

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2016

**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, 2016

ELECTED OFFICIALS

Judy LeDoux Mayor
Ron Hickman Mayor Pro-Tem
Phillip Salazar Councilor
Leo R. Martinez Councilor
Anita LeDoux Councilor
Karen Gates 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, 2016, 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, 2016, 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 qualified audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Capital Outlay Fund	Unmodified
Law Enforcement Fund	Unmodified
Water and Sewer Fund	Qualified
Solid Waste Fund	Unmodified
Ambulance Fund	Qualified
Housing Authority Fund	Qualified
Aggregate Remaining Fund Information	Unmodified
Combining and Individual Non-Major Governmental Funds	Unmodified
General Fund Budgetary Comparison	Unmodified
Capital Outlay Fund Budgetary Comparison	Unmodified
Law Enforcement Fund Budgetary Comparison	Unmodified
Major Enterprise Funds Budgetary Comparison	Unmodified
All Non-Major Governmental Fund Budgetary Comparison	Unmodified

Basis for Qualified Opinions

The Village has not maintained a complete capital asset subsidiary ledger to support reported capital assets reported in the financial statements. Additionally, the Village has not performed a physical inventory to reconcile assets on hand and those recorded in the subsidiary ledger. Accounting principles generally accepted in the United States of America require that governmental entities report all capital assets including, but not limited to, general infrastructure assets. Further, government entities are required to depreciate appropriate assets owned and maintained. As a result of poorly maintained capital assets subsidiary ledger, we were unable to ascertain the completeness and proper recording of transactions and depreciation that affect the financial statements.

Qualified Opinions

In our opinion, except for the effects of the matter 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, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the combining and individual nonmajor governmental funds of the Village, as of June 30, 2016, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the general, major special revenue, 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.

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 require 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.

Other Matters (continued)

Required Supplementary 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-two through sixty-six be presented to supplement the basic financial statements.

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


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 (schedules of cash accounts, pledged collateral, changes in assets and liabilities and the financial data schedule), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 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

July 20, 2017

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash	\$ 667,971	\$ 321,546	\$ 989,517
Receivables, net	84,186	64,267	148,453
Prepaid expenses	-	2,657	2,657
Total current assets	752,157	388,470	1,140,627
Noncurrent assets:			
Restricted cash	95,274	49,086	144,360
Internal balances	77,971	(77,971)	-
Capital assets:			
Land and construction in progress	117,880	76,600	194,480
Other capital assets, net of depreciation	2,720,722	3,508,529	6,229,251
Total capital assets	2,838,602	3,585,129	6,423,731
Total noncurrent assets	3,011,847	3,556,244	6,568,091
Deferred Outflows of Resources:			
Pension related	30,564	8,169	38,733
Total assets and deferred outflows of resources	<u>\$ 3,794,568</u>	<u>\$ 3,952,883</u>	<u>\$ 7,747,451</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 68,013	\$ 24,219	\$ 92,232
Accrued salaries	9,815	302	10,117
Accrued payroll liabilities	1,204	52	1,256
Accrued interest payable	624	5,943	6,567
Deposits payable	-	43,324	43,324
Unearned revenue	-	474	474
Note payable	33,631	22,776	56,407
Bonds payable	-	8,700	8,700
Compensated absences	7,272	1,993	9,265
Total current liabilities	120,559	107,783	228,342
Noncurrent liabilities:			
Note payable	236,443	74,634	311,077
Bonds payable	-	223,925	223,925
Compensated absences	3,116	498	3,614
Net pension liability	241,955	88,984	330,939
Total noncurrent liabilities	481,514	388,041	869,555
Total liabilities	602,073	495,824	1,097,897
Deferred Inflows of Resources:			
Pension related	27,909	11,983	39,892
Net Position:			
Net investment in capital assets	2,568,528	3,187,522	5,756,050
Restricted for:			
Debt service	83	1,493	1,576
State mandated per statutes	167,921	-	167,921
Unrestricted	428,054	256,061	684,115
Total net position	<u>3,164,586</u>	<u>3,445,076</u>	<u>6,609,662</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,794,568</u>	<u>\$ 3,952,883</u>	<u>\$ 7,747,451</u>

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, 2016**

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	\$ 236,765	\$ 14,561	\$ 178,511	\$ -	\$ (43,693)	\$ -	\$ (43,693)
Public safety	357,625	29,722	111,236	-	(216,667)	-	(216,667)
Highway and streets	164,069	-	-	-	(164,069)	-	(164,069)
Culture and recreation	19,476	-	-	-	(19,476)	-	(19,476)
Health and welfare	8,788	3,897	-	-	(4,891)	-	(4,891)
Interest on long-term debt	3,755	-	-	-	(3,755)	-	(3,755)
Total governmental activities	790,478	48,180	289,747	-	(452,551)	-	(452,551)
Business-type activities:							
Water	292,747	182,864	-	-	-	(109,883)	(109,883)
Wastewater	81,524	73,987	-	-	-	(7,537)	(7,537)
Solid waste	171,676	144,094	-	-	-	(27,582)	(27,582)
Ambulance	101,855	80,953	12,200	-	-	(8,702)	(8,702)
Public housing	105,518	26,062	51,367	33,717	-	5,628	5,628
Interest on long-term debt	10,934	-	-	-	-	(10,934)	(10,934)
Total business-type activities	764,254	507,960	63,567	33,717	-	(159,010)	(159,010)
Total primary government	\$ 1,554,732	\$ 556,140	\$ 353,314	\$ 33,717	(452,551)	(159,010)	(611,561)
General Revenues:							
Gross receipts taxes					411,670	6,631	418,301
Property taxes, levied for general purposes					56,659	-	56,659
Lodgers' taxes					19,757	-	19,757
Franchise taxes					24,956	-	24,956
Public service taxes					35,382	-	35,382
Interest income					2,219	377	2,596
Donations					290	300	590
Miscellaneous					13,192	337	13,529
Special item - Gain on sale of assets					6,755	-	6,755
Transfers					(90,000)	90,000	-
Total general revenues, special item and transfers					480,880	97,645	578,525
Change in net position					28,329	(61,365)	(33,036)
Net position, beginning of year					2,818,949	2,716,635	5,535,584
Restatements					317,308	789,806	1,107,114
Net position, beginning of year, restated					3,136,257	3,506,441	6,642,698
Net position, end of year					\$ 3,164,586	\$ 3,445,076	\$ 6,609,662

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, 2016**

	General Fund	Capital Outlay Fund	Law Enforcement Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 388,638	\$ -	\$ 20,199	\$ 259,134	\$ 667,971
Receivables, net	78,328	-	-	5,858	84,186
Due from other funds	249,005	-	-	-	249,005
Restricted:					
Cash held by fiscal agent	-	-	95,191	83	95,274
Total assets	<u>\$ 715,971</u>	<u>\$ -</u>	<u>\$ 115,390</u>	<u>\$ 265,075</u>	<u>\$ 1,096,436</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 49,987	\$ 17,414	\$ -	\$ 612	\$ 68,013
Accounts salaries	9,815	-	-	-	9,815
Accrued payroll liabilities	1,204	-	-	-	1,204
Due to other funds	-	171,034	-	-	171,034
Total liabilities	61,006	188,448	-	612	250,066
Deferred Inflows of Resources:					
Unavailable property tax revenue	371	-	-	-	371
Fund Balances:					
Nonspendable:					
Interfund advances	249,005	-	-	-	249,005
Restricted for:					
Debt service	-	-	-	83	83
State mandated per statutes	-	-	-	114,031	114,031
State mandated budget reserve	53,890	-	-	-	53,890
Committed for:					
Subsequent years' expenditures	-	-	115,390	-	115,390
Assigned	-	-	-	150,349	150,349
Unassigned	351,699	(188,448)	-	-	163,251
Total fund balances	<u>654,594</u>	<u>(188,448)</u>	<u>115,390</u>	<u>264,463</u>	<u>845,999</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 715,971</u>	<u>\$ -</u>	<u>\$ 115,390</u>	<u>\$ 265,075</u>	<u>\$ 1,096,436</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, 2016

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

Total fund balance governmental funds (page seven)	\$ 845,999
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,838,602
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.	371
Deferred outflows of resources related to pensions are applicable to future periods and are not reported in the funds.	30,564
Certain accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds.	(624)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(522,417)
Deferred inflows of resources related to pensions are applicable to future periods and are not reported in the funds.	<u>(27,909)</u>
Net position of governmental activities (page five)	<u><u>\$ 3,164,586</u></u>

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, 2016

	General Fund	Capital Outlay Fund	Law Enforcement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Gross receipts taxes	\$ 389,559	\$ -	\$ -	\$ -	\$ 389,559
Property taxes	66,973	-	-	-	66,973
Franchise taxes	24,956	-	-	-	24,956
Lodgers' taxes	-	-	-	19,757	19,757
Public service taxes	57,493	-	-	-	57,493
Intergovernmental:					
State	180,595	-	21,800	77,852	280,247
Local	-	-	-	9,500	9,500
Charges for services	12,867	-	-	3,897	16,764
Fines and forfeitures	-	-	-	29,147	29,147
Interest	1,996	-	191	32	2,219
Miscellaneous	18,805	-	-	1,001	19,806
Total revenues	753,244	-	21,991	141,186	916,421
Expenditures:					
Current:					
General government	196,311	-	-	-	196,311
Public safety	253,448	-	6,478	49,717	309,643
Highways and streets	90,811	-	-	-	90,811
Culture and recreation	-	-	-	14,610	14,610
Health and welfare	7,562	-	-	608	8,170
Capital outlay	72,608	126,307	-	-	198,915
Debt service:					
Principal	-	-	-	17,080	17,080
Interest and other charges	-	-	717	4,231	4,948
Total expenditures	620,740	126,307	7,195	86,246	840,488
Excess (deficiency) revenues over expenditures	132,504	(126,307)	14,796	54,940	75,933
Other Financing Sources (Uses):					
Transfers in	21,523	-	-	-	21,523
Transfers (out)	(90,000)	-	-	(21,523)	(111,523)
Loan proceeds	-	-	95,718	-	95,718
Total other financing sources (uses)	(68,477)	-	95,718	(21,523)	5,718
Special Item:					
Proceeds from sale of assets	6,755	-	-	-	6,755
Net change in fund balances	70,782	(126,307)	110,514	33,417	88,406
Fund balance, beginning of year	604,476	(62,141)	4,876	231,046	778,257
Restatements	(20,664)	-	-	-	(20,664)
Fund balances, beginning of year, restated	583,812	(62,141)	4,876	231,046	757,593
Fund balance, end of year	\$ 654,594	\$ (188,448)	\$ 115,390	\$ 264,463	\$ 845,999

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, 2016

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

Net change in fund balances total governmental fund (page nine)	\$	88,406
Governmental funds report capital outlay as expenditures in the amount of \$198,915; 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 \$172,519.		26,396
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.		(10,314)
The issuance of long-term debt (notes, bonds) 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		(95,718)
Note obligation principal payments		17,080
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		(1,468)
Change in accrued interest payable		1,193
Pension expense		2,754
		2,754
Net change in net position - statement of activities (page six)	\$	28,329

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, 2016**

	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	\$ 384,001	\$ 384,001	\$ 369,915	\$ 19,644	\$ 389,559	\$ (14,086)
Property taxes	65,000	65,000	56,771	10,202	66,973	(8,229)
Franchise taxes	24,000	24,000	24,546	410	24,956	546
Public service taxes	41,600	41,600	54,866	2,627	57,493	13,266
Intergovernmental:						
Federal	-	-	4,347	(4,347)	-	4,347
State	153,500	153,500	191,297	(10,702)	180,595	37,797
Charges for services	4,750	4,750	12,764	103	12,867	8,014
Fines and forfeitures	70,000	70,000	-	-	-	(70,000)
Interest	800	800	1,996	-	1,996	1,196
Miscellaneous	7,400	7,400	38,839	(20,034)	18,805	31,439
Total revenues	751,051	751,051	755,341	(2,097)	753,244	4,290
Expenditures:						
Current:						
General government	306,210	306,210	221,590	(25,279)	196,311	84,620
Public safety	289,957	289,957	262,153	(8,705)	253,448	27,804
Public works	44,009	44,009	90,645	166	90,811	(46,636)
Health and welfare	10,000	10,000	10,779	(3,217)	7,562	(779)
Capital outlay	-	-	29,500	43,108	72,608	(29,500)
Total expenditures	650,176	650,176	614,667	6,073	620,740	35,509
Excess (deficiency) of revenues over expenditures	100,875	100,875	140,674	(8,170)	132,504	39,799
Other Financing Sources (Uses):						
Transfers in	-	-	21,523	-	21,523	21,523
Transfers (out)	(60,000)	(85,000)	(90,000)	-	(90,000)	(5,000)
Total other financing sources (uses)	(60,000)	(85,000)	(68,477)	-	(68,477)	16,523
Special Item:						
Proceeds from sale of assets	-	-	6,755	-	6,755	6,755
Net change	40,875	15,875	78,952	\$ (8,170)	\$ 70,782	63,077
Cash balance, beginning of year	430,190	430,190	430,190			-
Restatement	-	-	804			804
Cash balance, beginning of year, restated	430,190	430,190	430,994			804
Cash advanced to other funds	-	-	(121,308)			(121,308)
Cash balance, end of year	\$ 471,065	\$ 446,065	\$ 388,638			\$ (57,427)
Explanation of Differences:						
Change in receivables				\$ 1,713		
Change in accounts payable				(24,692)		
Change in accrued salaries				368		
Change in accrued payroll taxes				4,127		
Change in unavailable revenues				10,314		
				\$ (8,170)		

The accompanying notes are an integral part of these financial 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, 2016

	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	\$ -
Interest	-	-	191	-	191	191
Miscellaneous	6,020	6,020	-	-	-	(6,020)
Total revenues	27,820	27,820	21,991	-	21,991	(5,829)
Expenditures:						
Current:						
Public safety	6,700	6,700	7,358	(880)	6,478	(658)
Debt service:						
Principal	15,100	15,100	-	-	-	15,100
Interest and other charges	-	-	717	-	717	(717)
Total expenditures	21,800	21,800	8,075	(880)	7,195	13,725
Excess of revenues over expenditures	6,020	6,020	13,916	880	14,796	7,896
Other Financing Sources (Uses):						
Loan proceeds	-	-	95,718	-	95,718	95,718
Net change in cash balance	6,020	6,020	109,634	\$ 880	\$ 110,514	103,614
Cash balance, beginning of year	5,756	5,756	5,756			-
Cash balance, end of year	\$ 11,776	\$ 11,776	\$ 115,390			\$ 103,614
Explanation of Differences:						
Change in accounts payable				\$ 880		

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, 2016

	Enterprise Funds				Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	Housing Authority Fund	
Assets:					
Current assets:					
Cash	\$ 57,095	\$ 27,807	\$ 182,966	\$ 53,678	\$ 321,546
Receivables, net	20,208	10,987	15,072	18,000	64,267
Prepaid expenses	-	-	-	2,657	2,657
Total current assets	77,303	38,794	198,038	74,335	388,470
Noncurrent assets:					
Restricted assets:					
Cash	44,064	-	1,493	3,529	49,086
Capital assets:					
Land	58,000	-	-	18,600	76,600
Buildings	-	-	-	867,096	867,096
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	<u>(3,893,249)</u>	<u>-</u>	<u>(418,040)</u>	<u>(615,447)</u>	<u>(4,926,736)</u>
Total capital assets, net	<u>3,226,249</u>	<u>-</u>	<u>16,089</u>	<u>342,791</u>	<u>3,585,129</u>
Total noncurrent assets	3,270,313	-	17,582	346,320	3,634,215
Deferred Outflows of Resources:					
Pension related	<u>7,387</u>	<u>-</u>	<u>-</u>	<u>782</u>	<u>8,169</u>
Total assets and deferred outflows of resources	<u>\$ 3,355,003</u>	<u>\$ 38,794</u>	<u>\$ 215,620</u>	<u>\$ 421,437</u>	<u>\$ 4,030,854</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 4,550	\$ 15,695	\$ 2,782	\$ 1,192	\$ 24,219
Accrued salaries	302	-	-	-	302
Accrued payroll liabilities	52	-	-	-	52
Accrued interest payable	5,806	-	137	-	5,943
Deposits payable	40,739	-	-	2,585	43,324
Unearned revenues	-	-	-	474	474
Current maturities of liabilities:					
Notes payable	14,679	-	8,097	-	22,776
Bonds payable	8,700	-	-	-	8,700
Compensated absences	<u>1,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,993</u>
Total current liabilities	76,821	15,695	11,016	4,251	107,783
Noncurrent Liabilities:					
Due to other funds	77,971	-	-	-	77,971
Notes payable	39,755	-	34,879	-	74,634
Bonds payable	223,925	-	-	-	223,925
Compensated absences	498	-	-	-	498
Net pension liability	<u>80,466</u>	<u>-</u>	<u>-</u>	<u>8,518</u>	<u>88,984</u>
Total noncurrent liabilities	<u>422,615</u>	<u>-</u>	<u>34,879</u>	<u>8,518</u>	<u>466,012</u>
Total liabilities	499,436	15,695	45,895	12,769	573,795
Deferred Inflows of Resources:					
Pension related	10,836	-	-	1,147	11,983

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, 2016

	Enterprise Funds				Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	Housing Authority Fund	
Net Position:					
Net investment in capital assets	2,844,731	-	-	342,791	3,187,522
Restricted debt service	-	-	1,493	-	1,493
Unrestricted	-	23,099	168,232	64,730	256,061
Total net position	2,844,731	23,099	169,725	407,521	3,445,076
Total liabilities, deferred inflows of resources and net position	\$ 3,355,003	\$ 38,794	\$ 215,620	\$ 421,437	\$ 4,030,854

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, 2016

	Enterprise Funds				Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	Housing Authority Fund	
Operating Revenues:					
Charges for services	\$ 256,851	\$ 144,094	\$ 80,953	\$ 26,062	\$ 507,960
Operating Expenses:					
Personnel services	81,059	-	-	2,508	83,567
Utilities	18,334	-	4,548	6,025	28,907
Contractual services	116	166,859	5,511	14,619	187,105
Professional services	9,129	1,800	556	2,500	13,985
Repairs and maintenance	9,350	27	1,593	27,066	38,036
General operating	48,712	2,386	34,110	16,357	101,565
Fuel	1,523	-	5,020	-	6,543
Insurance claims and expenses	12,885	604	12,969	6,654	33,112
Depreciation	193,163	-	37,548	29,789	260,500
Total operating expenses	<u>374,271</u>	<u>171,676</u>	<u>101,855</u>	<u>105,518</u>	<u>753,320</u>
Operating (loss)	(117,420)	(27,582)	(20,902)	(79,456)	(245,360)
Non-Operating Revenues (Expenses):					
Gross receipts taxes	-	6,631	-	-	6,631
Intergovernmental revenues	-	-	12,200	85,084	97,284
Miscellaneous revenues	-	-	300	337	637
Interest income	200	-	7	170	377
Interest expense and other charges	(10,040)	-	(894)	-	(10,934)
Total non-operating revenues (expenses)	<u>(9,840)</u>	<u>6,631</u>	<u>11,613</u>	<u>85,591</u>	<u>93,995</u>
Income (loss) before transfers	(127,260)	(20,951)	(9,289)	6,135	(151,365)
Transfers:					
Transfers in	60,000	51,157	-	-	111,157
Transfers (out)	(21,157)	-	-	-	(21,157)
Total transfers	<u>38,843</u>	<u>51,157</u>	<u>-</u>	<u>-</u>	<u>90,000</u>
Change in net position	(88,417)	30,206	(9,289)	6,135	(61,365)
Net position, beginning of year	2,164,810	(7,107)	179,014	379,918	2,716,635
Restatement	768,338	-	-	21,468	789,806
Net position, beginning of year, restated	<u>2,933,148</u>	<u>(7,107)</u>	<u>179,014</u>	<u>401,386</u>	<u>3,506,441</u>
Net position, end of year	<u>\$ 2,844,731</u>	<u>\$ 23,099</u>	<u>\$ 169,725</u>	<u>\$ 407,521</u>	<u>\$ 3,445,076</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, 2016

	Enterprise Funds				Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	Housing Authority Fund	
Cash Flows From Operating Activities:					
Cash received from customers	\$ 263,949	\$ 145,683	\$ 78,388	\$ 26,173	\$ 514,193
Cash payments to suppliers for goods and services	(111,577)	(170,435)	(85,956)	(71,778)	(439,746)
Cash payments to employees for services	(108,430)	-	-	(10,622)	(119,052)
Net cash provided (used) by operating activities	43,942	(24,752)	(7,568)	(56,227)	(44,605)
Cash Flows From Non-Capital and Related Financing Activities:					
Cash received from gross receipts taxes	-	7,014	-	-	7,014
Intergovernmental	-	-	12,200	93,639	105,839
Miscellaneous	-	-	300	337	637
Transfers	60,000	30,000	-	-	90,000
Net cash provided by non-capital and related financing activities	60,000	37,014	12,500	93,976	203,490
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets	-	-	-	(10,135)	(10,135)
Principal payment on capital debt	(22,898)	-	(7,910)	-	(30,808)
Interest and related debt charges	(12,732)	-	(908)	-	(13,640)
Net cash (used) by capital and related financing activities	(35,630)	-	(8,818)	(10,135)	(54,583)
Cash Flows From Investing Activities:					
Interest income	200	-	7	69	276
Net increase (decrease) in cash	68,512	12,262	(3,879)	27,683	104,578
Cash and cash equivalents, beginning of year	47,182	15,545	188,338	29,524	280,589
Restatement	(14,535)	-	-	-	(14,535)
Cash and cash equivalents, beginning of year, restated	32,647	15,545	188,338	29,524	266,054
Cash and cash equivalents, end of year	<u>\$ 101,159</u>	<u>\$ 27,807</u>	<u>\$ 184,459</u>	<u>\$ 57,207</u>	<u>\$ 370,632</u>
Displayed as:					
Cash	\$ 57,095	\$ 27,807	\$ 182,966	\$ 53,678	\$ 321,546
Restricted cash	44,064	-	1,493	3,529	49,086
	<u>\$ 101,159</u>	<u>\$ 27,807</u>	<u>\$ 184,459</u>	<u>\$ 57,207</u>	<u>\$ 370,632</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, 2016

	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)	\$ (117,420)	\$ (27,582)	\$ (20,902)	\$ (79,456)	\$ (245,360)
Adjustment to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	193,163	-	37,548	29,789	260,500
Bad debts	1,965	1,534	25,879	(1,055)	28,323
Change in Assets and Liabilities:					
(Increase) decrease in accounts receivable	(1,916)	55	(28,444)	1,529	(28,776)
Decrease in interfund receivable	7,075	-	-	-	7,075
Decrease in inventory	-	-	-	3,247	3,247
(Increase) in prepaid expenses	-	-	-	(38)	(38)
(Increase) decrease in deferred outflows of resources	(1,763)	-	-	500	(1,263)
Increase (decrease) in accounts payable	(5,782)	1,241	(14,574)	(1,538)	(20,653)
(Decrease) in accrued salaries	(1,666)	-	-	-	(1,666)
(Decrease) in accrued payroll liabilities	(1,318)	-	-	(474)	(1,792)
(Decrease) in interfund payable	(4,253)	-	(7,075)	-	(11,328)
Increase (decrease) in customer deposits payable	1,212	-	-	(225)	987
(Decrease) in accrued liabilities	-	-	-	(228)	(228)
(Decrease) in unearned revenue	-	-	-	(138)	(138)
Increase in compensated absences	332	-	-	-	332
(Decrease) in deferred inflows of resources	(22,103)	-	-	(3,866)	(25,969)
(Decrease) in net pension liability	(3,584)	-	-	(4,274)	(7,858)
Total adjustments	<u>161,362</u>	<u>2,830</u>	<u>13,334</u>	<u>23,229</u>	<u>200,755</u>
Net cash provided (used) by operating activities	<u>\$ 43,942</u>	<u>\$ (24,752)</u>	<u>\$ (7,568)</u>	<u>\$ (56,227)</u>	<u>\$ (44,605)</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, 2016

	<u>Agency Fund</u>
Assets:	
Cash	<u>\$ 400</u>
Liabilities:	
Due to bond holders	\$ 300
Due to others	<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, 2016

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, the Village of Cimarron Housing Authority financial statements should be included with the reporting entity of the Village. Effective July 1, 2014, the Village assumed the fiduciary responsibility for the low income housing subsidized by the Department of Housing and Urban Development (HUD). The Authority is a separate, legal entity governed by the Village council. The financial statements of the housing authority have been included in the Village's financial statements as a *blended* component unit. As such, the activity is reported as a separate fund and treated like other funds. The Housing Authority fund is a proprietary enterprise fund.

There are no other entities or organizations that should be considered a component unit. Further, the Village is not considered a component unit or another governmental agency.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 *capital outlay* fund is a capital project fund that accounts for receipts and disbursements for infrastructure and improvements. Financing is provided from federal and state grants.

The *law enforcement protection fund* is a special revenue fund that accounts for state grants 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 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 *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 *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, 2016

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.

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 and charges for services from the tenants. 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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets

Village

Budgets for all village 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.

Housing Authority

The Authority follows these procedures in establishing the budgetary process:

1. Management and the fee accountant prepare the budget in accordance with the U.S. Department of Housing and Urban Development (HUD) guidelines.
2. HUD reviews the proposed budget and makes corrections, revisions, and amendments as necessary.
3. Management submits the budget to the Village council for approval.
4. The Authority does not budget depreciation expense; therefore, the budget is not prepared in accordance with generally accepted accounting principles. The budget is a guideline to operations and is not a legally enforceable document. The Authority's level of budgetary control is at the total fund level.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Position or Equity

1. 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.

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 are considered 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 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.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Interfund Activity (continued)

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. 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. 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

7. 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.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. 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.

9. Short-Term Obligations

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

10. 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.

11. 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.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. 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.

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.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

Statement of Net Position:	
Cash	\$ 989,517
Restricted cash	144,360
Statement of Fiduciary Assets and Liabilities	<u>400</u>
Total cash reported on financial statements	<u><u>\$ 1,134,277</u></u>

Cash at various locations:

Cash held at International Bank	\$ 1,037,510
Cash held at New Mexico Finance Authority	<u>96,767</u>
Total cash	<u><u>\$ 1,134,277</u></u>

Cash Deposited with Financial Institution

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.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2. CASH (continued)

Cash Deposited with Financial Institution (continued)

As of June 30, 2016, 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			
Village of Cimarron	\$ 1,011,385	\$ (31,082)	\$ 980,303
Housing Authority	63,377	(6,170)	57,207
	<u>\$ 1,074,762</u>	<u>\$ (37,252)</u>	<u>\$ 1,037,510</u>

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.

	<u>International Bank</u>	
	<u>Village of Cimarron</u>	<u>Housing Authority</u>
Total deposits in bank	\$ 1,011,385	\$ 63,377
Less FDIC coverage	<u>(250,000)</u>	<u>(63,377)</u>
Uninsured public funds	761,385	<u>\$ -</u>
Pledged collateral held by pledging bank's agent, but not in the Village's name	<u>399,916</u>	
Uninsured and uncollateralized public funds	<u>\$ 361,469</u>	
Total pledged collateral	\$ 399,916	
50% pledged collateral requirement per state statute	<u>(380,693)</u>	
Over (under) collateralization	<u>\$ 19,223</u>	

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

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2. CASH (continued)

Cash Deposited with Financial Institutions (continued)

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, 2016, \$761,385 of the Village’s bank balance of \$1,074,762 was exposed to custodial credit risk as follows:

	International Bank
Uninsured and collateralized held by pledging bank's trust department or agent not in the Village's name.	\$ 761,385

Restricted Cash

The amounts reported as restricted cash for the Village within the financial statements are displayed as:

	Government Activities	Business-Type Activities	Total
Statement of Net Position:			
Restricted - cash	\$ -	\$ 49,086	\$ 49,086
Restricted - held by fiscal agent	95,274	-	95,274
	\$ 95,274	\$ 49,086	\$ 144,360
Purpose of the Restriction:			
Held by fiscal agent for debt service	\$ 95,274	\$ 1,493	\$ 96,767
Utility meter deposits	-	44,064	44,064
Housing tenant deposits	-	3,529	3,529
	\$ 95,274	\$ 49,086	\$ 144,360

Cash Held by Fiscal Agent

The Village has entered into various note agreements with the New Mexico Finance Authority. The agreements have various provisions that include cash to be retained for future debt requirements. The Village considers such amounts as restricted cash within the financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

3. RECEIVABLES, NET

Receivables, net of allowance for doubtful accounts, at June 30, 2016, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable:		
Charges for services	\$ 138	\$ 167,543
Court fines	1,857	-
Allowance for doubtful accounts	<u>-</u>	<u>(121,370)</u>
Total	1,995	46,173
Taxes receivable:		
Gross receipts taxes	55,932	687
Property taxes	11,792	-
Franchise taxes	5,570	-
Lodgers' taxes	4,001	-
Public service taxes	5,078	-
Allowance for doubtful accounts	<u>(182)</u>	<u>-</u>
Total	82,191	687
Intergovernmental receivables:		
Housing and Urban Development - operating	-	3,968
Housing and Urban Development - capital	<u>-</u>	<u>13,335</u>
Total	-	17,303
Interest receivable	<u>-</u>	<u>104</u>
Total	<u>\$ 84,186</u>	<u>\$ 64,267</u>

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

4. 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, 2016

4. 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 2015, was \$7.650 per \$1,000 for non-residential and \$5.159 for residential property. In the year 2015, there was no tax rate established for payment of bonds principal and interest.

5. CAPITAL ASSETS

Governmental activities capital assets for the fiscal year ended June 30, 2016

	Balance 06/30/15	Increases	Decreases	Adjustments	Balance 06/30/16
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	180,021	-	(62,141)	-	117,880
Other capital assets, being depreciated:					
Buildings and improvements	1,720,371	-	-	-	1,720,371
Infrastructure	2,193,682	231,556	-	-	2,425,238
Vehicles	860,204	29,500	-	-	889,704
Equipment	478,436	-	-	-	478,436
Total other capital assets	5,252,693	261,056	-	-	5,513,749
Less accumulated depreciation for:					
Buildings and improvements	(1,013,514)	(49,417)	-	118,545	(944,386)
Infrastructure	(986,051)	(68,777)	-	219,427	(835,401)
Vehicles	(555,302)	(38,391)	-	-	(593,693)
Equipment	(403,613)	(15,934)	-	-	(419,547)
Total accumulated depreciation	(2,958,480)	(172,519)	-	337,972	(2,793,027)
Other capital assets, net	2,294,213	88,537	-	337,972	2,720,722
Total capital assets, net	<u>\$ 2,474,234</u>	<u>\$ 88,537</u>	<u>\$ (62,141)</u>	<u>\$ 337,972</u>	<u>\$ 2,838,602</u>

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

5. CAPITAL ASSETS (continued)

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

Governmental Activities:	
General government	\$ 41,719
Public safety	52,606
Highway and streets	72,710
Health and welfare	618
Culture and recreation	4,866
	\$ 172,519
	\$ 172,519

Business-type activities capital assets for the fiscal year ended June 30, 2016:

	Balance 06/30/15	Increases	Decreases	Adjustments	Balance 06/30/16
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 76,600	\$ -	\$ -	\$ -	\$ 76,600
Other capital assets, being depreciated:					
Buildings	856,961	10,135	-	-	867,096
Water and sewer utility system	6,621,537	-	-	-	6,621,537
Equipment	593,309	-	-	-	593,309
Heavy equipment	59,800	-	-	-	59,800
Vehicles	293,523	-	-	-	293,523
Total other capital assets	8,425,130	10,135	-	-	8,435,265
Less accumulated depreciation for:					
Buildings	(513,116)	(29,789)	-	-	(542,905)
Water and sewer utility system	(4,049,699)	(191,452)	-	782,873	(3,458,278)
Equipment	(566,813)	(8,609)	-	-	(575,422)
Heavy equipment	(59,800)	-	-	-	(59,800)
Vehicles	(259,681)	(30,650)	-	-	(290,331)
Total accumulated depreciation	(5,449,109)	(260,500)	-	782,873	(4,926,736)
Other capital assets, net	2,976,021	(250,365)	-	782,873	3,508,529
Total capital assets, net	\$ 3,052,621	\$ (250,365)	\$ -	\$ 782,873	\$ 3,585,129

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

6. LONG-TERM OBLIGATIONS

Governmental Activities Debt

Changes in governmental activities loan activity during the year ended June 30, 2016, were as follows:

	Balance 06/30/15	Additions	Deletions	Balance 06/30/16	Amounts Due Within One Year
Notes payable	\$ 191,436	\$ 95,718	\$ 17,080	\$ 270,074	\$ 33,631
Compensated absences	8,920	9,271	7,803	10,388	7,272
Total	<u>\$ 200,356</u>	<u>\$ 104,989</u>	<u>\$ 24,883</u>	<u>\$ 280,462</u>	<u>\$ 40,903</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:

Due in the fiscal year ending June 30:

	Principal	Interest	Total
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	19,208	2,103	21,311
2022-2025	80,619	4,628	85,247
	<u>\$ 174,356</u>	<u>\$ 17,448</u>	<u>\$ 191,804</u>

Note Payable – New Mexico Finance Authority PP-3325

On January 22, 2016, the Village borrowed \$95,718 from the New Mexico Finance Authority for the purpose of financing the purchasing three police vehicles for the use by the Village. The loan is to be repaid solely from the distribution of Law Enforcement Protection fund revenues distributed by the state treasurer, pursuant to Village Resolution No. 2016-16, adopted on December 9, 2015. The note matures May 1, 2022. The annual payment is approximately \$16,844 and accrues interest at a blended rate of 1.462147%. 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, 2016

6. LONG-TERM OBLIGATIONS (continued)

Note Payable – New Mexico Finance Authority PP-3325 (continued)

	Principal	Interest	Total
2017	\$ 15,243	\$ 1,601	\$ 16,844
2018	15,710	1,134	16,844
2019	15,868	976	16,844
2020	16,061	783	16,844
2021	16,287	557	16,844
2022	16,549	295	16,844
	<u>\$ 95,718</u>	<u>\$ 5,346</u>	<u>\$ 101,064</u>

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, 2016, were as follows:

	Balance 06/30/15	Additions	Deletions	Balance 06/30/16	Amounts Due Within One Year
Business-Type Activities:					
Bonds payable	\$ 241,225	\$ -	\$ 8,600	\$ 232,625	\$ 8,700
Notes payable	119,618	-	22,208	97,410	22,776
Compensated absences	2,159	4,791	4,459	2,491	1,993
Total	<u>\$ 363,002</u>	<u>\$ 4,791</u>	<u>\$ 35,267</u>	<u>\$ 332,526</u>	<u>\$ 33,469</u>

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

6. 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>
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>\$ 67,000</u>	<u>\$ 17,950</u>	<u>\$ 84,950</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>
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	3,400	6,454	9,854
2023-2027	19,500	30,700	50,200
2028-2032	24,600	24,873	49,473
2033-2037	31,000	18,687	49,687
2038-2042	39,100	10,877	49,977
2043-2045	<u>33,325</u>	<u>1,717</u>	<u>35,042</u>
	<u>\$ 165,625</u>	<u>\$ 127,667</u>	<u>\$ 293,292</u>

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

6. 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
2017	\$ 12,953	\$ 789	\$ 13,742
2018	13,342	400	13,742
	\$ 26,295	\$ 1,189	\$ 27,484

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
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
2027-2032	10,684	94	10,778
	\$ 28,139	\$ 603	\$ 28,742

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

6. 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
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
	\$ 42,976	\$ 2,724	\$ 45,700

7. INTERFUND BALANCES AND TRANSFERS

Interfund Balances

The composition of interfund balances as of June 30, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
General	Water & Sewer	\$ 77,971
General	Capital Projects	171,034
		\$ 249,005

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, \$249,005 is considered noncurrent.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

7. INTERFUND BALANCES AND TRANSFERS (continued)

Transfers

	Transfers In			Total
	General Fund	Water Fund	Solid Waste Fund	
Transfers (Out):				
General Fund	\$ -	\$ 60,000	\$ 30,000	\$ 90,000
Water Fund	-	-	21,157	21,157
Non-major Governmental Fund	21,523	-	-	21,523
	<u>\$ 21,523</u>	<u>\$ 60,000</u>	<u>\$ 51,157</u>	<u>\$ 132,680</u>

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.

8. DEFICIT FUND BALANCE

The capital outlay fund has a deficit fund balance of \$188,448 as of June 30, 2016. The Village anticipates the receipt of grant revenues and/or transfers from the general fund to eliminate the deficit.

9. RESTATEMENT OF NET POSITION

The Village has discovered errors within the prior years' financial statements. The following describes the changes made to the beginning net position and fund balances:

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

	Government-Wide		Individual Funds
	Governmental Activities	Business-Type Activities	
Government-Wide Financial Statements			
Net capital assets understated	\$ 337,972		
<i>Major Funds</i>			
General Fund			
Cash understated	804		\$ 804
Interfund receivables overstated	(21,468)		(21,468)
Total general fund			<u>\$ (20,664)</u>
Water and Sewer Fund			
Cash overstated		\$ (15,887)	(15,887)
Net capital assets understated		784,225	784,225
Total water and sewer fund			<u>\$ 768,338</u>
Housing Authority Fund			
Interfund payable was overstated		21,468	\$ 21,468
Total Government-Wide Financial Statements	<u>\$ 317,308</u>	<u>\$ 789,806</u>	

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Summary of Significant Accounting Policies

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information About the Pension Plan

Plan description - 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, 2015 that can be obtained at:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf.

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 FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 and 32 of the PERA FY15 annual audit report which can be located at the following internet address:

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

General Information About the Pension Plan (continued)

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.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 \$18,065 for the year ended June 30, 2016.

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, 2015. The employer's portion was established as of the measurement date June 30, 2015.

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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY15 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, 2016, the Village of Cimarron reported a liability of \$196,780 for its proportionate share of the net pension liability. At June 30, 2015, the Village of Cimarron's proportion was .0193 percent, which was unchanged from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the Village of Cimarron recognized PERA Fund Municipal General Division pension expense of \$11,281. At June 30, 2016, 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:

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued) -

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 76
Net difference between projected and actual earnings on pension plan investments	-	622
Net difference between projected and actual earnings on pension plan experience	-	4,359
Changes in proportion	-	21,445
Village of Cimarron contributions subsequent to the measurement date	18,065	-
	\$ 18,065	\$ 26,502

\$18,065 reported as deferred outflows of resources related to pensions resulting from Village of Cimarron's contributions subsequent to the measurement date June 30, 2015 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	
2017	\$ 5,212
2018	5,212
2019	5,212
2020	(10,578)
2021	-
Thereafter	-

PERA Fund Municipal Police Division - At June 30, 2016, the Village of Cimarron reported a liability of \$134,159 for its proportionate share of the net pension liability. At June 30, 2015, the Village of Cimarron's proportion was .0279 percent, which was an increase of zero from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the Village of Cimarron recognized PERA Fund Municipal Police Division pension expense of \$11,294. At June 30, 2016, 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, 2016

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

PERA Fund Municipal Police Division (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 5,550
Net difference between projected and actual earnings on pension plan investments	-	372
Changes in proportion	-	7,468
Village of Cimarron contributions subsequent to the measurement date	20,668	-
	\$ 20,668	\$ 13,390

\$20,668 reported as deferred outflows of resources related to pensions resulting from Village of Cimarron's contributions subsequent to the measurement date June 30, 2015 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	
2017	\$ 1,142
2018	1,142
2019	1,142
2020	(6,879)
2021	-
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, 2014 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, 2015 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, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

PERA Fund Municipal Police Division (continued)

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
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
• Projected benefit payment	100 years
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate
• Mortality Assumption	RP-2000 Mortality Tables (combined table for healthy post-retirees, Employee Table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
• Experience Study Dates	July 1, 2008 to June 30, 2013

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%	

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

PERA Fund Municipal Police Division (continued)

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.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
PERA Fund Municipal General Division			
City of Bayard proportionate share of the net pension liability	\$ 335,039	\$ 196,780	\$ 81,828
PERA Fund Municipal General Division			
City of Bayard's proportionate share of the net pension liability	\$ 221,555	\$ 134,159	\$ 62,464

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.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>

11. BAD DEBT EXPENSE – ENTERPRISE FUNDS

For the fiscal year ended June 30, 2016, the Village recorded changes to allowance for doubtful accounts for the enterprise funds. The recording of an allowance for doubtful accounts is performed only for financial reporting purposes. The change in the allowance is based on historical experiences regarding the collection of accounts. The Village maintains historical records of outstanding receivables owed to the Village.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

11. BAD DEBT EXPENSE – ENTERPRISE FUNDS (continued)

The following changes in the allowance have been posted to each fund, thereby increasing or decreasing charges for services revenues recorded on the income statement:

Water and Sewer Fund	\$	(1,965)
Solid Waste Fund	\$	(1,534)
Ambulance Fund	\$	(25,879)
Housing Authority Fund	\$	1,055

12. HOUSING AUTHORITY FUND BUDGET

For the fiscal year ended June 30, 2016, budget expenses for the Housing Authority Fund were established at \$67,960. During the fiscal year, the Housing Authority Fund incurred expenses in the amount of \$83,369, thereby exceeding the authorized budget by \$15,409.

13. 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.

14. 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.

15. 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 was \$21,468.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

15. COMMITMENTS AND CONTINGENCIES (continued)

During the fiscal year ended June 30, 2016, the Village did not receive any additional reimbursements from the Housing Authority. The Village continues to seek reimbursement, however; the likelihood of collections is remote. For financial reporting purposes, the Village has removed the receivable from its financial statements and will continue the effort to collect the amount owed.

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.

16. SUBSEQUENT EVENTS

Housing Authority

On December 9, 2015, the Village passed Resolution 2016-17 authorizing Northern Regional Housing Authority (NRHA) to accept permanent ownership of the housing program and properties. On March 29, 2016, the Department of Housing and Urban Development approved the transfer of ownership. The Village has reported all financial activity of the Housing Authority for the fiscal year ended June 30, 2016.

On July 1, 2016, the Village completed the transfer of all assets, liabilities, and equity to NRHA.

Other Matters

Subsequent events were evaluated through July 20, 2017, which is the date of the independent auditors' report.

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, 2016**

	Special Revenue Funds					
	Fire Protection Fund	Recreation Fund	Cemetery Fund	Lodgers' Tax Fund	Corrections Fund	Total Other Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 105,953	\$ 286	\$ 13,832	\$ 4,689	\$ 134,374	\$ 259,134
Receivables, net	-	-	-	4,001	1,857	5,858
Restricted:						
Cash held by fiscal agent	83	-	-	-	-	83
Total assets	\$ 106,036	\$ 286	\$ 13,832	\$ 8,690	\$ 136,231	\$ 265,075
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 315	\$ -	\$ -	\$ 297	\$ -	\$ 612
Fund Balances:						
Restricted for:						
Debt service	83	-	-	-	-	83
State mandated per statutes	105,638	-	-	8,393	-	114,031
Assigned	-	286	13,832	-	136,231	150,349
Total fund balances	105,721	286	13,832	8,393	136,231	264,463
Total liabilities and fund balances	\$ 106,036	\$ 286	\$ 13,832	\$ 8,690	\$ 136,231	\$ 265,075

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, 2016

	Special Revenue Funds					
	Fire Protection Fund	Recreation Fund	Cemetery Fund	Lodgers' Tax Fund	Corrections Fund	Total Other Governmental Funds
Revenues:						
Lodgers' taxes	\$ -	\$ -	\$ -	\$ 19,757	\$ -	\$ 19,757
Intergovernmental:						
State	77,852	-	-	-	-	77,852
Local	9,500	-	-	-	-	9,500
Charges for services	-	-	3,897	-	-	3,897
Fines and forfeitures	-	-	-	-	29,147	29,147
Interest	32	-	-	-	-	32
Miscellaneous	1,001	-	-	-	-	1,001
Total revenues	<u>88,385</u>	<u>-</u>	<u>3,897</u>	<u>19,757</u>	<u>29,147</u>	<u>141,186</u>
Expenditures:						
Current:						
Public safety	47,462	-	-	-	2,255	49,717
Culture and recreation	-	-	-	14,610	-	14,610
Health and welfare	-	-	608	-	-	608
Debt service:						
Principal	17,080	-	-	-	-	17,080
Interest and other charges	4,231	-	-	-	-	4,231
Total expenditures	<u>68,773</u>	<u>-</u>	<u>608</u>	<u>14,610</u>	<u>2,255</u>	<u>86,246</u>
Excess revenues over expenditures	19,612	-	3,289	5,147	26,892	54,940
Other Financing Sources (Uses):						
Transfers out	-	-	-	-	(21,523)	(21,523)
Net change in fund balances	19,612	-	3,289	5,147	5,369	33,417
Fund balances, beginning of year	86,109	286	10,543	3,246	130,862	231,046
Fund balances, end of year	<u>\$ 105,721</u>	<u>\$ 286</u>	<u>\$ 13,832</u>	<u>\$ 8,393</u>	<u>\$ 136,231</u>	<u>\$ 264,463</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
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, 2016

	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	\$ 77,852	\$ -	\$ 77,852	\$ 3,265
Local	92,552	92,552	9,500	-	9,500	(83,052)
Interest	-	-	32	-	32	32
Miscellaneous	-	-	1,001	-	1,001	1,001
Total revenues	167,139	167,139	88,385	-	88,385	(78,754)
Expenditures:						
Current:						
Public safety	100,400	100,400	52,959	(5,497)	47,462	47,441
Capital outlay	40,000	40,000	28,968	(28,968)	-	11,032
Debt service:						
Principal	-	-	17,080	-	17,080	(17,080)
Interest and other charges	-	-	4,231	-	4,231	(4,231)
Total expenditures	140,400	140,400	103,238	(34,465)	68,773	37,162
Net change	26,739	26,739	(14,853)	\$ 34,465	\$ 19,612	(41,592)
Cash balance, beginning of year	120,889	120,889	120,889			-
Cash balance, end of year	\$ 147,628	\$ 147,628	\$ 106,036			\$ (41,592)
Explanation of Differences:						
Change in accounts payable				\$ 34,465		

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, 2016

	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, 2016

	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	\$ 3,928	\$ 3,897	\$ -	\$ 3,897	\$ (31)
Expenditures:						
Current:						
Health and welfare	500	657	627	(19)	608	30
Net change	100	3,271	3,270	\$ 19	\$ 3,289	(1)
Cash balance, beginning of year	10,562	10,562	10,562			-
Cash balance, end of year	\$ 10,662	\$ 13,833	\$ 13,832			\$ (1)
Explanation of Differences:						
Change in accounts payable				\$ (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, 2016

	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	\$ 18,743	\$ 1,014	\$ 19,757	\$ (1,257)
Miscellaneous	509	509	-	-	-	(509)
Total revenues	20,509	20,509	18,743	1,014	19,757	(1,766)
Expenditures:						
Current:						
Culture and recreation	18,000	18,000	16,839	(2,229)	14,610	1,161
Net change	2,509	2,509	1,904	\$ 3,243	\$ 5,147	(605)
Cash balance, beginning of year	2,785	2,785	2,785			-
Cash balance, end of year	\$ 5,294	\$ 5,294	\$ 4,689			\$ (605)
Explanation of Differences:						
Change in receivables				\$ 1,014		
Change in accounts payable				2,229		
				\$ 3,243		

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, 2016

	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	\$ 82,000	\$ 82,000	\$ 27,590	\$ 1,557	\$ 29,147	\$ (54,410)
Expenditures:						
Current:						
Public safety	<u>82,000</u>	<u>82,000</u>	<u>2,255</u>	<u>-</u>	<u>2,255</u>	<u>79,745</u>
Excess of revenues over expenditures	-	-	25,335	1,557	26,892	25,335
Other Financing Sources (Uses):						
Transfer out	<u>-</u>	<u>-</u>	<u>(21,523)</u>	<u>-</u>	<u>(21,523)</u>	<u>(21,523)</u>
Net change	-	-	3,812	<u>\$ 1,557</u>	<u>\$ 5,369</u>	3,812
Cash balance, beginning of year	<u>130,562</u>	<u>130,562</u>	<u>130,562</u>			<u>-</u>
Cash balance, end of year	<u>\$ 130,562</u>	<u>\$ 130,562</u>	<u>\$ 134,374</u>			<u>\$ 3,812</u>
Explanation of Differences:						
Change in receivables				<u>\$ 1,557</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 OUTLAY 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, 2016

	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	\$ 4,695,000	\$ 4,695,000	\$ -	\$ -	\$ -	\$ (4,695,000)
State	824,135	824,135	-	-	-	(824,135)
Total revenues	5,519,135	5,519,135	-	-	-	(5,519,135)
Expenditures:						
Capital outlay	5,519,135	5,519,135	121,308	4,999	126,307	5,397,827
Net change	-	-	(121,308)	<u>\$ (4,999)</u>	<u>\$ (126,307)</u>	(121,308)
Cash balance, beginning of year	-	-	-			-
Cash advanced from general fund	-	-	121,308			(121,308)
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ (121,308)</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ (4,999)</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, 2016

	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	\$ 276,650	\$ 276,650	\$ 263,858	\$ (7,007)	\$ 256,851	\$ (12,792)
Operating Expenses:						
Personnel services	137,100	137,100	108,430	(27,371)	81,059	28,670
Utilities	13,750	13,750	18,474	(140)	18,334	(4,724)
Contractual services	2,500	2,500	5,878	(5,762)	116	(3,378)
Professional services	7,100	7,100	5,529	3,600	9,129	1,571
Repairs and maintenance	13,450	13,450	9,638	(288)	9,350	3,812
General operating	57,700	57,700	57,454	(8,742)	48,712	246
Fuel	7,400	7,400	1,719	(196)	1,523	5,681
Insurance claims and expenses	11,500	11,500	12,885	-	12,885	(1,385)
Depreciation	-	-	-	193,163	193,163	-
Total operating expenses	<u>250,500</u>	<u>250,500</u>	<u>220,007</u>	<u>154,264</u>	<u>374,271</u>	<u>30,493</u>
Operating income (loss)	26,150	26,150	43,851	(161,271)	(117,420)	17,701
Non-Operating Revenues (Expenses):						
Miscellaneous income	-	-	91	(91)	-	91
Interest income	50	50	200	-	200	150
Debt service - principal	(30,000)	(30,000)	(22,898)	22,898	-	7,102
Interest expense and other charges	(15,000)	(15,000)	(12,732)	2,692	(10,040)	2,268
Total non-operating revenues (expenses)	<u>(44,950)</u>	<u>(44,950)</u>	<u>(35,339)</u>	<u>25,499</u>	<u>(9,840)</u>	<u>9,611</u>
Income (loss) before transfers	(18,800)	(18,800)	8,512	(135,772)	(127,260)	27,312
Transfers:						
Transfers in	30,000	40,000	60,000	-	60,000	20,000
Transfers (out)	-	-	-	(21,157)	(21,157)	-
Total transfers	<u>30,000</u>	<u>40,000</u>	<u>60,000</u>	<u>(21,157)</u>	<u>38,843</u>	<u>20,000</u>
Net change	11,200	21,200	68,512	<u>\$ (156,929)</u>	<u>\$ (88,417)</u>	47,312
Cash balance, beginning of year	47,182	47,182	47,182			-
Restatement	(14,535)	(14,535)	(14,535)			-
Cash balance, beginning of year, restated	<u>32,647</u>	<u>32,647</u>	<u>32,647</u>			-
Cash balance, end of year	<u>\$ 43,847</u>	<u>\$ 53,847</u>	<u>\$ 101,159</u>			<u>\$ 47,312</u>
Explanation of Differences:						
Change in receivables				\$ 1,916		
Change in interfund receivable				(7,075)		
Change in deferred outflow of resources				1,763		
Change in accounts payables				5,782		
Change in accrued salaries				1,666		
Change in accrued payroll liabilities				1,318		
Change in accrued interest payable				2,692		
Change in interfund payable				4,253		
Change in customer deposits payable				(1,212)		
Change in compensated absences				(332)		
Change in deferred inflows of resources				16,147		
Change in net pension liability				(11,617)		
Payment of long-term debt				22,898		
Bad debts expense				(1,965)		
Depreciation expense				(193,163)		
				<u>\$ (156,929)</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, 2016**

	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	\$ 180,000	\$ 180,000	\$ 145,683	\$ (1,589)	\$ 144,094	\$ (34,317)
Operating Expenses:						
Personnel services	38,789	38,789	-	-	-	38,789
Contractual services	170,000	170,000	167,418	(559)	166,859	2,582
Professional services	1,800	1,800	-	1,800	1,800	1,800
Repairs and maintenance	500	500	27	-	27	473
General operating	4,550	4,550	2,386	-	2,386	2,164
Fuel	1,500	1,500	-	-	-	1,500
Insurance claims and expenses	1,500	1,500	604	-	604	896
Total operating expenses	218,639	218,639	170,435	1,241	171,676	48,204
Operating (loss)	(38,639)	(38,639)	(24,752)	(2,830)	(27,582)	13,887
Non-Operating Revenues (Expenses):						
Gross receipts taxes	12,000	12,000	7,014	(383)	6,631	(4,986)
(Loss) before transfers	(26,639)	(26,639)	(17,738)	(3,213)	(20,951)	8,901
Transfers:						
Transfers in	30,000	45,000	30,000	21,157	51,157	(15,000)
Net change	3,361	18,361	12,262	\$ 17,944	\$ 30,206	(6,099)
Cash balance, beginning of year	15,545	15,545	15,545			-
Cash balance, end of year	\$ 18,906	\$ 33,906	\$ 27,807			\$ (6,099)
Explanation of Differences:						
Change in receivables				\$ (438)		
Change in payables				(1,241)		
Change in deferred inflows of resources				5,956		
Change in net pension liability				15,201		
Bad debts expense				(1,534)		
				\$ 17,944		

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, 2016

	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	\$ 230,846	\$ 230,846	\$ 78,388	\$ 2,565	\$ 80,953	\$ (152,458)
Operating Expenses:						
Utilities	7,000	7,000	4,626	(78)	4,548	2,374
Contractual services	8,000	8,000	5,722	(211)	5,511	2,278
Professional services	8,800	8,800	2,356	(1,800)	556	6,444
Repairs and maintenance	13,000	13,000	1,888	(295)	1,593	11,112
General operating	48,500	48,500	53,093	(18,983)	34,110	(4,593)
Fuel	9,000	9,000	5,302	(282)	5,020	3,698
Insurance claims and expenses	14,000	14,000	12,969	-	12,969	1,031
Depreciation	-	-	-	37,548	37,548	-
Total operating expenses	108,300	108,300	85,956	15,899	101,855	22,344
Operating income (loss)	122,546	122,546	(7,568)	(13,334)	(20,902)	(130,114)
Non-Operating Revenues (Expenses):						
Intergovernmental	7,200	7,200	12,200	-	12,200	5,000
Miscellaneous revenues	3,500	3,500	300	-	300	(3,200)
Interest income	-	-	7	-	7	7
Capital outlay	(43,048)	(43,048)	-	-	-	43,048
Debt service - principal	-	-	(7,910)	7,910	-	(7,910)
Interest expense	-	-	(908)	14	(894)	(908)
Total non-operating revenues (expenses)	(32,348)	(32,348)	3,689	7,924	11,613	36,037
Net change	90,198	90,198	(3,879)	\$ (5,410)	\$ (9,289)	(94,077)
Cash balance, beginning of year	188,338	188,338	188,338			-
Cash balance, end of year	\$ 278,536	\$ 278,536	\$ 184,459			\$ (94,077)
Explanation of Differences:						
Change in receivables				\$ 28,444		
Change in accounts payable				14,574		
Change in accrued interest payable				14		
Retirement of interfund payable				7,075		
Retirement of long-term debt				7,910		
Bad debts expense				(25,879)		
Depreciation expense				(37,548)		
				\$ (5,410)		

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, 2016

	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	\$ 26,440	\$ 22,860	\$ 26,062	\$ -	\$ 26,062	\$ 3,202
Operating Expenses:						
Personnel services	9,790	10,550	10,148	(7,640)	2,508	402
Utilities	3,330	3,230	6,025	-	6,025	(2,795)
Contractual services	14,570	14,540	14,619	-	14,619	(79)
Professional services	5,600	5,600	2,500	-	2,500	3,100
Repairs and maintenance	22,190	20,040	27,066	-	27,066	(7,026)
General operating	9,140	8,640	16,357	-	16,357	(7,717)
Insurance claims and expenses	6,400	5,360	6,654	-	6,654	(1,294)
Depreciation	-	-	-	29,789	29,789	-
Total operating expenses	71,020	67,960	83,369	22,149	105,518	(15,409)
Operating (loss)	(44,580)	(45,100)	(57,307)	(22,149)	(79,456)	(12,207)
Non-Operating Revenues (Expenses):						
Intergovernmental revenues	44,190	51,145	85,084	-	85,084	33,939
Miscellaneous revenues	760	440	337	-	337	(103)
Interest	130	230	170	-	170	(60)
Total non-operating revenues (expenses)	45,080	51,815	85,591	-	85,591	33,776
Net change	500	6,715	28,284	(22,149)	6,135	21,569
Net position, beginning of year	379,918	379,918	379,918	-	379,918	-
Restatement	21,468	21,468	21,468	-	21,468	-
Net position, beginning of year, restated	401,386	401,386	401,386	-	401,386	-
Net position, end of year	\$ 401,886	\$ 408,101	\$ 429,670	\$ (22,149)	\$ 407,521	\$ 21,569
Explanation of Differences:						
Changes in deferred outflows pension related				\$ (500)		
Changes in net pension liability				4,274		
Changes in deferred inflows pension related				3,866		
Depreciation expense				(29,789)		
				\$ (22,149)		

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>	<u>2016</u>
Village of Cimarron's proportion of the net pension liability (asset)	0.0229%	0.0193%
Village of Cimarron's proportionate share of the net pension liability (asset)	\$ 178,645	\$ 196,780
Village of Cimarron's covered-employee payroll	\$ 170,667	\$ 195,990
Village of Cimarron's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	104.67%	100.40%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%

*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>	<u>2016</u>
Village of Cimarron's proportion of the net pension liability (asset)	0.0309%	0.0279%
Village of Cimarron's proportionate share of the net pension liability (asset)	\$ 100,731	\$ 134,159
Village of Cimarron's covered-employee payroll	\$ 120,618	\$ 94,679
Village of Cimarron's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	83.51%	141.70%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%

*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*

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 16,707	\$ 18,065
Contributions in relation to the contractually required contribution	<u>16,707</u>	<u>18,065</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Village of Cimarron's covered-employee payroll	\$ 170,667	\$ 195,990
Contributions as a percentage of covered-employee payroll	9.78%	9.22%

*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	2016
Contractually required contribution	\$ 8,439	\$ 11,294
Contributions in relation to the contractually required contribution	8,439	11,294
Contribution deficiency (excess)	\$ -	\$ -
Village of Cimarron's covered-employee payroll	\$ 120,618	\$ 94,679
Contributions as a percentage of covered-employee payroll	6.99%	11.93%

*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, 2016

Changes of benefit terms - The PERA fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit report. That report is available at:

http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf

Changes of assumption - The Public employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2015, is available at:

<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-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, 2014, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in an increase of \$410.0 million to fund liabilities and a decrease of 0.90% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 53 of the report.*

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2016

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				
Village of Cimarron:				
General	Checking	\$ 867,691	\$ (8,734)	\$ 858,957
Payroll	Checking	2,802	(7,080)	(4,278)
Sewer	Checking	21,708	(386)	21,322
Solid Waste	Checking	21,232	(13,722)	7,510
RUS Water	Checking	48	-	48
Water	Checking	17,927	(852)	17,075
Water Meter Deposit	Checking	31,291	(254)	31,037
Municipal Court Escrow	Checking	2,092	(54)	2,038
Municipal Court	Checking	400	-	400
Certificate of Deposit	CD	23,485	-	23,485
Certificate of Deposit	CD	9,682	-	9,682
Certificate of Deposit	CD	13,027	-	13,027
Sub-total		1,011,385	(31,082)	980,303
Village of Cimarron Housing Authority:				
Operating Account	Checking	39,081	(6,003)	33,078
Tenant Security Deposit	Checking	3,696	(167)	3,529
Savings	Savings	399	-	399
Certificate of Deposit	CD	20,201	-	20,201
		63,377	(6,170)	57,207
		<u>\$ 1,074,762</u>	<u>\$ (37,252)</u>	<u>\$ 1,037,510</u>

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2016**

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	\$ 99,990
FHLB 1.460 12/13/19'13	313381DN2	12/13/19	149,963
FHLB 1.460 12/13/19'13	313381DN2	12/13/19	149,963
		Total	<u>\$ 399,916</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, 2016

	<u>Balance</u> <u>06/30/15</u>	<u>Increases/</u> <u>Receipts</u>	<u>Decreases/</u> <u>Disbursements</u>	<u>Balance</u> <u>06/30/16</u>
Municipal Court Bonds				
Assets:				
Cash	\$ 400	\$ 400	\$ 400	\$ 400
Liabilities:				
Due to bond holders	\$ 300	\$ 400	\$ 400	\$ 300
Due to others	100	-	-	100
Total liabilities	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 400</u>

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

Line Item	Description	Total Projects
111	Cash - unrestricted	\$ 34,421
114	Cash - tenant security deposits	2,585
100	Total cash	37,006
122-010	Accounts receivable - HUD other projects - Operating Subsidy	3,968
122-020	Accounts receivable - HUD other projects - Capital Fund	13,335
122	Accounts receivable - HUD other projects	17,303
126	Accounts receivable - tenants	1,137
126.1	Allowance for doubtful accounts - dwelling rent	(544)
129	Accrued interest receivable	104
120	Total receivables, net of allowance for doubtful accounts	18,000
131	Investments - unrestricted	20,201
142	Prepaid expenses and other assets	2,657
150	Total current assets	77,864
161	Land	18,600
162	Buildings	867,096
163	Furniture, equipment and machinery - dwellings	35,791
164	Furniture, equipment and machinery - administration	36,751
166	Accumulated depreciation	(615,447)
160	Total capital assets, net of a/d	342,791
200	Deferred outflow of resources	782
290	Total assets	\$ 421,437
312	Accounts payable <=90 days	\$ 1,192
341	Tenant security deposits	2,585
342	Unearned revenues	474
310	Total current liabilities	4,251
357	Accrued pension and OPEB liabilities	8,518
	Total noncurrent liabilities	8,518
300	Total liabilities	12,769
400	Deferred inflows of resources	1,147
508.1	Net investment in capital assets	342,791
512.1	Unrestricted net assets	64,730
513	Total equity	407,521
600	Total liabilities and equity	\$ 421,437

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	\$ 24,717	\$ -	\$ 24,717
70400	Tenant revenue - other	289	-	289
70500	Total tenant revenues	25,006	-	25,006
70600	HUD other projects - Operating Subsidy	32,285	19,082	51,367
70610	Capital grants	-	10,135	10,135
71100	Investment income - unrestricted	170	-	170
71500	Other revenue	1,393	-	1,393
70000	Total revenues	58,854	29,217	88,071
91200	Auditing fees	2,500	-	2,500
91300	Management fees	9,800	2,200	12,000
91310	Bookkeeping fees	2,305	-	2,305
91600	Office expenses	11,113	-	11,113
91800	Travel	155	-	155
91900	Other	3,629	-	3,629
91000	Total operating - administrative	29,502	2,200	31,702
93100	Water	485	-	485
93200	Electricity	1,662	-	1,662
93300	Gas	836	-	836
93600	Sewer	177	-	177
93000	Total utilities	3,160	-	3,160
94100	Ordinary maintenance and operations - labor	8,605	-	8,605
94200	Ordinary maintenance and operations - materials and other	17,126	-	17,126
94300-080	Ordinary maintenance and operations contracts - garbage and trash removal contracts	382	-	382
94300-090	Ordinary maintenance and operations contracts - heating and cooling contracts	258	-	258
94300-100	Ordinary maintenance and operations contracts - janitorial contracts	145	-	145
94300-120	Ordinary maintenance and operations contracts - miscellaneous contracts	347	-	347
94300	Ordinary maintenance and operations contracts	1,132	-	1,132
94500	Employee benefit contribution - ordinary maintenance	(6,097)	-	(6,097)
94000	Total maintenance	20,766	-	20,766

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
96110	Property insurance	3,222	-	3,222
96120	Liability insurance	613	-	613
96130	Workmen's compensation	2	-	2
96140	All other insurance	2,817	-	2,817
96100	Total insurance premiums	<u>6,654</u>	<u>-</u>	<u>6,654</u>
96900	Total operating expenses	<u>60,082</u>	<u>2,200</u>	<u>62,282</u>
97000	Excess revenues over operating expenses	(1,228)	27,017	25,789
97400	Depreciation expense	<u>29,733</u>	<u>56</u>	<u>29,789</u>
90000	Total expenses	<u>89,815</u>	<u>2,256</u>	<u>92,071</u>
10010	Operating transfers in	16,882	-	16,882
10020	Operating transfers out	<u>-</u>	<u>(16,882)</u>	<u>(16,882)</u>
10100	Total other financing sources (uses)	<u>16,882</u>	<u>(16,882)</u>	<u>-</u>
	Excess (deficiency) of revenues over (under) expenses	<u>\$ (14,079)</u>	<u>\$ 10,079</u>	<u>\$ (4,000)</u>
11030	Beginning equity	\$ 379,918	\$ -	\$ 379,918
11040-010	Restatement	\$ 21,468	\$ -	\$ 21,468
11040-070	Equity transfers	10,079	(10,079)	
11190	Unit months available	192	-	192
11210	Unit months leased	189	-	189
11620	Building purchases	-	10,135	10,135

ADDITIONAL INDEPENDENT AUDITORS' REPORT

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.com

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, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, along with the combining and individual nonmajor governmental funds and related budgetary comparisons of the Village, presented as supplemental information, and have issued our report thereon dated July 20, 2017. Our report for the governmental activities, business-type activities, water and sewer, ambulance and Housing Authority funds financial statements was qualified because of incomplete capital asset subsidiary ledgers.

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 consider 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 weaknesses.

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, HA 2006-003, HA 2014-001, 2014-002, 2014-003, 2015-005, and HA 2016-001 to be significant deficiencies.

Compliance and Other Matters

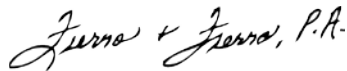
As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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, 2015-011, 2015-012, HA 2015-013, 2015-014, 2016-001, 2016-002, 2016-003, 2016-004, and HA 2016-002.

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

July 20, 2017

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, was due to the New Mexico State Auditor’s office by December 15, 2016. The audit report was submitted on July 28, 2017. This is a repeat finding as management failed to implement their prior year corrective action plan. This audit finding was reported in the prior year’s audit report and is repeated. In the prior year, the Village stated they would resolve the finding by submitting the June 30, 2017 audit report on a timely basis.

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 2016, 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 and June 30, 2016. 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 – Management did not respond.

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. The Village requested the assistance from the New Mexico Department of Finance and Administration (DFA) to reconcile the bank account balance. This audit finding was reported in the prior year’s audit report and is repeated in the current year. The Village hoped to resolve the audit finding during the fiscal year ended June 30, 2017.

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.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS

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

Criteria (continued) – 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 aids in preventing payroll fraud, as no employee is able to 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 was 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 – Management did not respond.

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, and has received transfers, to pay for operations and capital acquisitions. The continual use of general fund resources is having a negative financial impact upon the general fund. This is a repeat finding. Management anticipates a June 30, 2018 date to resolve the problem.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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

Criteria – Enterprise funds are self-sustaining activities whose reporting focus is on the determination of operating income, changes in capital assets (cost recovery or depreciation), 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 obvious reason for the borrowing and transfers from the general fund is insufficient rates and fees charged to customers that would allow the fund 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. The Village has not performed an analysis to gain an understanding of the problem.

Recommendation – We recommend the Village re-evaluate the costs of operating its water, sewer, and solid waste activities. 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 activity of these funds. Adjustments to user rates and fees should occur on an as needed basis.

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

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. There were \$26 of year-end deposits that were not reconciled to the records maintained by the Municipal Court. The Village requested the assistance from the New Mexico Department of Finance and Administration (DFA) to reconcile the bank account balance.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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

Statement of Condition (continued) – This is a repeat finding. Management anticipates a June 30, 2017 completion date to resolve the audit finding.

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 – Management did not respond.

Item 2014-002 – Significant Deficiency – Accounting Activity

Statement of Condition – The Village released its Village administrator of her duties in December 2016. Shortly thereafter, the Village contracted with a clerk-treasurer from another municipality to assist with getting the financial records up to date. The Village has also requested the assistance from the New Mexico Department of Finance and Administration (DFA) to review and correct deficiencies regarding the Village’s accounting activity. DFA spent approximately one full month reconciling and posting two hundred and forty-four (244) journal entry corrections to the general ledger so as to enable a financial audit to be conducted. This is a repeat finding. Management anticipates a June 30, 2017 completion date to resolve the audit finding.

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.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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

Criteria (continued) – 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.

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). The Village administrator failed to record prior years audit adjustments which would have affected account balances going forward.

Recommendation – The Village should employ an individual who has accounting experience to perform the required accounting duties. This employee should have a working knowledge of governmental fund accounting. 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.

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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 \$77,971, 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 related to this repeat finding has not been completed.

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.

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

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

Statement of Condition – The quarterly Department of Finance and Administration (DFA) reports were not reconciled to the accounting books of record. In addition, the report for the quarter ending December 31, 2015 could not be located. This finding was reported in the prior year and is repeated. In the prior year, the Village stated they would continue to resolve the matter and hoped to be current with the June 30, 2017 report.

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.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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

Criteria (continued) – 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 – 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 may 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 – Management did not respond.

Item 2014-006 – Other Matter – Service Agreement Accounting

Statement of Condition – The Cimarron Chamber of Commerce did not provide a required written accounting to the Village for the fiscal years ended June 30, 2014, 2015 and 2016. In addition, the Village could not locate the service agreement for review and/or testing for the fiscal year ended June 30, 2016. This audit finding was included in the previous year’s audit report and has not been resolved. In the previous year, the Village stated that payments to the Chamber would be suspended until a full and adequate accounting was received. The Village did not suspend payments to the Chamber and did not receive a report detailing purpose of expenditures. In the prior year, the Village hoped to resolve the finding by September 2017.

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.

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FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2014-006 – Other Matter – Service Agreement Accounting (continued)

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 adhered to on a timely basis. We further recommend that all contracts and agreements are filed in a manner that enables the Village staff to retrieve documents.

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

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 2016. In addition, the reports for September 2014 through January 2016 were filed in February 2016. For the year ended June 30, 2016, six of the twelve months reports had no supporting documents on file to substantiate the amounts reported. In the prior year’s audit report, the Village stated they were working on resolving the problem by June 2017.

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 – Management did not respond.

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SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2014-008 – Other Matter – Service Agreement Compliance

Statement of Condition – Historically, the service agreement with the Chamber of Commerce provided that 75% of collected tax revenues should be remitted to the Chamber. For the year ended June 30, 2016, the Village collected \$18,743 in lodgers' tax and remitted \$14,757 to the Chamber, which is 78.7%. Because the Village could not locate the service agreement for review and/or testing for the year ended June 30, 2016, it could not be determined if the amounts remitted to the Chamber were in accordance with the service agreement. This is a repeat finding. In the prior year's audit report, the Village stated they would resolve the audit finding by September 30, 2017.

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

Effect – Any amount of overpayments to an agreed amount 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 – Management did not respond.

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 (Chamber) 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 Chamber. Further, for the fiscal year ended June 30, 2016, the Village could not locate the service agreement for review and/or testing.

In addition, the Chamber is remitting \$50 a month to the Village as a reimbursement of a scenic view project. The Village could not locate the agreement associated with this payment and it could not be determined what the appropriate receivable, if any, was at June 30, 2016.

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FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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

Statement of Condition (continued) – This is a repeat finding. In the prior year, the Village stated they would resolve the matter by September 30, 2017.

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 – The activities between the Chamber and the Village were loosely managed at best.

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.

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

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, 2016, DFA 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. The Village must display a level of expertise on its own regarding financial reporting in accordance with GAAP in order to reduce the deficiency noted in internal controls regarding financial reporting. This is a repeat audit finding. The Village anticipated that the audit finding would be resolved by June 30, 2018.

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.”*

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FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-001 – Material Weakness – Financial Statements and Disclosures (continued)

Criteria (continued) – 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.*”

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 – Management did not respond.

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

Statement of Condition – The Village uses one general operating bank account along with seven other individual bank accounts and one imprest account for payroll.

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FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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

Statement of Condition (continued) – While the Village does prepare monthly bank reconciliations using the accounting software, they did not thoroughly review the reconciliations for obvious errors and they did not reconcile the bank balances to the cash balances, per fund, as listed in the general ledger. The Village received assistance from the New Mexico Department of Finance and Administration to reconcile and correct the balances for the year ended June 30, 2016. This is a repeat audit finding, as it was reflected in the previous year's audit report. Management hopes to resolve this finding by June 30, 2017.

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 cash 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, 2016, was not prepared prior to the Administration Clerk leaving the employment of the Village in December 2016. In addition, the bank reconciliations contained numerous 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 - Management did not respond.

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 an instance where the commercial account's water bill was set to charge the minimum amount only, regardless of the actual usage. The sample size was forty customer bills.

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FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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

Statement of Condition (continued) –

- 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 updated and/or reconciled for the year ended June 30, 2016. As such, true and accurate meter deposit balances could not be determined at year end.
- Billing adjustments were reviewed using the transaction register generated from the software program. There was a total of \$7,611.43 of billing adjustments done during the period of July 1, 2015 through June 30, 2016. Of that amount, \$5,568.45 or 73% 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.

This is a repeat audit finding. In the prior year’s audit report, the Village hoped to resolve all matters, with the exception of the meter deposits, by June 30, 2017. The Village hoped to resolve the water meter deposits by June 30, 2018.

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.

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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. Poor 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 – Management did not respond.

*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, 2016. The Village did not adjust their capital asset subsidiary records to reflect these new acquisitions and disposals. This is a repeat audit finding. In the prior year, management stated the problem would be resolved by June 30, 2018.

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:

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SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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

Criteria (continued) –

- 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.

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

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FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-005 – Significant Deficiency – Credit Card Transactions

Statement of Condition – During our testing of the documentation regarding the purchase of fuel with a credit card, we could not determine if the Village maintain all the documentation to support amounts reflected on the statements. Our audit sample was six credit card payments that totaled \$8,255.25 for 228 individual transactions. The Village maintains the individual receipts in a separate manila folder. Prior to its monthly payment, the Village does not attempt to match the receipts to the statement. There was no indication that the Village thoroughly reviewed the statement by other means prior to payment. Further, there was one instance where the Village paid on a year-to-date statement amount of \$421.61. The monthly charge was only \$161.24. There was no indication in the file where the error was subsequently discovered and an appropriate credit of \$260.37 was requested. While the specifics may have changed somewhat, this is a repeat finding. In the prior year, management anticipated a June 30, 2017 completion date for the prior year corrective action.

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 – The validity of the purchase and payment could be called into question without a thorough review which should include matching the vendor invoices to the individual receipts.

Cause – Village staff assumed the credit card statement would provide sufficient documentation to support the purchase. This is a prime example of poor record keeping practices.

Recommendation – We recommend the Village retain all original invoices and receipts paid with a credit card. For 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 did not respond.

Item 2015-006 – Compliance – Official Board Minutes

Statement of Condition – During the review of the Village Council board minutes, we noted several official minutes for the regular meetings could not be located and/or provided for review. 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. This is a repeat audit finding. In the prior year, management anticipated a June 30, 2017 completion date to resolve the audit finding.

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SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-006 – Compliance – Official Board Minutes (continued)

Criteria – Section 10-15-1G NMSA 1978 (Open Meetings Act) requires that the Village have available a complete, accurate and detailed draft copy of the minutes within ten working days after a public meeting. These draft minutes should 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. This audit finding was reported in the prior year's audit report and is repeated. In the prior year, the Village hoped to resolve the finding by June 30, 2017.

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 – Management did not respond.

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. This is a repeat audit finding. In the prior year, management anticipated to resolve the audit finding by June 30, 2017. The audit test sample contained the following discrepancies:

- There were twenty-two instances that lacked a signature by the employee on the travel form. The Village does not require the employee to certify the completion and authenticity of the travel upon their return.
- There were thirty-seven instances that lacked a supervisor or management approval for the travel.
- There were thirty-four instances where the partial day (where overnight lodging is required) reimbursements were miscalculated. The overpayments totaled \$2,456.
- There was two instances where the mileage reimbursements were miscalculated. The employees were overpaid by \$45.60.
- There was one instance in which the employee was given an 80% advance for travel of \$287.58 on October 21, 2015. The travel was to occur on October 28, 2015. The employee did not do the travel and reimbursed the Village on November 18, 2015, twenty-seven days after the initial advance was given to the employee.

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FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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

Statement of Condition (continued) –

- An employee traveled to Albuquerque for an EMS conference but was not paid per diem. The employee would have been entitled to \$255.
- Three board members attended the newly elected officials institute in Albuquerque. The travel was for one overnight stay however, they were paid for a two (2) night stay. The board members were over paid by \$85.00 each
- There were two instances in which the employee was reimbursed for mileage for Village related business; however, there was no travel forms on file. The total reimbursements were \$198.86.
- One employee received an advance of 83%. The advance was \$492.44 and was given to the employee 20 days prior to the actual start of the travel.
- The Village does not have a policy that states how far out a travel advance can be given. Advances varied from 2 days prior to travel to 32 days.

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. Travel vouchers and supporting schedules and documents should conform to the policies and procedures manuals issued by the financial control of the department of finance.

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;*

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FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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

Criteria (continued) – Upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80% of per diem and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC.

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 does not have a complete understanding of the Per Diem and Mileage Act. Further, thorough reviews by management of the travel requests prior to payment were not done.

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. The Village's travel form should be modified to include the necessary information to ensure completeness and accuracy.

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

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 some filing cabinets, the auditors were able to locate only a few of the state of New Mexico Department of Transportation original grants. Federal grant files could not be located, in particular the files concerning grant awards from Federal Emergency Management Agency (FEMA). This is a repeat audit finding. In the prior year's audit report, management anticipated a June 30, 2017 completion date to resolve the audit finding.

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, the auditors could not determine if the Village was in compliance with the requirements of any material grants.

Cause – Unknown.

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FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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

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

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

Item 2015-009 – Compliance - Procurement Violations

Statement of Condition – During our testing of the Village’s adherence to the New Mexico procurement code, we discovered the following violations. The nature of the violations have changed from the prior year, nonetheless the finding is repeated. In the prior year’s audit report, management anticipated that the audit finding would be resolved by June 30, 2017.

- The Village awarded two separate sealed bids for road and bridge related projects.
- The Village awarded the sealed bid for audit services.
- The Village awarded a bid for chip seal.
- For the four awards as listed above, the Village was unable to locate and/or provide the original bid documents for testing.
- The Village does not have a designated Chief Procurement Officer.

Criteria – The Procurement Code, Sections 13-1-28 through 13-1-199 NMSA 1978, is aimed at providing a fair and equitable public procurement process and maximizing the purchasing value of public funds. Specifically, 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 be 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.*

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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

Criteria (continued) –The inspection of public records is governed by the Inspection of Public Records Act, Sections 14-2-1 through 14-2-12 NMSA1978. Every person has a right to inspect public records and each public body shall designate at least one custodian of public records who shall have the responsibility to make public records available for inspection. This includes, but is not limited to, having proper procedures in place to ensure public records are safeguarded against improper use, loss or misplacement. Further, as per the New Mexico Administrative Code section 1.4.1.45B, after the award; the bid proposal shall be open to public inspection subject to any continuing prohibition on the disclosure of confidential data.

Pursuant to NMSA 1978, Section 13-1-95.2, state agencies and most public bodies are required to designate a Certified Procurement Officer (CPO) who is certified by the General Services Department. The CPO is responsible for the control of procurement of items of tangible personal property, services or construction.

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]. If the Village is circumventing procurement rules, the risk of fraud, waste and abuse is increased. Further because the Village has not properly retained original documents they are in violation of the Public Records Act. Violations may lead to civil penalties.

Cause – Unknown. The Village administrator who managed the bid process at the time is no longer employed with the Village.

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. The procedures should include provisions for the retention of records. Until the Village is able to add staff, the financial officer should complete the certification program to become the Chief Procurement Officer.

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

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

Statement of Condition – The Village did not conduct an annual physical inventory of its capital assets for the fiscal year ended June 30, 2016. This is a repeat audit finding. In the prior fiscal year, management anticipated that the audit finding would be resolved by July 31, 2017.

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.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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

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 – Management did not respond.

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:

- The Village did not report correct PERA wages. The total PERA wages as reported were \$315,290.11. These wages included exempt overtime wages and wages in excess of an 80 hour pay period. The correct PERA wages should have been \$290,668.92.

The prior year audit finding has been updated and modified to reflect the current situation. In the prior year, management stated the finding would be resolved by June 30, 2017.

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. 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. It is the responsibility of the employer to accurately report PERA wages and contributions.

Effect – PERA wages are used in the calculation of net pension liability. The reporting of erroneous information impacts the calculations of the net pension liability.

Cause – The computer software is not properly programmed to reported PERA wages and the Village did not verify the wages prior to remitting the monthly reports.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

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

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 – Management did not respond.

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, 2016. This is a repeat audit finding. In the prior year, management stated the audit finding would be resolved by May 15, 2017.

Criteria – As per Section 2.2.2.8(G)(6)(c) of the 2.2.2 NMAC Audit Rule 2016, 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, 2016.

Effect – Non-compliance with the NMAC Audit Rule 2016 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 – Management did not respond.

Item 2016-001 – Other Matters – Vendor Payment Process

Statement of Condition – During the course of the audit, we performed tests of controls for the payment of goods and services. Our sample size was forty transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- The financial clerk who processed the invoices for payments did not obtain management approval on eight consecutive payments in June 2016 and on one payment in February 2016. The financial clerk was also one of the individuals who actually signed the checks. The other check signer was a board member. The nine checks totaled \$5,648.52 and were payable to various vendors.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2016-001 – Other Matters – Vendor Payment Process (continued)

Statement of Condition (continued) –

- Three transactions did not have management approval.
- The Village pays for meals for various training sessions and meetings. The total amount that came to our attention was \$676.73 for four separate occasions.

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.

New Mexico Constitution Article IX, Section 14 states, *“neither the state, nor any county, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association or public or private corporation. A donation within the meaning of this provision is a “gift”, an allocation or appropriation of something of value, without consideration.”* The Village is prohibited for paying meals for various in-house training sessions and/or meetings.

Effect – Non-compliance with the New Mexico Constitution, New Mexico State Statutes and the Department of Finance and Administration rules could subject officials and employees to penalties and fines. In addition, errors may occur and not be detected by employees on a timely basis.

Cause – Unknown.

Recommendation – We recommend the Village officials expedite the establishment and maintenance of the appropriate internal controls to provide assurance of compliance with state and laws and regulations.

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2016-002 – Other Matters – Segregation of Duties

Statement of Condition – The Village is a small local government body in the state of New Mexico. There are three positions that control all the financial processes for the Village. Due to limited Village financial staff, there is a lack of segregation of duties.

Criteria – Segregation of duties is a key internal control intended to minimize the occurrence of errors or fraud by ensuring that no employee has the ability to both perpetrate and conceal errors or fraud in the normal course of their duties. Generally, the primary incompatible duties that need to be segregated are:

- Authorization or approval
- Custody of assets
- Recording transactions
- Reconciliation/Control Activity

Some examples of incompatible duties are:

- Authorizing a transaction, receiving and maintaining custody of the asset that resulted from the transaction
- Receiving funds (checks or cash) and approving write-off of receivables
- Reconciling bank statements/accounts and booking entries to general ledger
- Depositing cash and reconciling bank statements
- Approving time cards and having custody of pay checks

If internal control is to be effective, there needs to be an adequate division of responsibilities among those who perform accounting procedures or control activities and those who handle assets. Ideally, separate employees will perform each of the four major duties. In general, the flow of transaction processing and related activities should be designed so that the work of one individual is either independent of, or serves to check on, the work of another. Such arrangements reduce the risk of undetected error and limit opportunities to misappropriate assets or conceal intentional misstatements in the financial statements.

Effect – Without proper segregation of duties there is little or no oversight and review to identify errors. In addition, the risk that fraud or theft could occur is greater because it only requires two people to collude in order to hide a transaction. Without a separation in key processes, fraud and error risks are far less manageable.

Cause – Unknown.

Recommendation – We recommend that when duties cannot be sufficiently segregated due to the small size of the financial staff, it is important that mitigating controls, such as a detailed supervisory review of the activities, be put in place to reduce risks. Until the funding becomes available to hire additional staff, we recommend the board remain active in its duty of financial oversight.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2016-002 – Other Matters – Segregation of Duties (continued)

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

Item 2016-003 – Compliance – Calculation of New Mexico Gross Receipts

Statement of Condition – While reviewing the reporting of governmental gross receipts we discovered the following deficiencies:

- When the Village was preparing the payment to New Mexico Taxation & Revenue Department for governmental gross receipts, the Village was applying a rate of 5.125% to its utility receipts. The correct New Mexico government gross receipt rate is 5.00%.
- The Village did not maintain supporting documentation for its calculations for five months of the fiscal year. It could not be determined when the documents were misplaced.
- Seven month of the fiscal year were filed late causing unnecessary penalties and interest of \$1,865.47.
- The Village filed and paid gross receipts twice for the month of January 2016. The error remained undetected by the Village financial staff.

Criteria – The state of New Mexico imposes a governmental gross receipts tax of 5.00% on the receipts of New Mexico state and local governments. Governmental gross receipts include:

- The sale of tangible personal property, other than water, from facilities open to the general public; refuse collection and/or disposal;
- Sewage services;
- The sale of water by a utility owned or operated by a county, municipality or other political subdivision of the state, and
- The renting of parking, docking, or tie-down spaces, or the granting of permission to park vehicles, tie-down aircraft, or dock boats (Section 7-9-3.2 NMSA 1978)

Effect – Non-compliance with New Mexico State Statutes could subject officials and employees to penalties and fines. In addition, errors may occur and not be detected by employees on a timely basis.

Cause – Unknown.

Recommendation – We recommend the Village officials expedite the establishment and maintenance of the appropriate internal controls to provide assurance of compliance with state and laws and regulations. The procedures should include a thorough review of any tax filings prior to their submissions.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I – FINANCIAL STATEMENT FINDINGS (continued)

Item 2016-003 – Compliance – Calculation of New Mexico Gross Receipts (continued)

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

Item 2016-004 – Compliance – Sale of Public Property

Statement of Condition – At its board meeting on August 26, 2015, the board approved the sale of two tracts of land for \$6,475. The Village did not maintain documentation to support that the local Government Division of the New Mexico Department of Finance and Administration had approved the sale.

Criteria – As per Section 13-6-2.D NMSA 1978, sale or disposition of real or tangible personal property having a current resale value of more than five thousand dollars (\$5,000) may be made by a local public body if the sale or disposition has been approved by the local government division of the department of finance and administration.

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].

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 – Management did not respond.

SECTION II – HOUSING AUTHORITY FINANCIAL STATEMENT FINDINGS

*Item HA 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. This is a repeat audit. In the prior year, the Village stated they would correct the audit finding by June 30, 2018.

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.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – HOUSING AUTHORITY FINANCIAL STATEMENT FINDINGS (continued)

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

Criteria (continued) – 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.

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

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.

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

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

Statement of Condition – During our testing of cash receipting, we discovered the following discrepancies. This is a repeat audit finding. In the prior year's audit report, the Village stated the audit finding would be resolved by June 30, 2018.

- In the course of the fiscal year \$1,897.61 was received and deposited, but a receipt was not issued for these receipts.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – HOUSING AUTHORITY FINANCIAL STATEMENT FINDINGS (continued)

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

Statement of Condition (continued) –

- Even though the Housing Authority was issuing cash receipts in numerical sequence, there twenty receipts that were not issued. There was no documentation on file to indicate that these receipt numbers were voided.
- There were seven instances where the receipt date varied from the actual bank deposit date by more than three days.

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. Bank deposits of receipts should occur within 24 hours of receipt.

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. 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 – Management did not respond.

Item HA 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. This prior year’s audit finding has been modified and updated to reflect current year deficiencies. In the prior year, the Village stated the finding would be resolved by June 30, 2018. Our tests revealed the following matters:

- One occasion where the applicant did not fill out Form 214, *Personal Declaration of Status* correctly.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – HOUSING AUTHORITY FINANCIAL STATEMENT FINDINGS (continued)

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

Statement of Condition (continued) –

- Three occasions where the applicant did not fill out the Community Service/Self Sufficiency Policy form.
- Three 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.
- Two occasions where the Authority had left a reminder note in the file to get AR forms in the file. The authority did not follow through.
- Two occasions where the tenant was due a re-examination that was not completed and or documented in the file.
- One occasion where the tenant application was not included in the file.

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’*.

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 governing board of the Cimarron Housing Authority dissolved in June 2014. The Village council assumed fiduciary responsibilities for the Housing Authority. To manage daily operations, the council entered into an agreement with the Northern Regional Housing Authority, to manage the housing units. During this time, 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.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION II – HOUSING AUTHORITY FINANCIAL STATEMENT FINDINGS (continued)

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

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 – Management did not respond.

*Item HA 2016-001 – Significant Deficiency –
Inadequate Internal Control over Cash Disbursements*

Statement of Condition – During the course of the audit, we performed tests of controls for the payment of goods and services. Our sample size was twenty five transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- There was no clear evidence that there was a documented management approval procedure in the processing vendor payments. All twenty-five transactions did not have evidence of management approval.
- There was one payment that did not have the vendor invoice in the file. The check amount was for \$333.55, written in February 2016. That check had not been presented to a financial institution for payment as of June 30, 2016. The file maintained by the fee accountant did not have notations that the check had been voided.

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 – Non-compliance with the New Mexico State Statutes and the Department of Finance and Administration rules could subject officials and employees to penalties and fines. In addition, errors may occur and not be detected by employees on a timely basis. The risk for fraud increases if management is not formally approving invoices for payment.

Cause – The Village of Cimarron Housing Authority was in a period of transition for the fiscal year ended June 30, 2016. Once the management staff from the Northern Regional Housing Authority prepared the checks for payment, they were given to the Village for signature. Both parties may have made the assumption that the other party was approving the invoice prior to issuing the check or at the time the check was signed.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – HOUSING AUTHORITY FINANCIAL STATEMENT FINDINGS (continued)

*Item HA 2016-001 – Significant Deficiency – Inadequate
Internal Control over Cash Disbursements (continued)*

Recommendation – We recommend the Housing Authority establish and maintain the appropriate internal controls to provide assurance of compliance with state and laws and regulations. The procedures should include designated personnel authorized to approve invoices, prior to payment.

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

Item HA 2016-002 – Compliance - Legal Compliance with Adopted Budget

Statement of Condition - The budgeted operating expenses for the Housing Authority were \$67,960. The actual expenses on the budgetary basis were \$83,369. The Housing Authority exceeded its respective approved budget by \$15,409.

Criteria - Sections 6-6-6 through 6-6-11 NMSA 1978 prohibits local governments from making expenditures in excess of the approved budget and make public officials liable for such expenditures. Village and Housing Authority officials and governing authorities have the obligation to follow applicable state statutes.

Effect - Noncompliance with New Mexico State Statutes could subject officials and employees to penalties and fines required by state statutes.

Cause – The ownership of the Housing Authority was in transition and not completely monitored.

Recommendation - We recommend procedures be established that include a comprehensive mid-year review of its budget. The review will allow management to examine fiscal performance and present budget adjustments, if needed, to those in charge of governance for approval. It should include a comparison of revenues and expenditures to date to the approved budget. Further, a review of planned activity for the last half of the fiscal year should also be made and compared to the approved budget. Based on the mid-year review, a resolution requesting adjustments should be submitted to the Department of Housing and Urban Development, if necessary.

View of Responsible Officials and Planned Corrective Actions – Management did not respond.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

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

Item 2002-002 – Compliance – Submission of 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 2003-006 – 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 Municipal Escrow Account – In the prior year, the municipal escrow bank account had not been reconciled with 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 2014-002 – Significant Deficiency – Accounting Activity – In the prior year the Village had several issues during the year concerning the posting of transactions to certain funds. The Village has resolved some items; however, problems still exist. The audit finding is not considered resolved, and has been modified and is repeated in the current year as item 2014-002.

Item 2014-003 – Significant Deficiency – Interfund Balances – In the prior year, it was reported that the Village has inter-fund receivables and payables that have not been retired. The finding has not been resolved, and has been modified and repeated as 2014-003.

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

Item 2014-006 – Other Matter – 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.

Item 2014-007 – Compliance – 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.

Item 2014-008 – Other Matter – Service Agreement Compliance – 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.

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

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

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

Item 2015-001 – Material Weakness – Financial Statements and Disclosures – In the prior year, it was reported that the finance/accounting staff of the Village lacks the knowledge to prepare generally accepted accounting principles as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. The finding was not addressed during the current fiscal year, and is thus repeated as item 2015-001.

Item 2015-002 – Material Weakness – Cash Reconciliation to the General Ledger – In the prior year, the Village had not reconciled the bank balances to the cash balances as listed in the general ledger. The Village sought out the assistance of DFA to reconcile the cash and bank balances for the year ended June 30, 2016. This was not intended to be the long-term solution. The finding has been updated and modified, and is repeated as item 2015-002.

Item 2015-003 – Material Weakness – Utility Department Discrepancies – In the prior year the Village utility department operations had several discrepancies involving internal control over billing, collection and reporting. The deficiencies noted in the finding were not corrected, and is repeated as item 2015-003.

Item 2015-004 – Material Weakness – Capital Asset Subsidiary Records and Depreciation Expense – In the prior year the capital asset subsidiary records were not adjusted to reflect new acquisitions and disposals. The finding was not addressed by management, and is repeated as item 2015-004.

Item 2015-005 – Significant Deficiency – Credit Card Transactions – In the prior year the Village failed to properly maintain documentation to support credit card fuel transactions. The finding was not corrected by management, and is repeated as item 2015-005.

Item 2015-006 – Compliance – Official Board Minutes – In the prior year the Village could not locate board meeting minutes for the month May 2015. In addition, the minutes were vague and lacked detail. Similar problems were discovered for the current year. The audit finding has been modified, and is repeated as item 2015-006.

Item 2015-007 – Compliance – Per Diem and Mileage Act – In the prior year the Village had numerous discrepancies concerning the payment of travel in compliance with the NM Per Diem and Mileage Act. Similar problems were discovered for the current year. The audit finding has been modified, and is repeated as item 2015-007.

Item 2015-008 – Compliance – Grant Requirements – In the prior year the Village could not locate federal and state grant files for testing. The same condition existed for the current year. The audit finding has been modified, and is repeated as item 2015-008.

Item 2015-009 – Compliance – Procurement Violation – In the prior year the Village had made capital purchases that were subject to the NM Procurement Code. The Village did not maintain the appropriate documentation to support compliance with the Procurement Code. Similar deficiencies were noted in the current year. The audit finding has been modified, and is repeated as item 2015-009.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

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

Item 2015-010 – Compliance – Lodgers' Tax Audit – It could not be determined if and when the Village last conducted a lodger's tax audit. A lodger's tax audit was conducted for the year ended June 30, 2015. The finding is considered resolved.

Item 2015-011 – Compliance – Annual Inventory of Capital Assets – In the prior year it could not be determined if the Village actually conducted an annual physical inventory of its capital assets. The finding has not been resolved and is updated, and is repeated as item 2015-011.

Item 2015-012 – Compliance – Public Employees Retirement Act (PERA) Wages and Contributions – In the prior year, the Village was not using the correct employer contribution rates to determine the amount of employer contributions and they did not report the correct PERA wages. Similar errors were made in the current year. The audit finding has been updated and modified, and is repeated as item 2015-012.

Item 2015-014 – Other Matters - IPA Recommendation and Contract to State Auditor – In the prior year, the Village was late in delivering a fully completed and signed IPA recommendation form for audits to the state auditor. In the current year, the Village did not resolve the finding. The finding was updated, and is repeated as item 2015-014.

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

Item 2015-015 – Other Matters – Presentation of Audit Report – The audit report for the year ended June 30, 2014 was not presented to a quorum of the Village's governing authority. The audit report for the year ended June 30, 2015 was presented to the Village council. The finding has been resolved.

Item 2006-003 – Significant Deficiency – Capital Assets for Cimarron Housing Authority – In the prior year, Cimarron Housing Authority had not maintained a detailed listing of capital asset schedules for assets purchased prior to July 1, 2005. Management did not correct the deficiency in the current year, and the audit finding has been updated and is repeated as item HA 2006-003.

Item 2014-001 – Significant Deficiency – Inadequate Internal Control over Cash Receipts – In the prior year the Housing Authority has significant discrepancies between receipt/posting dates for tenant payments in the Housing Authority's accounting system and bank deposit dates. Similar discrepancies exist in the current year, and the finding has been modified and is repeated as HA 2014-001.

Item 2015-013 – Compliance – Tenant Eligibility – Housing Authority – In the prior year the Housing Authority had several deficiencies in their tenant files. The deficiencies in the tenant files were not cleared. The finding has not been resolved and the repeated finding is HA 2015-013.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
EXIT CONFERENCE AND
FINANCIAL STATEMENT PREPARATION
JUNE 30, 2016**

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2016, was discussed during the exit conference held on July 26, 2017. Present for the Village was Leo R. Martinez, mayor; Laura Gonzales, councilor; 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, 2016. 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.