160	Total capital assets, net of a/d	<u>362,445</u>
200	Deferred outflow of resources	1,282
290	Total assets	<u>\$ 426,045</u>
312	Accounts payable <=90 days	\$ 2,730
321	Accrued wage/payroll taxes payable	474
333	Accounts payable - other government	21,468
341	Tenant security deposits	2,810
342	Unearned revenues	612
346	Accrued liabilities	228
310	Total current liabilities	<u>28,322</u>
357	Accrued pension and OPEB liabilities	12,792
	Total noncurrent liabilities	<u>12,792</u>
300	Total liabilities	41,114
400	Deferred inflows of resources	5,013
508.1	Net investment in capital assets	362,445
512.1	Unrestricted net assets	17,473
513	Total equity	<u>379,918</u>
600	Total liabilities and equity	<u>\$ 426,045</u>

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	\$ 27,345	\$ -	\$ 27,345
70400	Tenant revenue - other	720	-	720
70500	Total tenant revenues	28,065	-	28,065
70600	HUD other projects - Operating Subsidy	29,375	-	29,375
70610	Capital grants	-	4,500	4,500
71100	Investment income - unrestricted	124	-	124
71500	Other revenue	2,046	-	2,046
70000	Total revenues	59,610	4,500	64,110
91100	Administrative salaries	3	-	3
91200	Auditing fees	5,587	-	5,587
91300	Management fees	25,314	-	25,314
91400	Advertising and marketing	449	-	449
91500	Employee benefit contributions - administrative	10	-	10
91600	Office expenses	5,703	-	5,703
91700	Legal expense	1,111	-	1,111
91800	Travel	128	-	128
91900	Other	3,947	-	3,947
91000	Total operating - administrative	42,252	-	42,252
93100	Water	545	-	545
93200	Electricity	1,429	-	1,429
93300	Gas	698	-	698
93600	Sewer	139	-	139
93000	Total utilities	2,811	-	2,811
94100	Ordinary maintenance and operations - labor	8,781	-	8,781
94200	Ordinary maintenance and operations - materials and other	3,444	-	3,444
94300-010	Ordinary maintenance and operations contracts - garbage and trash removal contracts	224	-	224
94300-020	Ordinary maintenance and operations contracts - heating and cooling contracts	485	-	485
94300-090	Ordinary maintenance and operations contracts - extermination contracts	128	-	128
94300-120	Ordinary maintenance and operations contracts - miscellaneous contracts	69	-	69
94300	Ordinary maintenance and operations contracts	906	-	906
94500	Employee benefit contribution - ordinary maintenance	1,995	-	1,995
94000	Total maintenance	15,126	-	15,126

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
96110	Property insurance	3,161	-	3,161
96120	Liability insurance	540	-	540
96140	All other insurance	2,560	-	2,560
96100	Total insurance premiums	6,261	-	6,261
96200	Other general expenses	1,166	-	1,166
96900	Total operating expenses	67,616	-	67,616
97000	Excess revenues over operating expenses	(8,006)	4,500	(3,506)
97400	Depreciation expense	28,900	833	29,733
90000	Total expenses	96,516	833	97,349
	Excess (deficiency) of revenues over (under) expenses	\$ (36,906)	\$ 3,667	\$ (33,239)
11030	Beginning equity	\$ 418,247	\$ 11,434	\$ 429,681
11190	Unit months available	192	-	192
11210	Unit months leased	189	-	189

ADDITIONAL INDEPENDENT AUDITORS' REPORT

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Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

Timothy Keller, State Auditor
and
Mayor and Village Council
Village of Cimarron
Cimarron, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, of the Village of Cimarron (Village), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village, presented as supplemental information, and have issued our report thereon dated February 7, 2017. The opinion was modified on the governmental and business-type activities because the Village did not maintain adequate subsidiary records of its governmental capital asset and because the Village did not fully reconcile its operating bank account to the general ledger.

Internal Control Over Financial Reporting

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We considered the deficiencies described in the accompanying schedule of findings and responses listed as items 2015-001, 2015-002, 2015-003 and 2015-004 to be material weakness.

Internal Control Over Financial Reporting (continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses listed as items 2003-006, 2006-003, 2014-001, 2014-002, 2014-003 and 2015-005 to be significant deficiencies.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2002-002, 2008-003, 2012-007, 2014-005, 2014-006, 2014-007, 2014-008, 2014-009, 2015-006, 2015-007, 2015-008, 2015-009, 2015-010, 2015-011, 2015-012, 2015-013, 2015-014, and 2015-015.

The Village's Responses to Findings

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

Purpose of this Report

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



Fierro & Fierro, P.A.
Las Cruces, New Mexico

February 7, 2017

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINANCIAL STATEMENT FINDINGS

Item 2002-002 – Compliance – Submission of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2015, was due to the New Mexico State Auditor’s office by December 15, 2015. The audit report was submitted on March 7, 2017. This is a repeat finding as management failed to implement their prior year corrective action plan.

Criteria – New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* and Audit Rule 2015, requires that the Village submit its audit report by December 15th following the end of each fiscal year at June 30th.

Effect – Delays in submission of the audit report affect the reporting of financial information to other state agencies and local governments.

Cause – The audit for the fiscal year ended June 30, 2014 was not completed and approved for public release until August 2016, which delayed the start of the audit for the fiscal year ended June 30, 2015. In addition, the Village Clerk/Treasurer and the Village Utility Clerk left their employment in December 2016.

Recommendation – We recommend the Village develop a working schedule of reconciliations and deliverables to enable the submission of a timely audit report to the New Mexico State Auditor’s Office. The schedule should be developed during the engagement process, such that the Village and their independent public auditing firm can plan accordingly.

Views of Responsible Officials and Planned Corrective Actions – The Village recently sustained substantial turnover in members of the governing body, in management and in staff positions. This resulted in inconsistent direction of leadership and inadequate staff to perform the necessary work. The Village will respond to the Office of the State Auditor’s (OSA) audit contract notice upon its receipt. The Village has contracted with a clerk-treasurer from another municipality to assist with getting the records caught up. The Village has also requested Department of Finance and Administration (DFA) to assist with the close-out of the FY2015 audit report and to help prepare for the FY2016 audit. The responsible person will be the Village administrator, and our anticipated completion date is June 30, 2017.

Item 2003-006 – Significant Deficiency –Imprest Bank Account

Statement of Condition – The payroll imprest bank account is not being reconciled correctly. The monthly reconciled balance is not the same each month. It is not clear what amount remains in the payroll imprest bank account after each pay period, as the amount varies from month to month. In addition, the account has nineteen stale dated checks in the total amount of \$3,228.45 that have not been reconciled. This is a repeat finding as management failed to implement their prior year corrective action plan.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINANCIAL STATEMENT FINDINGS

Item 2003-006 – Significant Deficiency – Imprest Bank Account (continued)

Criteria – An imprest payroll account is a separate account held by an entity that contains funds strictly for employee payroll use. Since this account is only for payroll, the funding is unavailable for use other than with payroll so the deposits entered in by the entity are equal to the expected pay of the workers. An imprest payroll account is precise, and relies on the entity’s knowledge of payroll expenditure in order to function. The entity deposits funds for the exact amount of the total net payroll into the imprest account. This usually takes place directly before payroll distribution, which means that the money in the account is not kept there for any extended period. Once the funds are expensed to employees, the account funds should be at or near zero, until the next payroll date comes due.

An imprest account offers better control over the payroll of the entity, especially if the main payments are checks or direct deposit. Because the amount is equal to the expected amount of payroll, an imprest account prohibits payroll fraud, as no employee is able to illegally withdraw funds and charge it to the payroll account. The separate account also allows the entity to accurately track the amount spent in payroll each period. Although an imprest payroll account helps track payroll and prevent theft, it is not for every entity. Smaller entities with fewer employees may find it unnecessary, as payroll funding is easier to track. In addition, larger entities who use it must have an understanding on how much pay will be going out each pay date.

Section 7-8A of the New Mexico State Statutes, *The Uniform Unclaimed Property Act (1995)*, sets forth the processes and requirements of a holder of property (Village) to report to the administrator annually by November 1st for the prior period ending July 1st of that year. It also specifies the notification requirements to the property owner.

Effect – If the imprest account deposit is insufficient to match the employee payroll, an additional deposit must be made immediately to avoid overdrawing on the account. Whereas, depositing too much will leave funds sitting in an account that could be put to use elsewhere in the Village.

Cause – While the bank account is reconciled monthly, no effort was placed in establishing a minimum or maximum amount that should remain once the payroll has been completed. In addition, no effort was placed in addressing stale dated checks.

Recommendation – We recommend the Village re-evaluate the advantages and disadvantages of a payroll imprest bank account. If the Village decides to move forward with the account, it should establish procedures that would set a minimal amount to be retained in the bank account once payroll has been completed. Any excess funds should be returned to the general operating bank account.

Views of Responsible Officials and Planned Corrective Actions – When fully staffed, the Village has approximately 12 employees, all but one on direct deposit. Management concurs this may be too few employees for the complexity of a payroll imprest account. Staff will investigate the stale outstanding checks and address them appropriately. If it is determined to be advantageous to keep the payroll imprest account, the Village will set a fixed amount ranging from \$100-\$500 to keep in the account to cover any probable transfer errors. The responsible person will be the financial officer, and our anticipated completion date is June 30, 2017.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2008-003 – Other Matter – Enterprise Fund Debt

Statement of Condition – The Enterprise funds (Water/Sewer and Solid Waste) have been borrowing monies from the general fund, in the form of transfers, to pay obligations for the past several years. This is a repeat finding as management failed to implement their prior year corrective action plan.

Criteria – Enterprise funds are self-sustaining activities whose reporting focus is on the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. Enterprise funds (1) may be used to report any activity for which a fee is charged to external users for goods and services and, (2) are required to be reported as enterprise funds if any one of the following criteria is met. Governments generally apply each of these criteria in the context of the activity's principal revenue sources:

- a) The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- b) Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c) The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Common examples of activities of state and local government enterprise funds include: public utilities (water, wastewater, sewer, electricity, natural gas, trash and garbage), public transportation systems, hospitals, recreation facilities, airports, EMS/ambulance, public housing, toll roads and bridges.

Effect – An enterprise fund that consistently relies on support from governmental funds, has not established adequate user rates and fees to be self-sustaining. Ultimately, this may lead to deficiencies in meeting its debt obligations.

Cause – The Village has not adequately increased user rates and fees over the years.

Recommendation – We recommend the Village re-evaluate the costs of operating its water, sewer, and solid waste activities. Constant serious consideration must be given to the appropriateness of the current user rates and fees of the enterprise funds. In addition, procedures should be established for a periodic review of the net operating income of these funds. Adjustments to user rates and fees should occur on an as needed basis.

Views of Responsible Officials and Planned Corrective Actions – In June 2016, the Village raised water rates. The Village administrator will work with the governing body in trying to resolve this issue by contracting with a consultant who can perform an independent assessment of the Village's finances and the utility cost structure to determine and adequate rate structure. This would include bringing up rates to current needs and a mechanism for future rate increases. It is expected that any increase in current rates would need to be phased in over a few years.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2008-003 – Other Matter – Enterprise Fund Debt (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) - The nature of the local economy makes it easier to subsidize the utility fund from general fund than to increase utility rates. Management concurs in the long run each utility operations should cover its own costs and will move in this direction. Those responsible will be the Village governing body and administrator. The anticipated completion date is June 30, 2018.

Item 2012-007 – Other Matter - Bank Reconciliation Municipal Escrow Account

Statement of Condition – The management of the Village is not reconciling the municipal escrow bank account based on the information provided by the Municipal Court. In total, there were \$302 of deposits that were not reconciled to the records maintained by the Municipal Court. In addition, the Village has checks that were written in August 2014 that had not cleared the bank as of June 30, 2015, one of which was written to the Administrative Office of the Courts in the amount of \$101.50. This is a repeat finding as management failed to implement their prior year corrective action plan.

Criteria – New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, *Public Finance Accounting by Governmental Entities* of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Effect – Without accurate full reconciliations to the records maintained by the Municipal Court, errors could occur and not be detected on a timely basis. Incorrect decisions, such as budget creation and or adjustments that require the use of cash reserves, may occur as a result of erroneous information.

Cause – Unknown.

Recommendation – We recommend that the management of the Village expedite the establishment and maintenance of the appropriate internal controls concerning the reconciliation and recording of activity maintained by the Municipal Court. Because of the small size of the financial staff, it is recommend that reconciliation be presented to those charged with governance in the monthly presentation of the finance department report.

Views of Responsible Officials and Planned Corrective Actions – As part of the Village's preparation for the FY2016 audit, this account will be reviewed and reconciled. Thereafter, each month the financial officer and court clerk will reconcile the account and a copy of the reconciliation given to the municipal judge for their approval. This account will be reviewed for possible consolidation into the Village's pooled cash account. Staff will investigate the stale outstanding checks and address them appropriately. Those responsible will be the financial officer and municipal court clerk. The anticipated completion date is June 30, 2017.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2014-002 – Significant Deficiency – Accounting Activity

Statement of Condition – During the fiscal year, the following deficiencies regarding the Village’s accounting activity were noted:

- The Village failed to record financial activity related to Village debt held by outside parties. In particular, the Village failed to record activity at the New Mexico Finance Authority for gross receipts intercepts, earning of interest income, and the payment of outstanding liabilities on their records.
- The Village did not reconcile the posting to the various accounts payable and payroll liability accounts. Some accounts were left with debit balances at year-end.
- Even though the Village has created a separate revenue line item, the proceeds from the sale of Village equipment in the amount of \$33,681.25 was posted to miscellaneous reimbursements and refunds in the general fund. This account appears to be a catch all, as various items were recorded in this line item.
- The Village has also created a revenue line item for public safety reimbursements and refunds. Revenue receipts such as insurance proceeds, donations, grant reimbursements, interest income and gun sales were recorded in this line item.
- The Village posted a hand written check in the amount of \$2,137.44 as miscellaneous revenue and miscellaneous expense in the general fund.
- The Village posted in error, payments made to a vendor for capital improvements in the general fund. These two postings in the amount of \$6,293.18, should have been posted within the Capital Outlay fund.
- The Village attempted to correct an incorrect posting of \$14,000.00 in the general fund. The debit was to transfers out, and the credit was to miscellaneous expense. This created a credit balance in the miscellaneous expense account at June 30, 2015.
- The Village did not reconcile the postings done to the “exchange” accounts.
- The Village recorded a Water Trust Board loan payment to New Mexico Finance Authority in the amount of \$1,795.96 as professional services in the capital projects fund. The payment should have been recorded in the water and sewer fund.
- The leave report at June 30, 2015 included vacation and sick leave hours for employees who are no longer employed with the Village.
- The Village did not record ambulance fund account receivables, and the related allowance for doubtful accounts.

Because of the time, effort and priority management placed on other tasks little progress was made towards implementing the prior year corrective action plan related to this repeat finding.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2014-002 – Significant Deficiency – Accounting Activity (continued)

Criteria – Section 6-6-3(A) NMSA 1978 requires that every local body shall “*keep all the books, records and accounts in their respective offices in the form prescribed by the local government division*” of the New Mexico Department of Finance and Administration. This requires the Village maintain accounting records in such a manner as to allow the preparation of financial statements and accurate reports for other governmental agencies. Further, the general ledger must be able to substantiate detail as to the financial activity of the Village.

Auditing standards adopted in the United States of America in particular AU Section 325 Communicating Internal Control Related Matters Identified in an Audit, paragraph .03 states the following: “*Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives.*” Appropriate internal controls over financial reporting include the ability to understand the key components financial statements in accordance with GAAP. Underlining this premise is the requirement that the Village will maintain the accounting records in such a manner as to allow the preparation of financial statements.

For example, the reconciliation of the capital assets between the general ledger and subsidiary ledgers provides assurance of proper accountability, and reduces that chance of a material misstatement. Finally, appropriate internal controls would include establishing a general ledger system that maintains financial data in such a matter that reliable financial reports can be generated.

Effect – Since the Village personnel failed to reconcile and/or record key components of the financial statements, there is an increased risk that a misstatement of the Village’s financial statements, that is more than inconsequential, will not be prevented or detected. Further, since the Village financial clerk and staff lacks the proper knowledge or training regarding some aspects of the conditions noted, there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected. The general ledger, with numerous posting errors, is incapable of producing reliable fund financial data needed for governmental financial reporting.

Cause – The Village’s administrative staff maintains cash basis accounting records and lacks the necessary accounting skills to recognize all the key components of the financial statements that are prepared on the economic resources measurement focus (which includes the accrual basis of accounting) and the current financial resources measurement focus (which includes the modified accrual basis of accounting).

Recommendation – The Village should employ an individual to serve in the position of director of finance. This employee should have the ability to prepare financial statements in accordance with GAAP. Alternately, the Village could choose to consult with a separate and independent accounting firm prior to and during the audit process that would assist the Village in the gathering of key components of the financial statements and the related notes.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2014-002 – Significant Deficiency – Accounting Activity (continued)

Views of Responsible Officials and Planned Corrective Actions – The Village has contracted with a clerk-treasurer from another municipality to assist with getting the financial records up to date. The Village has also requested DFA to assist with reviewing and correcting some of the items listed above. As part of the preparation for the FY2016 audit, entries related to New Mexico Finance Authority will be brought up to date. Staff will be trained to continue the process, and how to perform the year-end conversion from cash basis to GAAP; including accounts receivable, accounts payable, and compensated leave. The Village will develop a monthly financial statement review process to reduce the number of obvious posting errors. The Village is also considering hiring a local CPA with municipal experience to review the financials on a quarterly basis for posting accuracy, and to perform the year-end cash to GAAP conversion. Staff will be encouraged to contact their DFA budget analyst if unsure how to record a particular entry. The responsible person will be the Village finance officer. The anticipated completion date is June 30, 2017.

Item 2014-003 – Significant Deficiency – Interfund Balances

Statement of Condition – The management of the Village has recorded a general fund receivable in the amount of \$82,224, and the corresponding payable in the water/sewer enterprise fund. These interfund balances were created to support the operations and debt obligations of the water and sewer activities. Because of the lack of adequate sources of revenues in the water/sewer fund, the prior year corrective action plan related to this repeat finding has not been initiated.

Criteria – As per Government Accounting Standards Board Codification Section 2300.106(o) and 2300.126, there is a disclosure requirement for interfund balances, including amounts due from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type; the purpose for those balances; and the amounts that are not expected to be repaid within one year. It is the responsibility and fiduciary duty of management and those charged with governance to establish and oversee the strategic direction of the entity and the obligations related to the accountability of the entity.

Effect – Without a solid strategic plan for repayment, these interfund balances are no more than a subsidy transfer in substance. Further, if the subsidies are being used to service the debt requirements of the water/sewer fund, then the general fund is in essence servicing debt obligations which may be in violation of bond covenants.

Cause – The Village has not placed priority on adequately addressing the repayments of these interfund balances.

Recommendation – We recommend that those charged with governance work closely with the management of the Village to establish a strategic plan to clear these interfund balances within a reasonable time frame. Further, any future subsidies in the form of transfers should be clearly earmarked to cover operating obligations of the water/sewer fund and not debt obligations.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2014-003 – Significant Deficiency – Interfund Balances (continued)

Views of Responsible Officials and Planned Corrective Actions – As mentioned in management’s response to Audit Finding 2008-003, current economic conditions may not permit the timely repayment of the General/Enterprise Fund Interfund Due From/Due To. The Village administrator will confer with the Village’s governing body regarding repayment of this debt vs. just recording it to current year transfer out/transfer in and treat it as a current year operating subsidy. Management agrees it is in the Village’s long-term best interest to have each fund independently self-sufficient, however, operating subsidies will remain the norm in the near term. Those responsible will be the Village’s administrator and governing body. The anticipated completion date is June 30, 2018.

Item 2014-005 – Compliance – Cash Reconciliation of DFA Report

Statement of Condition – The fourth quarter Department of Finance and Administration (DFA) report was not reconciled to the accounting books of record. This is a repeat finding as management failed to implement their prior year corrective action plan.

Criteria – As per Section 6-6-2(F) NMSA 1978, local public bodies must submit periodic financial reports, on a quarterly basis, to the Department of Finance and Administration, Local Government Division (LGD). Furthermore, Section 6-6-2(K) NMSA 1978, authorizes LGD to prescribe the form for all budgets, books, records, and accounts for local public bodies. To meet these requirements, LGD has developed the quarterly financial report forms which include revenues and expenditures that were recognized/received and disbursed from the local government’s coffers. The format also includes the most current approved budget figures to allow for a comparison of actuals to budget.

Effect – Since these financial reports are invaluable, as they provide the financial status of an entity to be utilized in numerous ways by LGD, erroneous financial information will have a negative effect on decisions made by such parties as the Governor’s office, DFA Cabinet Secretary, and for members of the state’s legislative bodies. In addition, these reports are used for public information requests, as well as providing compliance for funding such as legislative appropriations and several loan/grant programs. Incorrect and or incomplete information may mislead the user of the reports.

Cause – The Village has not followed through on procedures to review and correct the erroneous financial information within the accounting records of which these reports are derived from.

Recommendation – We recommend the Village establish procedures to ensure that there is an adequate reconciliation and review process of the general ledger postings, monthly, so that complete and accurate DFA quarterly reports are submitted timely. It is further recommended that these procedures include a review and approval process by those charged with governance.

Views of Responsible Officials and Planned Corrective Actions – This finding is the result of several previously mentioned audit findings regarding untimely bank reconciliation, inadequate review of financial records, and inadequate review of posted transactions. Correction of those findings and getting the audits up to date will continue to change the balances in the Village’s financial records.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2014-005 – Compliance – Cash Reconciliation of DFA Report (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) – DFA quarterly reports will be provided to the governing body at the meeting following their submission to DFA. The person responsible will be the Village financial officer. The anticipated completion dates are: June 30, 2017, if the FY2016 audit is completed and Village financial records are updated by this date; and September 30, 2017, if the FY2016 audit is not completed by June 30, 2017.

Item 2014-006 – Other Matter – Service Agreement Accounting

Statement of Condition – The Cimarron Chamber of Commerce did not provide a written final accounting to the Village for the fiscal years ended June 30, 2014 and 2015. In addition, the Village could not locate the service agreement for review and/or testing for the fiscal year ended June 30, 2015. This is a repeat finding as management failed to implement their prior year corrective action plan.

Criteria – The service agreement details the twelve month budget for the expenditures of lodgers' tax funds in furtherance of the Chamber's program goals and objectives. The Chamber receives funds from the Village under a cost reimbursement arrangement. As per Section B. 2), the Chamber shall render to the Village a written final accounting on or before the 30th day of June.

Effect – Without a final accounting, the Village has no means of ensuring that the budget has been exhausted under its intended purpose.

Cause – The Chamber did not comply with the terms of the agreement, and the Village did not pursue the reporting.

Recommendation – We recommend the Village establish procedures to ensure that service agreement conditions and requirements are adhere to on a timely basis. We further recommend that all contracts and agreements are filed in a manner that lends to easy access.

Views of Responsible Officials and Planned Corrective Actions – The Village and Lodger's Tax Board will continue trying to obtain a full accounting for the years ending June 30, 2014 and June 30, 2015 from the Chamber. Due to the historical nature of this issue, the Village and Lodger's Tax Board will consider issuing an RFP for the services provided by the Chamber of Commerce and open the process up to other possible vendors. Current payments to the Chamber will be suspended until a full and adequate accounting of expenditures is received. Those responsible will be the Lodger's Tax Board, Village administrator and financial officer. The anticipated completion date is September 30, 2017.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2014-007 – Compliance – Water Conservation Fee

Statement of Condition – The Village is incorrectly calculating the water conservation fee on the amount of water that is “billed and or used” and not on the amount of water “produced” each month. The error was first discovered in the fiscal year ended June 30, 2014, and continued until the Village received proper training from New Mexico Taxation and Revenue Department. The first report the Village filed correctly was for the month of April 2015. In addition, the reports for September 2014 through January 2015 were filed in February 2015. This is a repeat finding as management failed to implement their prior year corrective action plan.

Criteria – The State of New Mexico Taxation and Revenue Department imposes, on every person who operates a public water supply system, a water conservation fee in the amount equal to three cents (\$0.03) per thousand gallons of water produced. Water is produced for purposes of the water conservation fee, when that water is extracted from any surface or subsurface source by or for a public water supply system. A public water supply system produces water when another person, not a public water supply system, extracts water under contract with, or as agent for, the public water supply system. Water is produced only once.

Effect – Incorrect calculation of the water conservation fee results in under reporting to the state of New Mexico. Filing late reports subjects the Village to unnecessary penalties.

Cause – The management of the Village was not aware of the correct method for calculating the water conservation fee. It is unknown why the reports were filed late.

Recommendation – We recommend the Village review its current procedures to ensure that the water conservation fee is calculated correctly, and remitted timely, regardless of the staff currently in place.

Views of Responsible Officials and Planned Corrective Actions – The Village financial officer will obtain the monthly well production reports from the public works director and make payment off these reports instead of the billing records. Payment will be made in a timely manner. Those responsible will be the public works director and the financial officer. The anticipated completion date is June 30, 2017. This is a repeat finding as management failed to implement their prior year corrective action plan.

Item 2014-008 – Other Matter – Service Agreement Compliance

Statement of Condition – In the prior years, the service agreement with the Chamber of Commerce is to provide lodgers’ tax revenues in the amount of 75% of what the Village collects. For the year ended June 30, 2015, the Village collected \$18,531 in lodgers’ tax and remitted \$16,400 to the Chamber, which is 89%. Because the Village could not locate the service agreement for review and/or testing for the year ended June 30, 2015, it could not be determined if the amounts remitted to the Chamber were in accordance with the service agreement. This is a repeat finding as management failed to implement their prior year corrective action plan.

Criteria – All agreements and contracts entered into by the Village should be followed according to the terms of the agreement.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2014-008 – Other Matter – Service Agreement Compliance (continued)

Effect – The overpayment of \$5,627 reduces the amount available to the Village for its own promotional advertising and marketing.

Cause – It could not be determined with certainty how management was calculating the amounts remitted to the Cimarron Chamber of Commerce.

Recommendation – We recommend the Village establish procedures to ensure that service agreement conditions and requirements are adhered to. We further recommend that all contracts and agreements, and reports thereof, are filed in a manner that lends to easy access.

Views of Responsible Officials and Planned Corrective Actions – Due to the historical nature of this issue, the Village and Lodger's Tax Board will consider issuing an RFP for the services provided by the Chamber of Commerce and open the process up to other possible vendors. Payments to the Chamber will be 75% of the amount collected in the previous month. A monthly account of Lodger's Tax receipts and disbursements will be given monthly to the Lodger's Tax Board. Those responsible will be the Lodger's Tax Board, Village administrator and financial officer. The anticipated completion date is September 30, 2017.

Item 2014-009 – Other Matter – Lack of Clarity With the Service Agreement

Statement of Condition – The 2013-2014 service agreement with the Cimarron Chamber of Commerce was incomplete as it relates to the following:

- 1) It does not state how all of the Lodger's Tax receipts will be spent (by the Chamber), and
- 2) the agreement appears to allow up to \$37,950 to be given to the Chamber; however, the DFA approved the Village budget of \$24,000 in expenditures.

At best, the Village has an ambiguous, incomplete document governing its agreement with the Cimarron Chamber of Commerce. Further, for the fiscal year ended June 30, 2015, the Village could not locate the service agreement for review and/or testing. This is a repeat finding as management failed to implement their prior year corrective action plan.

Criteria – All agreements and contracts entered into by the Village must clearly state the responsibilities of each party.

Effect – The lack of clearly defined responsibilities could lead to problems and misunderstandings between the parties of the agreement.

Cause – Management did not ensure these items were properly addressed.

Recommendation – We recommend the Village establish procedures to ensure that service agreement conditions, requirements, and responsibilities of each party are clearly defined within the agreement document.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2014-009 – Other Matter – Lack of Clarity With the Service Agreement (continued)

Views of Responsible Officials and Planned Corrective Actions – Due to the historical nature of this issue, the Village and Lodger's Tax Board will consider issuing an RFP for the services provided by the Chamber of Commerce and open the process up to other possible vendors. A monthly account of Lodger's Tax receipts and disbursements will be given monthly to the Lodger's Tax Board. Those responsible will be the Lodger's Tax Board, Village administrator and financial officer. The anticipated completion date is September 30, 2017.

Item 2015-001 – Material Weakness – Financial Statements and Disclosures

Statement of Condition – The Village relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The finance/accounting staff lacks the knowledge to prepare such statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. For the fiscal year ended June 30, 2015, the Village's financial clerk provided limited assistance to the auditing firm in gathering some of the necessary information in order to convert their cash basis accounting information into financial statements prepared in accordance with GAAP. While the preparation of some of the schedules is a step in the right direction, the Village must display a level of expertise regarding financial reporting in accordance with GAAP in order to reduce the deficiency noted in internal controls regarding financial reporting.

Criteria – Auditing standards adopted in the United States of America in particular AU Section 325 Communicating Internal Control Related Matters Identified in an Audit, paragraph .03 states the following: *“Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting.”*

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum, management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

AU Section 325 paragraph .05 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph .06 states *“A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.”* AU Section 325 paragraph .15 provides a list of indicators of a material weakness in internal control. One such example is *“Ineffective oversight of the entity's financial reporting and internal control by those charged with governance.”*

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-001 – Material Weakness – Financial Statements and Disclosures

Effect – Since the Village’s financial clerk staff lacks the ability to understand and prepare, and did not prepare, GAAP financial statements, there is an increased risk that a misstatement of the Village’s financial statements, that is more than inconsequential, will not be prevented or detected. Further, there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected.

Cause – When audit services are sought, there is a requirement that the auditor will prepare the financial statements. In the past this may have been sufficient; however, the accounting profession by issuance of AU Section 325, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

Recommendation – The Village should give serious consideration to the employment of a qualified individual to serve in the position of director of finance. This employee should have the ability to prepare governmental financial statements in accordance with GAAP. Alternately, the Village could chose to consult with a separate accounting firm prior to and during the audit process that would assist the Village in the preparation of financial statements and the related notes.

Notwithstanding the above recommendations, the Village should place proper financial resources in training the administrative staff that would include at a minimum, accounting courses that would instruct the staff of GAAP considerations in regards to government financial reporting.

Views of Responsible Officials and Planned Corrective Actions – Municipal budgets and reports are on a cash basis. At year end, June 30th, the Village will prepare the required receivable, payable, and payroll information to convert the records from cash to GAAP. At the present time, management does not believe it is feasible to hire a person with the knowledge/skills to complete a function that only occurs once a year. Management will explore the option of hiring a local CPA firm to prepare the year-end GAAP conversion process. Those responsible will be the Village administrator and financial officer. The anticipated completion date is June 30, 2018.

Item 2015-002 – Material Weakness - Cash Reconciliations to the General Ledger

Statement of Condition – The Village uses one general operating bank account. It also has seven other individual bank accounts and one imprest account for payroll. While the Village does prepare monthly bank reconciliations using the accounting software, they did not reconcile, per fund, the bank balances to the cash balances as listed in the general ledger. The reconciled bank balance, for the one operating account at June 30, 2015, was \$835,474.91; while, the combined general ledger balance for the funds that use this bank account was \$762,447.17. The difference is \$73,027.74. It could not be determined what fund contained the error, as the Village pools its cash. In addition, the reconciled bank balance, for the payroll escrow account, at June 30, 2015 was \$19,968.34; while, the general ledger balance was \$33,281.56. The difference is \$13,313.22.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-002 – Material Weakness - Cash Reconciliations to the General Ledger (continued)

Criteria – New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, *Public Finance Accounting by Governmental Entities* of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Effect – Without accurate, full reconciliations to the general ledger, errors could occur and not be detected on a timely basis. Incorrect decisions, such as budget creation and/or adjustments that require the use of cash reserves, may occur as a result of erroneous information.

Cause – Currently, it is the practice of the Village, that the Administration Clerk prepare a monthly cash allocation reconciliation. The allocation for the year ended June 30, 2015, was not prepared prior to the Administration Clerk leaving the employment of the Village in December 2016. In addition, the bank reconciliations contained errors that affected the general fund balances among funds.

Recommendation – We recommend that Village officials expedite the establishment and maintenance of the appropriate internal controls concerning the reconciliation and recording of cash balances. These procedures must include proper reconciliation of differences between the bank and general ledger balances. Due to the small size of the financial staff, we recommend that the reconciled bank balances be presented to those charged with governance in the monthly presentation of the finance department report.

Views of Responsible Officials and Planned Corrective Actions – The Village has contracted with a clerk-treasurer from another municipality to assist with getting the financial records up to date. The Village has also requested DFA to assist with reviewing and correcting our financial records. If we are unable to locate the source of the errors in both accounts by the beginning of the FY2016 audit, the Village will take a one-time net charge to revenue for the differences into the general fund to bring the general ledger balance into agreement with the reconciled bank statement. Each month the pooled cash statement will be compared to the reconciled bank statement and the Village administrator will sign it acknowledging it balances. The Village is reviewing which bank accounts can be closed and merged into the pooled cash account. The person responsible is the Village financial officer. The anticipated completion date is June 30, 2017.

Item 2015-003 – Material Weakness – Utility Department Discrepancies

Statement of Condition – While reviewing and testing the internal controls related to the utility department operations, we noted the following discrepancies:

- While testing the utility billing, we noted five instances where the water billing was miscalculated. The sample size was sixty customer bills. Four consumers were under billed by a total of \$43.83, and one was over billed by \$124.11.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-003 – Material Weakness – Utility Department Discrepancies (continued)

Statement of Condition (continued) –

- While testing the utility billing, we noted four instances where the sewer billing was miscalculated. The sample size was 60. Two consumers were under billed by a total of \$8.08, and two were over billed by \$76.32.
- We noted some instances where late penalties were removed from account balances. There are various opinions as to what constitutes a payment as “received.” Some in the Village office believe that a post mark is received, while others believe that by placing it in the Village drop box means it has been received.
- The meter deposit listing was not reconciled for the year ended June 30, 2015. As such, meter deposit balances could not be determined at year end.
- One customer had a billing adjustment of \$800.94 for zero water usage. Prior to the adjustment, the balance on the account was \$143.65. The adjustment created a credit balance on the account of \$657.29.
- Billing adjustments were reviewed using the transaction register generated from the software program. There was a total of \$7,382.02 of billing adjustments done during the period of July 1, 2014 through June 30, 2015. Of that amount, \$2,832.03 or 38% were identified as adjustments for meter reading errors. The other adjustments were labeled as correct billing error, removal of penalties, reconnection fee, disconnect charge, or simply “adjustment.” Overall, there is a lack of procedures to: 1) document in writing the support for the adjustment, and 2) acquire management or board approval for billing adjustments.
- The Village has inadequate cash handling and data recording procedures. The utility clerk controls all cash payments received. The duties of the office also require the clerk to record the meter readings in the system, review the billings prior to creation of the actual bills, make adjustments to the accounts as deemed necessary, create the daily utility deposit worksheet for the bank deposit, at times make the actual deposit, and post the payments to the customers’ accounts. Most of these duties are carried out without management’s review or approval. It was further discovered that there is no procedure or accountability for the daily reconciliation of the cash on hand.

Criteria – New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, *Public Finance Accounting by Governmental Entities* of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

The Village approved Resolution 2014-34, a resolution establishing rates, charges and fees for water, sewer, and solid waste provided pursuant to Ordinance No. 255 on May 21, 2014.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-003 – Material Weakness – Utility Department Discrepancies (continued)

Effect – Without full and accurate review of meter readings prior to release of the billings, errors are occurring and are not being detected on a timely basis. Incorrect transactions, such as unwarranted refunds **and/or** other adjustments, may occur as a result of erroneous information. Without supporting documents for billing adjustments, and without the necessity to obtain management approval, the utility clerk and/or the administrative clerk, can adjust a consumer's account at will. Without regular, meaningful, and timely reconciliation of consumer meter deposits, incorrect transactions, such as unwarranted refunds **and/or** other adjustments, may occur as a result of erroneous information. This may also create unnecessary delays in returning deposits to customers. Finally, without a daily reconciliation of the cash on hand, amounts could go missing and not be detected by management on a timely basis.

Cause – The administrative/finance and utility staff is very small. Lack of enforcement of internal controls, which should have included reviews and approvals, lead to procedures not always followed correctly and/or management override of established procedures.

Recommendation – We recommend the Village implement administrative procedures to ensure compliance with New Mexico State Statutes, and with its own resolutions and ordinances. The Village must give adequate consideration to the internal controls, such that no one employee can execute a transaction without the approval of a supervisor or board member, if necessary. Furthermore, we recommend the meter deposit listing be reconciled monthly to ensure accurate information is being recorded in the accounting records. Finally, the Village should consider clarifying the meaning of "received" for late penalty calculations.

Views of Responsible Officials and Planned Corrective Actions –All billing adjustments must be approved by both the financial officer and Village administrator (mayor in the event the bill involves the financial officer or the administrator). Both parties must agree to the need for the billing adjustment. If either party does not agree to the need, the adjustment request will be forwarded to the governing body for action at their next public meeting. Removal of penalties or to overriding of preauthorized charges must be authorized by the governing body in a public meeting. Utility audit reports will be run randomly to insure no unauthorized account adjustment has been entered. The meter deposit listing will be reconciled on a quarterly basis. The meaning of "received" for the purposes of timely payment of utility bills will be: payment in any form: cash, check, money order, credit card, etc. delivered to Village Hall by 8:00am the day after the due date and is ready for deposit to the bank. Those responsible will be the utility clerk; financial officer, Village administrator, and the governing body. The anticipated completion dates are: June 30, 2018 for the reconciliation of meter deposit listing; and all other items by June 30, 2017.

*Item 2015-004 – Material Weakness - Capital Asset
Subsidiary Records and Depreciation Expense*

Statement of Condition – The Village acquired and disposed of various capital assets during the fiscal year ended June 30, 2015. The Village did not adjust their capital asset subsidiary records to reflect these new acquisitions and disposals.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

*Item 2015-004 – Material Weakness - Capital Asset
Subsidiary Records and Depreciation Expense (continued)*

Criteria – New Mexico State Statutes Section 12-6-10 directs the general services department to promulgate regulations to state agencies for the accounting and control of fixed assets owned by government agencies. The New Mexico State Administrative Code, Title 2, Chapter 20, Part 1, *Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls* issued by the general services department, requires that the Village implement a systematic and well documented system for accounting of fixed assets. The information to be recorded and maintained must include, at a minimum, the following:

- 1) Agency name.
- 2) Fixed asset number.
- 3) A description using words meaningful for identification.
- 4) Location.
- 5) Manufacturer's name.
- 6) Model number or model name.
- 7) Serial number or vehicle identification number.
- 8) Estimated useful life.
- 9) Date acquired.
- 10) Cost.
- 11) Fund and organization that purchased the asset.

The accounting system must be capable of generating lists of capital assets in sequences useful for managing them. The system must track all transactions, including acquisitions, depreciation, improvements and dispositions. The system must generate all necessary accounting entries to the Village's general ledger.

Effect – The Village is not in compliance with New Mexico State Administrative Code 2.20.1. Non-compliance with New Mexico State Statutes and the Administrative Code subjects the governing board and management to penalties and punishment defined by State statute. Inadequate subsidiary capital asset records could allow assets to be lost or stolen, and the missing asset would not be detected in a timely manner. Further, material variances between the financial statements/general ledger and subsidiary ledgers can occur and the ability to reconcile the variances is quickly lost. The inability to maintain adequate subsidiary capital assets has contributed to the modified opinion on the governmental activities of the Village.

Cause – It was not the priority of the Village financial clerk to address maintenance of the subsidiary accounting system for capital assets, owned by the Village, on a timely basis.

Recommendations – We recommend that the Village establish a capital asset accounting system that meets the criteria established by the New Mexico Administrative Code 2.20.1. In addition, it is recommend a procedure be established immediately that would require the capital assets subsidiary records to be reconciled on a quarterly basis.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

*Item 2015-004 – Material Weakness - Capital Asset
Subsidiary Records and Depreciation Expense (continued)*

Views of Responsible Officials and Planned Corrective Actions – Given the number and severity of the other audit findings, this finding is not the highest priority. The Village will develop a fixed asset policy and procedures manual to address the concerns mentioned in this finding. The Village will review the records and update the fixed asset Excel spreadsheet for additions and deletions. Updating of the fixed asset spreadsheet will be completed on a quarterly basis. The person responsible will be the Village financial officer. The anticipated completion date is June 30, 2018.

Item 2015-005 – Significant Deficiency – Credit Card Transactions

Statement of Condition – During our testing of the documentation regarding the purchase of goods with a credit card, we discovered the Village failed to properly maintain documentation to support the transactions. Our audit sample was six credit card payments that totaled \$5,926.15. We noted sixty-six of the one hundred thirty-six individual fuel and maintenance charges had no vendor invoice or receipt attached to the monthly credit card statement. The total dollar amount of the missing invoices or receipts amounted to \$3,425.68.

Criteria – Section 6-6-3(A) NMSA 1978 requires every local public body shall “*keep all the books, records and accounts in their respective offices in the form prescribed by the local government division*” of the New Mexico Department of Finance and Administration. This would require the municipality to maintain accounting records such as cancelled invoices or receipts which provides substantiation for the expenditure of public funds in order to be in compliance with New Mexico State Statutes.

Effect – Not maintaining vendor invoices or receipts to support the purchase could call into question the validity of the purchase.

Cause – Village staff assumed the credit card statement would provide sufficient supporting documentation to support the purchase.

Recommendation – We recommend the Village retain all original invoices and receipts paid with a credit card. For Village vehicle gasoline purchases, we recommend that a description of the vehicle in which the fuel was purchased, and the mileage, be recorded on the purchase invoice or receipt. Further, we recommend the maintenance of separate logs to indicate when gasoline was purchased for each vehicle, along with the odometer reading, thereby allowing management to monitor potential misuse of the fuel purchases.

Views of Responsible Officials and Planned Corrective Actions – Management will reiterate to all employees in possession of fuel credit cards the necessity of turning in all receipts for all purchases made with the card. A form will be created for the employees to sign acknowledging this condition and that failure to submit receipts will result in disciplinary action up to and including termination.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-005 – Significant Deficiency – Credit Card Transactions (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) – Receipts will be required to be submitted to the finance office by the close of the business on the day following the purchase. Management will explore what reports are available from the credit card vendor to monitor purchases for unauthorized use. The person responsible will be the Village financial officer. The anticipated completion date is June 30, 2017.

Item 2015-006 – Compliance – Official Board Minutes

Statement of Condition – During the review of the Village Council board minutes, we noted that the official minutes for the regular meeting, held in May 2015, could not be located. In addition, the board minutes are, at times, vague as to discussion and lacked detail in the action taken. It is the practice of the Village to retain an original signed copy of the official minutes, and a separate packet of the supporting documents from the meeting.

Criteria – Section 10-15-1G NMSA 1978 (Open Meetings Act) requires that complete, accurate and detailed draft minutes be prepared within ten working days after the meeting and be approved, amended or disapproved at the next meeting where a quorum is present. Once approved the minutes must be retained and available for public inspection.

Effect – Noncompliance with the New Mexico State Statutes could subject officials and employees to penalties and fines.

Cause – Unknown. Upon discovery of the missing minutes, the auditors requested the minutes; however they were not located.

Recommendation – We recommend the Village implement administrative procedures to ensure compliance with New Mexico State Statutes. Furthermore, we recommend the Village Attorney provide training to the Village Council and staff concerning the requirements of the Open Meetings Act.

Views of Responsible Officials and Planned Corrective Actions – The Village clerk will prepare the minutes in accordance with Section 10-15-1G NMSA 1978. Management (administrator and deputy clerk) will attend one of the free educational workshops put on by the Office of the Attorney General on New Mexico “Sunshine Laws”, including Open Meetings Act and Inspection of Public Records Act. Those responsible are the Village administrator and deputy clerk. The anticipated completion date, depending on the NM AG’s training schedule, is June 30, 2017.

Item 2015-007 – Compliance – Per Diem and Mileage Act

Statement of Condition – During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was forty transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Statement of Condition (continued) –

- There were two instances where the travel request form did not reflect written approval by an authorized employee’s supervisor. The travel requests totaled \$291.33.
- There were two instances that lacked certification by the employee upon their return. The travel requests totaled \$438.23.
- There were sixteen instances where the travel request form was not complete. The travel requests totaled \$4,345.05.
- There were twelve instances where partial day for overnight travel was miscalculated. The total amount overpaid to employees was \$115.20.
- There were three instances where per diem was miscalculated. The total amount underpaid to the employees was \$318.00.
- There was an instance where an addition error caused an underpayment of \$0.70.
- There were thirty-two instances where required mileage reimbursement that were calculated incorrectly. The total amount overpaid to employees was \$651.95.

Criteria – The New Mexico Department of Finance and Administration (DFA) has issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

Section 2.42.2.8B(2) of the Travel and Per Diem regulation states, *“Overnight travel: Regardless of the number of hours traveled, travel for public officers and employees where overnight lodging is required shall be reimbursed as follows:*

- (a) *In state areas* \$85.00
- (b) *In state special areas* \$135.00
- (c) *Out of state areas* \$115.00;
- (d) *Or actual lodging and meal expenses under 2.42.2.9 NMAC.*

Section 2.42.2.8B(3) *“Return from overnight travel: On the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made. To calculate the number of hours in the partial day, begin with the time the traveler initially departed. Divide the number of hours travel by 24. The hours remaining constitute the partial day which shall be reimbursed as follows:*

- (e) *For less than 2 hours, none;*
- (f) *For 2 hours, but less than 6 hours, \$12.00;*
- (g) *For 6 hours or more, but less than 12 hours, \$20.00;*
- (h) *For 12 hours or more, \$30.00;*

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-007 – Compliance – Per Diem and Mileage Act (continued)

Effect – Non-compliance with the state of New Mexico’s Per Diem and Mileage Act subjects officials and employees to penalties as required by state statutes.

Cause – The Village staff did not have a complete understanding of the Per Diem and Mileage Act.

Recommendation – We recommend the administrative staff review the Per Diem and Mileage Act, and the administrative code to ensure compliance with the Act. Further, we recommend Village staff re-evaluate their internal control procedures over the calculation and reimbursement amounts for employee travel and per diem.

Views of Responsible Officials and Planned Corrective Actions – The Village will adopt and modify the Mileage and Per Diem form used by the state of New Mexico for all future travels. The state’s form contains all the required information outlined in this finding. The person responsible is the Village financial officer. The anticipated completion date is June 30, 2017.

Item 2015-008 – Compliance – Grant Requirements

State of Condition – In an effort to test for grant compliance, the auditors requested all federal and state grant files. No such files were provided. After a limited search of the Village’s Administrative Clerk’s office, the auditors’ were able to locate only some state of New Mexico Department of Transportation original grants, but could not locate any federal grant files, in particular the files concerning grant awards from Federal Emergency Management Agency (FEMA).

Criteria – New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, *Public Finance Accounting by Governmental Entities* of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Effect – Without the supporting documents, which would normally be maintained in a file, the auditors could not determine if the Village was in compliance with the requirements of any material grants.

Cause – Unknown.

Recommendation – We recommend the Village establish proper procedures to organize and maintain grant files that are easily accessible for review.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-008 – Compliance – Grant Requirements (continued)

Views of Responsible Officials and Planned Corrective Actions – The Village will contact the last known federal and state agencies to ascertain if there are any grant agreements between them and the Village. If so, copies will be requested of any records they have so a grant file can be developed. Any new grants will be properly documented from the start. The person responsible will be the Village financial officer. The anticipated completion date is June 30, 2017.

Item 2015-009 – Compliance - Procurement Violation

Statement of Condition – During our testing of the Village’s adherence to the New Mexico procurement code, we discovered the following violations:

- The Village purchase a re-certified Philips MRx 12-lead heart cardiac machine in the amount of \$9,999. We were not provided with documentation that this was the best obtainable price.
- The Village purchase a Argus 4 thermal imager in the amount of \$8,750. We were no provided with documentation that this was the best obtainable price.
- The Village purchased six (6) Scott Air Pak X-3 with snap change in the amount of \$32,760. We were not provided with documentation that the Village had obtained the required three quotations.

Criteria – Section 13-1-102 NMSA 1978 states that all procurement shall be by competitive sealed bid except for procurements via competitive sealed proposals; small purchases; sole source; emergency procurements; existing procurements; and antipoverty program businesses. Section 13-1-125 NMSA 1978 states that procurements requirements shall not be artificially divided so as to constitute a small purchase.

The New Mexico Administrative Code Section 1.4-1-50 states, *that a state agency may procure services, construction or items of tangible personal property having a value not exceeding twenty thousand dollars (\$20,000) by issuing a direct purchase order to a contractor based upon the best obtainable price and in accordance with any procedures or processes set forth by the state purchasing agent.* Further, section 1.4.1-51 states, *insofar as it is practical for small purchases of nonprofessional services, construction or items of tangible personal property having a value exceeding twenty (\$20,000) but not exceeding sixty thousand dollars (\$60,000), and in accordance with any procedures or processes set forth by the state purchasing agent, no fewer than three businesses shall by solicited via written requests containing the specifications for the procurement to submit written quotations that are recorded and placed in the procurement file. If three written quotes cannot be obtained, the agency shall document the reasons and include the document in the procurement file.*

Effect – Any person, firm, or corporation that knowingly and willfully violates any provision of the Procurement Code is subject to civil penalty of not more than one thousand dollars (\$1,000) for each procurement in violation of any provision of the Procurement Code [Sections 13-1-28 to 13-1-199 NMSA 1978].

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-009 – Compliance - Procurement Violation (continued)

Cause – Unknown.

Recommendation – We recommend that the Village officials expedite the establishment of procedures and controls that will provide a complete understanding and total assurance of compliance with the Procurement Code.

Views of Responsible Officials and Planned Corrective Actions – The Village will follow Village policy and the state of New Mexico Procurement Code. It is unknown why or how these three purchases made it through the system. The Village administrator is expecting to take the Chief Procurement Officer training in April 2017. When hired, the financial officer will also be required to attend and obtain the chief procurement officer designation. Those responsible are the Village administrator and financial officer. The anticipated completion dates are: June 30, 2017 for the Village administrator; and within six months of the hire date for the financial officer.

Item 2015-010 – Compliance – Lodgers’ Tax Audit

Statement of Condition – It could not be determined if and when the Village last conducted a lodgers’ tax audit. The auditors were not provided any prior year audits.

Criteria – Section 3-28-17.1 NMSA 1978 (Audit of Vendors) requires that the governing body of any municipality or county collecting less than two hundred fifty thousand dollars (\$250,000) in receipts, per annum, of occupancy tax proceeds shall conduct random audits to verify full payment of occupancy tax receipts. Copies of audits completed shall be filed annually with the Local Government Division of the Department of Finance and Administration.

Effect – Noncompliance with the New Mexico State Statutes could subject officials and employees to penalties and fines.

Cause – Unknown.

Recommendation – We recommend the Village implement administrative procedures to ensure compliance with Section 3-28-17.1 NMSA 1978, audits of vendors.

Views of Responsible Officials and Planned Corrective Actions – The Village has two lodging facilities as defined by the Lodger’s Tax Act. The Village will conduct annual audits on both facilities. Those responsible are the Lodger’s Tax Board and the Village financial officer. The anticipated completion date is June 30, 2018.

Item 2015-011 – Compliance - Annual Inventory of Capital Assets

Statement of Condition – It could not be determined if the Village actually conducted an annual physical inventory of its capital assets for the fiscal year ended June 30, 2015.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-011 – Compliance - Annual Inventory of Capital Assets (continued)

Criteria – According to the Administrative Code, Title 2, Public Finance, Chapter 20, *Accounting by Governmental Entities, Part 1, Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls, 2.20-1.16, Annual Inventory*, the Village shall conduct a physical inventory of its capital assets consisting of those costs of \$5,000 or more, under the control of the Village.

Effect – Non-performance of a physical inventory of all capital assets owned by the Village could allow errors to occur in the capital assets subsidiary records and financial statements. These errors would not be detected on a timely basis. Further, dishonest employees could remove items, and the theft would not be detected on a timely basis.

Cause – The management have not placed high priority or resources on the accounting and reporting of capital assets.

Recommendation – We recommend the Village adhere to the administrative order regarding the performance of a complete and accurate annual inventory. Procedures must be established to ensure that Village personnel are given clear and concise direction as to what constitutes a capital asset when conducting the annual physical count.

Views of Responsible Officials and Planned Corrective Actions – Each year, around April, the Village will distribute a fixed asset listing to the applicable departments for their review. Any additions/deletions will be updated accordingly. A final fixed asset listing will be provided to the governing body for review and approval no later than the July meeting. Those responsible are the Village financial officer and governing body. The anticipated completion date is July 31, 2017.

Item 2015-012 – Compliance – Public Employees Retirement Act (PERA) Wages and Contributions

Statement of Condition – As the result of our PERA testing indicated the following:

1. The Village was not using the correct employer contribution rates to determine the amount of employer contributions. The rates they actually used were 9.15% for municipal plan 2 employees and 10.00% for municipal police plan 1 employees.
2. In total, the Village did not report the correct PERA wages. The total PERA wages as reported were \$289,813.25. These wages included exempt overtime wages and wages in excess of an 80 hour pay period. The correct PERA wages should have been \$275,114.63.

Criteria – PERA is a 401(a) qualified government plan governed by the New Mexico Public Employees Retirement Act. A public employer affiliated with PERA must deduct employee contributions each pay period from the employee's wages.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

*Item 2015-012 – Compliance – Public Employees
Retirement Act (PERA) Wages and Contributions (continued)*

Criteria (continued) – These contributions are paid into the PERA member contribution fund. The employer also must pay employer contributions into the PERA employer’s accumulation fund each pay period. The amount of employee contribution is a percentage of the employee’s base salary as determined by the coverage plan provided by the current employer. The rates in effect for the period July 1, 2014 through June 30, 2015 were as follows:

	Employee Contribution Percentage		Employer Contribution Percentage
	Annual Salary \$20,000 or Less	Annual Salary Greater than \$20,000	
Municipal Plan 2	9.15%	10.65%	9.55%
Municipal Police	7.00%	8.50%	10.40%

Effect – The employee’s potential retirement benefits were affected because of the use of incorrect contribution percentages. Non-compliance with the regulations set forth by PERA resulted in over reporting of PERA wages.

Cause – Unknown.

Recommendation – We recommend the Village management establish procedures to ensure compliance with PERA regulations. These procedures should include a semi-annual verification of contributions rates and a thorough review of the reporting prior to submittal to PERA to verify accuracy.

Views of Responsible Officials and Planned Corrective Actions – The payroll system will be verified to contain the correct employee and employer rates. The Caselle software system automatically calculates the PERA withholding and employer match, and issues a check accordingly. Training will be provided regarding what wages are subject to PERA and which are not. The person responsible is the Village financial officer. The anticipated completion date is June 30, 2017.

Item 2015-014 – Other Matters – IPA Recommendation and Contract to State Auditor

Statement of Condition – The Village did not deliver the fully completed and signed IPA Recommendation Form for Audits and the completed audit contract to the state auditor by May 15, 2015.

Criteria – As per Section 2.2.2.8(G)(6)(c) of the 2.2.2 NMAC Audit Rule 2015, the agency shall deliver the fully completed and signed IPA recommendation Form for Audits and the completed audit contract to the state auditor by May 15, 2015.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-014 – Other Matters – IPA Recommendation and Contract to State Auditor (continued)

Effect – Non-compliance with the NMAC Audit Rule 2015 delays the efforts of the state auditor’s office to execute timely audit contracts.

Cause – Unknown.

Recommendation – We recommend the Village management establish procedures to ensure compliance with the 2.2.2 NMAC Audit Rule.

Views of Responsible Officials and Planned Corrective Actions – The Village administrator has been informed the Office of the State Auditor (OSA) makes notifications to agencies in late February or early March regarding the need to procure an Independent Public Accountant (IPA). Upon notification, the administrator will use the OSA’s web portal to have a contract issued for the current IPA for the FY2017 audit cycle. The person responsible is the Village administrator. The anticipated completion date is May 15, 2017.

Item 2015-015 – Other Matters – Presentation of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2014, was not presented to a quorum of the Village’s governing authority, at a public meeting, for approval.

Criteria – New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* Section 2.2.2.10(J)(3)(d) states the following, “Once the audit report is officially released to the agency by the State Auditor and the required waiting period of five calendar days has passed, unless waived, the audit report shall be presented by the independent public accountant, to a quorum of the governing authority of the agency at a meeting held in accordance with the Open Meetings Act. The presentation of the audit report should be documented in the minutes of the meeting.”

Effect – The purpose of the presentation is to afford the auditor the opportunity to directly communicate the results of the audit, including the expression of the auditor’s opinion on the financial statements along with matters communicated in the report on internal controls that includes the audit findings, to the governing board. Without a timely presentation, appropriate action by the governing board, if necessary, could be delayed or foregone.

Cause – The Village was not aware of section 2.2.2.10(J)(3)(d) NMAC.

Recommendation – The Village should become familiar with section 2.2.2.10(J)(3)(d) NMAC, and establish a procedure to ensure compliance with the code section. The presentation should be on a timely basis so that appropriate action by the governing board, where necessary, can be taken.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-015 – Other Matters – Presentation of Audit Report (continued)

Views of Responsible Officials and Planned Corrective Actions – Future audits will be presented by the IPA to a quorum of the governing body in accordance with 2.2.2.10(J)(3)(d) NMAC. Those responsible is the Village governing body. The anticipated completion date is June 30, 2017.

SECTION II – HOUSING AUTHORITY FINANCIAL STATEMENT FINDINGS

*Item 2006-03 – Significant Deficiency – Capital Asset
Subsidiary Records and Depreciation Expense*

Statement of Condition – The Cimarron Housing Authority (Authority) has not maintained complete and accurate capital asset subsidiary records that detail all property and equipment owned by the Authority and purchased prior to July 1, 2005. Since the Authority does not have a detailed list of assets owned, the Authority is unable to calculate depreciation expense for such assets. The detail fixed asset records cannot be located in the Authority's records.

Criteria – New Mexico State Statutes Section 12-6-10 directs the general services department to promulgate regulations to state agencies for the accounting and control of fixed assets owned by government agencies. The New Mexico State Administrative Code, Title 2, Chapter 20, Part 1, *Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls* issued by the general services department, requires that the Village's Housing Authority implement a systematic and well documented system for accounting of capital assets. The information to be recorded and maintained must include, at a minimum, the following:

- 1) Agency name.
- 2) Fixed asset number.
- 3) A description using words meaningful for identification and location.
- 4) Manufacturer's name.
- 5) Model number or model name.
- 6) Serial number or vehicle identification number.
- 7) Estimated useful life.
- 8) Date acquired.
- 9) Cost and for adjusted basis.

The accounting system must be capable of generating lists of capital assets in sequences useful for managing them. The system must track all transactions, including acquisitions, depreciation, improvements and dispositions.

Non-compliance with New Mexico State Statutes and the Administrative Code subjects the governing board and management to penalties and punishment defined by state statute. Inadequate subsidiary capital asset records could allow assets to be lost or stolen, and the missing asset would not be detected in a timely manner.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION II – HOUSING AUTHORITY FINANCIAL STATEMENT FINDINGS (continued)

*Item 2006-03 – Significant Deficiency – Capital Asset
Subsidiary Records and Depreciation Expense (continued)*

Cause – The Authority experienced inconsistency in management personnel and fee accountant changes.

Recommendations – We recommend that the Authority continue to explore resources to reconstruct the details of capital assets purchased prior to July 1, 2005.

Effect – The Authority is not in compliance with New Mexico State Administrative Code 2.20.1.

Views of Responsible Officials and Planned Corrective Actions – The Cimarron Housing Authority is considered a component unit of the Village of Cimarron. The Housing Authority is under the direct management of the Northern Regional Housing Authority, so the Village does not directly control its management or operations.

The Village will work with the Authority to address this issue, but the Village is giving priority to its own audit findings. Those responsible will be the Housing Authority's executive director, Village of Cimarron administrator and financial officer. The anticipated completion date is June 30, 2018.

Item 2014-001 – Significant Deficiency – Inadequate Internal Control over Cash Receipts

Statement of Condition – During our testing of twelve deposits, which contained sixty-eight cash receipts received and recorded for the Housing Authority by the Village, we discovered the Village does not deposit money received, timely. We noted twenty-two instances where money was received, by the Village, and not deposited timely.

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

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

Cause – The Housing Authority's Executive Director was put on administrative leave at the end of November 2013, and terminated on June 30, 2014. At this time, the responsibilities were transferred to the Village of Cimarron, who was not monitoring the activities of the Authority even though they had requested help from the Raton Housing Authority.

Recommendation – We recommend that the governing board expiate the transfer of the Cimarron Housing Authority to the Northern Regional Housing Authority.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION II – HOUSING AUTHORITY FINANCIAL STATEMENT FINDINGS (continued)

Item 2014-001 – Significant Deficiency – Inadequate Internal Control over Cash Receipts (cont.)

Recommendation (continued) – Until the Cimarron Housing Authority has been completely transferred to the Northern Regional Housing Authority, we recommend the Village ensures proper cash handling and posting to the accounting software procedures are operating effectively.

Views of Responsible Officials and Planned Corrective Actions – The Cimarron Housing Authority is considered a component unit of the Village of Cimarron. The Housing Authority is under the direct management of the Northern Regional Housing Authority so the Village does not directly control its management or operations. The Village will work with the Authority to address this issue but the Village is giving priority to its own audit findings. The Village will monitor its own cash receipts and make deposits daily. Those responsible are the Housing Authority Executive Director, Village administrator and financial officer. The anticipated completion dates are for the Village’s cash receipts is June 30, 2017 and Housing Authority cash receipts is June 30, 2018.

Item 2015-013 – Compliance - Tenant Eligibility – Housing Authority

Statement of Condition – During the course of our audit, we performed audit tests of the tenant files retained by the Cimarron Housing Authority. We selected seventeen tenant files to test. Our tests revealed the following matters:

- One occasion where the applicant did not fill out Form 214, *Personal Declaration of Status* correctly.
- Three occasions where the applicant did not fill out the Community Service/Self Sufficiency Policy.
- Two occasions where the Authority did not fill out property inspection form.
- One occasion where the applicant failed to sign the property inspection form.
- One occasion where a representative of the Authority failed to sign the calculation tenant rent form.

Criteria – The Authority has established policies and procedures regarding the retention of tenant information in order to substantiate eligibility as required by the U.S. Department of Housing and Urban Development (24 CFR sections 5.230, 5.601, 5.609, 960.253, 960.255, and 960.259).

24 CFR section 5.230 states that ‘as a condition of admission or continued occupancy, the Authority requires the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility’.

24 CFR section 5.601 *et seq.* states that the Authority ‘determines income eligibility and calculates the tenant’s rent payment using the documentation from third party verification’. Furthermore, 24 CFR sections 960.253, 960.257, and 960.259 states that the Authority ‘reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third party verification’.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION II – HOUSING AUTHORITY FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-013 – Compliance - Tenant Eligibility – Housing Authority (continued)

Statement of Condition (continued) – Furthermore, the Quality Housing and Work Responsibility Act of 1998 requires that ‘*all non-exempt public housing adult residents (18 or older) contribute eight (8) hours per month of community service (volunteer work) or participate in eight (8) hours of training, counseling, classes and other activities which help an individual toward self-sufficiency and economic independence. This is a requirement of the Public Housing Lease.*’

Effect – Not complying with rules and regulations established by the U.S. Department of Housing and Urban Development could jeopardize funding from the federal agency. Further, the agency may have penalties regarding noncompliance with their rules and regulations.

Cause – The Board of the Cimarron Housing Authority dissolved in June 2014. The Village took on management of the Authority until they entered into a management agreement with the Northern Regional Housing Authority. In and during that process, there was a failure to review all tenant files for completeness and accuracy upon the tenant’s initial entrance into the Authority, or the annual review of each of the tenant’s files. The Authority failed to ensure that all necessary forms that needed to be signed by the tenant and/or by a representative of the Authority, were reviewed, completed, and signed.

Recommendation – We recommend that Cimarron Housing Authority management team establish controls and procedures regarding the completion, updating and retention of tenant files to be in compliance with laws and regulations established by the U.S. Department of Housing and Urban Development.

Views of Responsible Officials and Planned Corrective Actions – The Cimarron Housing Authority is considered a component unit of the Village of Cimarron. The Housing Authority is under the direct management of the Northern Regional Housing Authority, so the Village does not directly control its management or operations. The Village will work with the Authority to address this issue, but the Village is giving priority to its own audit findings. Those responsible are the Housing Authority’s executive director and the Village of Cimarron’s administrator and financial officer. The anticipated completion date is June 30, 2018.

SECTION III - PRIOR YEAR’S AUDIT FINDINGS – VILLAGE of CIMARRON

Item 2002-002 – Compliance - Late Audit Report – The prior fiscal year audit report was not submitted timely. The finding is not considered resolved and is repeated in the current year as item 2002-002.

Item 2003-003 – Compliance – Budget Overruns - In the prior fiscal year, the Village had several funds in which the actual expenditures exceed the adopted budget. The Village complied with budgetary requirements for the fiscal year ended June 30, 2015. The audit finding is considered resolved.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION III - PRIOR YEAR'S AUDIT FINDINGS – VILLAGE of CIMARRON (continued)

Item 2003-006 – Significant Deficiency – Imprest Bank Account – In the prior year, the Village did not correctly reconcile the imprest payroll bank account. The finding is not considered resolved, has been modified and is repeated in the current year as item 2003-006.

Item 2008-003 – Other Matter – Enterprise Fund Debt – In the prior years, two enterprise (water/sewer and solid waste) funds had borrowed monies from the general fund to pay debt. The finding is not considered resolved, has been modified and is repeated in the current year as item 2008-003.

Item 2012-007 – Other Matter – Bank Reconciliation for Municipal Escrow Account – In the prior year, the municipal escrow bank account had not been reconcile based on the information provided by the Municipal Judge's office. The finding is not considered resolved, has been modified and is repeated in the current year as item 2012-007.

Item 2014-001 – Other Matter – NSF Fee Amount Transferred Incorrectly – In the prior year, a \$50 NSF fee was not posted to the general fund correctly. The finding was unique to the fiscal year ended June 30, 2014 and as such is not repeated in the current year report.

Item 2014-002 – Significant Deficiency – Incorrect Posting – In the prior year the Village had several issues during the year concerning the posting of transactions to certain funds. The finding has not been cleared and is repeated as 2014-002, Accounting Activity.

Item 2014-003 – Significant Deficiency – Amounts not Being Paid Back Between Funds – In the prior year, it was reported that the Village has inter-fund receivables and payables that have not been adequately addressed. The finding has been modified and is repeated as 2014-002, Interfund Balances.

Item 2014-004 – Compliance – 1099 Forms Incorrect – In the prior year the Village incorrectly reported an amount on the IRS form 1099-MISC form. The finding was a one-time isolated instance and therefore is not repeated for the fiscal year ended June 30, 2015.

Item 2014-005 – Compliance – Unreconciled DFA Report Cash Balances – In the prior year, it was reported that the Village had not reconciled the fourth quarter DFA report to the books of record. The finding has been modified and is repeated as 2014-005, Cash Reconciliation of DFA Reports.

Item 2014-006 – Compliance – Lack of Service Agreement Accounting – In the prior year, Cimarron Chamber of Commerce had not provided a final accounting for the funds given to the Chamber. The finding has been modified and is repeated as 2014-006, Service Agreement Accounting.

Item 2014-007 – Other Matter – Water Conservation Fee – In the prior year, the Village was not calculating the water conservation fee correctly. The finding has not been resolved, has been modified, and is repeated as 2014-007.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION III - PRIOR YEAR'S AUDIT FINDINGS – VILLAGE of CIMARRON (continued)

Item 2014-008 – Compliance – Service Agreement Overpayment – In the prior year, Cimarron Chamber of Commerce was overpaid under the Service Agreement with the Village. The finding has been modified and is repeated as 2014-008, Service Agreement Compliance.

Item 2014-009 – Compliance – Lack of Clarity in the Service Agreement – In the prior year, the Service Agreement with the Village lacked clarity in regards to the how the lodger's tax receipts were to be spent. The finding has been modified and is repeated as 2014-009.

SECTION IV - PRIOR YEAR'S AUDIT FINDINGS – CIMARRON HOUSING AUTHORITY

Item 2006-003 – Significant Deficiency – Capital Assets for Cimarron Housing Authority – In the prior year, the Cimarron Housing Authority has not maintained a detailed listing of capital asset schedules for assets purchased prior to July 1, 2005. The finding is not considered resolved, has been modified and is repeated in the current year as item 2006-003.

Item 2013-001 – Compliance – Timely Filing and Payment of Payroll Taxes – In the prior year, Cimarron Housing Authority did not submit payroll reports to the Internal Revenue Service and the State of New Mexico on a timely basis. As of August 2014, the Village of Cimarron took over the responsibilities of payroll for the Housing Authority. The finding is not repeated in the June 30, 2015 report.

Item 2013-002 – Compliance – Timely Filing and Payment of PERA Contributions – For the period July 1, 2013 to August 2013, the Cimarron Housing Authority did not submit payment and reports to the New Mexico Public Employees Retirement Association. As of August 2014, the Village of Cimarron took over the responsibilities of payroll for the Housing Authority. The finding is not repeated in the June 30, 2015 report.

Item 2013-003 – Compliance – Mileage Reimbursement Incorrectly Calculated – In the prior year the Cimarron Housing Authority incorrectly calculated a mileage reimbursement. As of August 2014, the Village of Cimarron took over the responsibilities for the reimbursements of travel and mileage for the Housing Authority. The finding is not repeated in the June 30, 2015 report.

Item 2014-001 – Significant Deficiency – Inadequate Internal Control over Cash Receipts – In the prior year the Cimarron Housing Authority has significant discrepancies between receipt/posting dates for tenant payments in the Housing Authority's accounting system and bank deposit dates. The finding has not been cleared and is repeated as 2014-001.

Item 2014-002 – Compliance – Late Independent public Accountant Recommendation – In the prior year the Cimarron Housing Authority did not deliver the IPA recommendation form and audit contract to the New Mexico State Auditor by the required deadline. The Cimarron Housing Authority dissolved its board and as such has been absorbed by the Village of Cimarron effect July 1, 2014. The finding was not repeated for the year ended June 30, 2015.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
EXIT CONFERENCE AND
FINANCIAL STATEMENT PREPARATION
JUNE 30, 2015**

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2015, was discussed during the exit conference held on February 9, 2017. Present for the Village was Anita LeDoux, mayor; and Matthew E. Gonzales, Village administrator. Present for the auditing firm was Rose Fierro, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the Village of Cimarron as of June 30, 2015. The Village's upper management has reviewed and approved the financial statements and related notes, and they believe that the Village's books and records adequately support them.