

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2017**

**STATE OF NEW MEXICO  
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, 2017

***ELECTED OFFICIALS***

Leo R. Martinez..... Mayor  
Vacant ..... Mayor Pro-Tem  
Laura Gonzales..... Councilor  
Ray McFall..... Councilor  
Eunice Birmley ..... Councilor  
Karen Gates..... Municipal Judge

***DEPARTMENT HEADS***

Matthew E. Gonzales ..... Administrator  
Ryan Gates..... Police Chief  
Anthony Martinez ..... Fire Chief  
Nate Lay ..... Ambulance Director  
Damian Casias..... Public Works Supervisor

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www.fierrocpa.comIndependent Auditors' ReportWayne Johnson, 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, 2017, 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 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, 2017, 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
Fire Protection Fund	Unmodified
Capital Outlay Fund	Unmodified
Water and Sewer Fund	Qualified
Solid Waste Fund	Unmodified
Ambulance Fund	Qualified
Aggregate Remaining Fund Information	Unmodified
Combining and Individual Non-Major Governmental Funds	Unmodified
General Fund Budgetary Comparison	Unmodified
Fire Protection 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.

The Village has not maintained current subsidiary records detailing outstanding customer utility deposits. Proper accounting procedures require that the deposit utility accounts be kept current and reconciled with the general ledger. The Village has not reconciled outstanding customer utility deposits with the general ledger. We were unable to determine the completeness or accuracy of the customer deposit reflected on the general ledger.

### Qualified Opinions

In our opinion, except for the possible effects of the matters described in the “Basis for Qualified Opinions” paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2017, 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, 2017, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the general, and major special revenue, 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 fifty-one through fifty-five 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 financial statements that collectively comprise the Village's basic financial statements. The combining and individual fund financial statements, and the other schedules (schedules of cash accounts, pledged collateral, and changes in assets and liabilities) 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 December 1, 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

December 1, 2017

## **BASIC FINANCIAL STATEMENTS**



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash	\$ 551,411	\$ 235,720	\$ 787,131
Receivables, net	131,437	54,412	185,849
Prepaid expenses	50,000	-	50,000
Total current assets	732,848	290,132	1,022,980
Noncurrent assets:			
Restricted cash	38,556	46,147	84,703
Internal balances	82,224	(82,224)	-
Capital assets:			
Land and construction in progress	117,880	58,000	175,880
Other capital assets, net of depreciation	2,663,538	3,050,719	5,714,257
Total capital assets	2,781,418	3,108,719	5,890,137
Total noncurrent assets	2,902,198	3,072,642	5,974,840
<b>Deferred Outflows of Resources:</b>			
Pension related	149,253	55,789	205,042
Total assets and deferred outflows of resources	<u>\$ 3,784,299</u>	<u>\$ 3,418,563</u>	<u>\$ 7,202,862</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 52,928	\$ 34,592	\$ 87,520
Accrued salaries	1,815	452	2,267
Accrued payroll liabilities	130	33	163
Accrued interest payable	583	5,891	6,474
Deposits payable	-	40,739	40,739
Note payable	34,229	37,199	71,428
Bonds payable	-	8,800	8,800
Compensated absences	6,800	2,230	9,030
Total current liabilities	96,485	129,936	226,421
Noncurrent liabilities:			
Note payable	202,214	87,881	290,095
Bonds payable	-	215,125	215,125
Compensated absences	1,817	1,961	3,778
Net pension liability	431,276	144,493	575,769
Total noncurrent liabilities	635,307	449,460	1,084,767
Total liabilities	731,792	579,396	1,311,188
<b>Deferred Inflows of Resources:</b>			
Pension related	31,089	9,265	40,354
<b>Net Position:</b>			
Net investment in capital assets	2,544,975	2,709,780	5,254,755
Restricted for:			
Debt service	192	1,530	1,722
State mandated per statutes	137,563	-	137,563
Unrestricted	338,688	118,592	457,280
Total net position	3,021,418	2,829,902	5,851,320
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,784,299</u>	<u>\$ 3,418,563</u>	<u>\$ 7,202,862</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, 2017**

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
<b>Primary Government:</b>							
<b>Governmental activities:</b>							
General government	\$ 277,055	\$ 12,745	\$ 134,842	\$ -	\$ (129,468)	\$ -	\$ (129,468)
Public safety	539,479	53,097	196,706	-	(289,676)	-	(289,676)
Public works	270,857	-	350	-	(270,507)	-	(270,507)
Culture and recreation	21,527	-	-	-	(21,527)	-	(21,527)
Health and welfare	10,556	2,976	-	-	(7,580)	-	(7,580)
Interest on long-term debt	4,483	-	-	-	(4,483)	-	(4,483)
Total governmental activities	1,123,957	68,818	331,898	-	(723,241)	-	(723,241)
<b>Business-type activities:</b>							
Water	392,105	237,546	-	-	-	(154,559)	(154,559)
Wastewater	106,304	72,997	-	-	-	(33,307)	(33,307)
Solid waste	140,595	155,266	-	-	-	14,671	14,671
Ambulance	113,724	63,233	7,200	-	-	(43,291)	(43,291)
Interest on long-term debt	13,664	-	-	-	-	(13,664)	(13,664)
Total business-type activities	766,392	529,042	7,200	-	-	(230,150)	(230,150)
Total primary government	\$ 1,890,349	\$ 597,860	\$ 339,098	\$ -	(723,241)	(230,150)	(953,391)
<b>General Revenues:</b>							
Gross receipts taxes					379,832	7,157	386,989
Property taxes, levied for general purposes					76,738	-	76,738
Lodgers' taxes					19,416	-	19,416
Franchise taxes					25,149	-	25,149
Public service taxes					40,911	-	40,911
Interest income					5,016	539	5,555
Donations					2,140	295	2,435
Miscellaneous					29,626	-	29,626
Special item - Gain on disposal of assets					15,751	-	15,751
Extraordinary item - disposal of housing authority					-	(407,521)	(407,521)
Transfers					(14,506)	14,506	-
Total general revenues, special, extraordinary item and transfers					580,073	(385,024)	195,049
Change in net position					(143,168)	(615,174)	(758,342)
Net position, beginning of year					3,164,586	3,445,076	6,609,662
Net position, end of year					\$ 3,021,418	\$ 2,829,902	\$ 5,851,320

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, 2017**

	General Fund	Fire Protection Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>					
Cash	\$ 259,998	\$ 101,650	\$ -	\$ 189,763	\$ 551,411
Receivables, net	124,659	-	-	6,778	131,437
Prepaid expense	50,000	-	-	-	50,000
Due from other funds	270,672	-	-	-	270,672
Restricted:					
Cash held by fiscal agent	-	143	-	38,413	38,556
Total assets	<u>\$ 705,329</u>	<u>\$ 101,793</u>	<u>\$ -</u>	<u>\$ 234,954</u>	<u>\$ 1,042,076</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>					
<b>Liabilities:</b>					
Accounts payable	\$ 31,241	\$ 16,004	\$ -	\$ 5,683	\$ 52,928
Accounts salaries	1,815	-	-	-	1,815
Accrued payroll liabilities	130	-	-	-	130
Due to other funds	-	-	188,448	-	188,448
Total liabilities	33,186	16,004	188,448	5,683	243,321
<b>Deferred Inflows of Resources:</b>					
Unavailable property tax revenue	7,391	-	-	-	7,391
<b>Fund Balances:</b>					
Nonspendable:					
Interfund advances	270,672	-	-	-	270,672
Prepaid expense	50,000	-	-	-	50,000
Restricted for:					
Debt service	-	143	-	49	192
State mandated per statutes	-	-	-	75,521	75,521
State mandated budget reserve	62,042	-	-	-	62,042
Committed for:					
Subsequent years' expenditures	33,000	-	-	-	33,000
Assigned	-	-	-	153,701	153,701
Unassigned	249,038	85,646	(188,448)	-	146,236
Total fund balances	<u>664,752</u>	<u>85,789</u>	<u>(188,448)</u>	<u>229,271</u>	<u>791,364</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 705,329</u>	<u>\$ 101,793</u>	<u>\$ -</u>	<u>\$ 234,954</u>	<u>\$ 1,042,076</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, 2017

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

Total fund balance governmental funds (page seven)	\$	791,364
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,781,418
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.		7,391
Deferred outflows of resources related to pensions are applicable to future periods and are not reported in the funds.		149,253
Certain accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(583)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.		(676,336)
Deferred inflows of resources related to pensions are applicable to future periods and are not reported in the funds.		(31,089)
Net position of governmental activities (page five)	\$	3,021,418

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, 2017**

	General Fund	Fire Protection Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Gross receipts taxes	\$ 357,217	\$ -	\$ -	\$ -	\$ 357,217
Property taxes	69,718	-	-	-	69,718
Franchise taxes	25,149	-	-	-	25,149
Lodgers' taxes	-	-	-	19,416	19,416
Public service taxes	63,526	-	-	-	63,526
Intergovernmental:					
State	134,842	174,906	-	21,800	331,548
Charges for services	15,276	-	-	2,976	18,252
Fines and forfeitures	-	-	-	52,842	52,842
Interest	4,556	59	-	401	5,016
Miscellaneous	24,054	385	-	-	24,439
	<u>694,338</u>	<u>175,350</u>	<u>-</u>	<u>97,435</u>	<u>967,123</u>
Total revenues					
<b>Expenditures:</b>					
Current:					
General government	240,265	-	-	-	240,265
Public safety	229,553	173,971	-	35,268	438,792
Highways and streets	143,178	-	-	-	143,178
Culture and recreation	32	-	-	16,661	16,693
Health and welfare	9,648	-	-	258	9,906
Capital outlay	78,834	-	-	57,180	136,014
Debt service:					
Principal	-	18,388	-	15,243	33,631
Interest and other charges	-	2,923	-	1,601	4,524
	<u>701,510</u>	<u>195,282</u>	<u>-</u>	<u>126,211</u>	<u>1,023,003</u>
Total expenditures					
Excess (deficiency) revenues over expenditures	(7,172)	(19,932)	-	(28,776)	(55,880)
<b>Other Financing Sources (Uses):</b>					
Transfers in	22,085	-	-	-	22,085
Transfers (out)	(14,506)	-	-	(22,085)	(36,591)
	<u>7,579</u>	<u>-</u>	<u>-</u>	<u>(22,085)</u>	<u>(14,506)</u>
Total other financing sources (uses)					
<b>Special Item:</b>					
Proceeds from sale of assets	9,751	-	-	6,000	15,751
Net change in fund balances	10,158	(19,932)	-	(44,861)	(54,635)
Fund balance, beginning of year	654,594	105,721	(188,448)	274,132	845,999
Fund balance, end of year	<u>\$ 664,752</u>	<u>\$ 85,789</u>	<u>\$ (188,448)</u>	<u>\$ 229,271</u>	<u>\$ 791,364</u>

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, 2017

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

Net change in fund balances total governmental fund (page nine)	\$ (54,635)
Governmental funds report capital outlay as expenditures in the amount of \$136,014; 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 \$193,198.	(57,184)
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.	7,020
The repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, the repayment has no effect on net position.	33,631
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	1,771
Change in accrued interest payable	41
Pension expense	<u>(73,812)</u>
Net change in net position - statement of activities (page six)	<u>\$ (143,168)</u>

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, 2017**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Gross receipts taxes	\$ 384,000	\$ 434,000	\$ 311,168	\$ 46,049	\$ 357,217	\$ (122,832)
Property taxes	65,000	65,000	76,277	(6,559)	69,718	11,277
Franchise taxes	24,000	24,000	24,966	183	25,149	966
Public service taxes	41,600	81,600	65,715	(2,189)	63,526	(15,885)
Intergovernmental:						
State	150,000	150,000	134,842	-	134,842	(15,158)
Charges for services	12,150	12,150	15,278	(2)	15,276	3,128
Fines and forfeitures	70,000	70,000	-	-	-	(70,000)
Interest	800	800	4,556	-	4,556	3,756
Miscellaneous	-	15,000	15,601	8,453	24,054	601
<b>Total revenues</b>	<b>747,550</b>	<b>852,550</b>	<b>648,403</b>	<b>45,935</b>	<b>694,338</b>	<b>(204,147)</b>
<b>Expenditures:</b>						
Current:						
General government	306,210	306,210	222,275	17,990	240,265	83,935
Public safety	286,457	286,457	230,714	1,677	232,391	55,743
Public works	44,009	59,009	145,618	(2,440)	143,178	(86,609)
Culture and recreation	-	-	32	-	32	(32)
Health and welfare	10,000	10,000	9,216	432	9,648	784
Capital outlay	-	-	169,104	(93,108)	75,996	(169,104)
<b>Total expenditures</b>	<b>646,676</b>	<b>661,676</b>	<b>776,959</b>	<b>(75,449)</b>	<b>701,510</b>	<b>(115,283)</b>
Excess (deficiency) of revenues over expenditures	100,874	190,874	(128,556)	121,384	(7,172)	(319,430)
<b>Other Financing Sources (Uses):</b>						
Transfers in	-	-	22,085	-	22,085	22,085
Transfers (out)	(60,000)	(175,000)	(14,506)	-	(14,506)	160,494
<b>Total other financing sources (uses)</b>	<b>(60,000)</b>	<b>(175,000)</b>	<b>7,579</b>	<b>-</b>	<b>7,579</b>	<b>182,579</b>
<b>Special Item:</b>						
Proceeds from sale of assets	-	-	9,751	-	9,751	9,751
<b>Net change</b>	<b>40,874</b>	<b>15,874</b>	<b>(111,226)</b>	<b>\$ 121,384</b>	<b>\$ 10,158</b>	<b>(127,100)</b>
Cash balance, beginning of year	388,638	388,638	388,638			-
Cash advanced to other funds	-	-	(17,414)			(17,414)
<b>Cash balance, end of year</b>	<b>\$ 429,512</b>	<b>\$ 404,512</b>	<b>\$ 259,998</b>			<b>\$ (144,514)</b>
<b>Explanation of Differences:</b>						
Change in receivables				\$ 46,331		
Change in prepaid expense				50,000		
Interfund receivable adjustment				4,253		
Change in accounts payable				18,746		
Change in accrued salaries				8,000		
Change in accrued payroll taxes				1,074		
Change in unavailable revenues				(7,020)		
				<b>\$ 121,384</b>		

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

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
FIRE PROTECTION FUND**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Intergovernmental:						
State	\$ 167,139	\$ 170,843	\$ 174,906	\$ -	\$ 174,906	\$ 4,063
Interest	-	-	59	-	59	59
Miscellaneous	-	-	385	-	385	385
Total revenues	167,139	170,843	175,350	-	175,350	4,507
<b>Expenditures:</b>						
Current:						
Public safety	140,400	140,400	158,282	15,689	173,971	(17,882)
Debt service:						
Principal	-	-	18,388	-	18,388	(18,388)
Interest and other charges	-	-	2,923	-	2,923	(2,923)
Total expenditures	140,400	140,400	179,593	15,689	195,282	(39,193)
Excess (deficiency) of revenues over expenditures	26,739	30,443	(4,243)	(15,689)	(19,932)	(34,686)
<b>Other Financing Sources (Uses):</b>						
Transfers (out)	-	(21,312)	-	-	-	21,312
Net change	26,739	9,131	(4,243)	<u>\$ (15,689)</u>	<u>\$ (19,932)</u>	(13,374)
Cash balance, beginning of year	106,036	106,036	106,036			-
Cash balance, end of year	<u>\$ 132,775</u>	<u>\$ 115,167</u>	<u>\$ 101,793</u>			<u>\$ (13,374)</u>
<b>Explanation of Differences:</b>						
Change in accounts payable				<u>\$ (15,689)</u>		

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

**PROPRIETARY FUNDS FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	Enterprise Funds				Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	Housing Authority Fund	
<b>Assets:</b>					
Current assets:					
Cash	\$ 91,923	\$ 1,530	\$ 142,267	\$ -	\$ 235,720
Receivables, net	20,306	17,706	16,400	-	54,412
Total current assets	112,229	19,236	158,667	-	290,132
Noncurrent assets:					
Restricted assets:					
Cash	44,617	-	1,530	-	46,147
Capital assets:					
Land	58,000	-	-	-	58,000
Distribution and collection systems	6,621,537	-	-	-	6,621,537
Vehicles, equipment and other assets	507,141	-	434,129	-	941,270
Less accumulated depreciation	(4,083,958)	-	(428,130)	-	(4,512,088)
Total capital assets, net	3,102,720	-	5,999	-	3,108,719
Total noncurrent assets	3,147,337	-	7,529	-	3,154,866
<b>Deferred Outflows of Resources:</b>					
Pension related	55,789	-	-	-	55,789
Total assets and deferred outflows of resources	<u>\$ 3,315,355</u>	<u>\$ 19,236</u>	<u>\$ 166,196</u>	<u>\$ -</u>	<u>\$ 3,500,787</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ 3,031	\$ 26,309	\$ 5,252	\$ -	\$ 34,592
Accrued salaries	452	-	-	-	452
Accrued payroll liabilities	33	-	-	-	33
Accrued interest payable	5,773	-	118	-	5,891
Deposits payable	40,739	-	-	-	40,739
Current maturities of liabilities:					
Notes payable	28,885	-	8,314	-	37,199
Bonds payable	8,800	-	-	-	8,800
Compensated absences	2,230	-	-	-	2,230
Total current liabilities	89,943	26,309	13,684	-	129,936
Noncurrent Liabilities:					
Due to other funds	82,224	-	-	-	82,224
Notes payable	61,316	-	26,565	-	87,881
Bonds payable	215,125	-	-	-	215,125
Compensated absences	1,961	-	-	-	1,961
Net pension liability	144,493	-	-	-	144,493
Total noncurrent liabilities	505,119	-	26,565	-	531,684
Total liabilities	595,062	26,309	40,249	-	661,620
<b>Deferred Inflows of Resources:</b>					
Pension related	9,265	-	-	-	9,265

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, 2017**

	Enterprise Funds				Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	Housing Authority Fund	
<b>Net Position:</b>					
Net investment in capital assets	2,709,780	-	-	-	2,709,780
Restricted debt service	-	-	1,530	-	1,530
Unrestricted	1,248	(7,073)	124,417	-	118,592
<b>Total net position</b>	<b>2,711,028</b>	<b>(7,073)</b>	<b>125,947</b>	<b>-</b>	<b>2,829,902</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 3,315,355</b>	<b>\$ 19,236</b>	<b>\$ 166,196</b>	<b>\$ -</b>	<b>\$ 3,500,787</b>

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, 2017**

	Enterprise Funds				Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	Housing Authority Fund	
<b>Operating Revenues:</b>					
Charges for services	\$ 310,470	\$ 155,266	\$ 63,233	\$ -	\$ 528,969
<b>Operating Expenses:</b>					
Personnel services	105,926	-	-	-	105,926
Utilities	16,387	-	6,164	-	22,551
Contractual services	20,150	136,312	5,743	-	162,205
Professional services	42,285	3,347	4,383	-	50,015
Repairs and maintenance	11,989	249	24,271	-	36,509
General operating	83,282	408	46,544	-	130,234
Fuel	2,115	-	4,543	-	6,658
Insurance claims and expenses	25,493	279	11,986	-	37,758
Depreciation	190,709	-	10,090	-	200,799
Total operating expenses	<u>498,336</u>	<u>140,595</u>	<u>113,724</u>	<u>-</u>	<u>752,655</u>
Operating (loss)	(187,866)	14,671	(50,491)	-	(223,686)
<b>Non-Operating Revenues (Expenses):</b>					
Gross receipts taxes	-	7,157	-	-	7,157
Intergovernmental revenues	-	-	7,200	-	7,200
Miscellaneous revenues	-	-	295	-	295
Interest income	520	-	19	-	539
Interest expense and other charges	(12,863)	-	(801)	-	(13,664)
Total non-operating revenues (expenses)	<u>(12,343)</u>	<u>7,157</u>	<u>6,713</u>	<u>-</u>	<u>1,527</u>
Income (loss) before transfers	(200,209)	21,828	(43,778)	-	(222,159)
<b>Transfers:</b>					
Transfers in	66,506	-	-	-	66,506
Transfers (out)	-	(52,000)	-	-	(52,000)
Total transfers	66,506	(52,000)	-	-	14,506
<b>Extraordinary Item:</b>					
Disposal of housing authority	-	-	-	(407,521)	(407,521)
Change in net position	(133,703)	(30,172)	(43,778)	(407,521)	(615,174)
Net position, beginning of year	<u>2,844,731</u>	<u>23,099</u>	<u>169,725</u>	<u>407,521</u>	<u>3,445,076</u>
Net position, end of year	<u>\$ 2,711,028</u>	<u>\$ (7,073)</u>	<u>\$ 125,947</u>	<u>\$ -</u>	<u>\$ 2,829,902</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, 2017**

	Enterprise Funds				Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	Housing Authority Fund	
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers	\$ 310,372	\$ 149,802	\$ 61,905	\$ -	\$ 522,079
Cash payments to suppliers for goods and services	(198,967)	(129,981)	(101,164)	-	(430,112)
Cash payments to employees for services	(90,041)	-	-	-	(90,041)
Net cash provided (used) by operating activities	21,364	19,821	(39,259)	-	1,926
<b>Cash Flows From Non-Capital and Related Financing Activities:</b>					
Cash received from sales taxes	-	5,902	-	-	5,902
Intergovernmental	-	-	7,200	-	7,200
Miscellaneous	-	-	295	-	295
Disposal of housing authority	-	-	-	(29,524)	(29,524)
Transfers	66,506	(52,000)	-	-	14,506
Net cash provided (used) by non-capital and related financing activities	66,506	(46,098)	7,495	(29,524)	(1,621)
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Purchase of capital assets	(67,180)	-	-	-	(67,180)
Loan proceeds	57,180	-	-	-	57,180
Principal payment on capital debt	(38,950)	-	(8,097)	-	(47,047)
Interest and related debt charges	(4,059)	-	(820)	-	(4,879)
Net cash (used) by capital and related financing activities	(53,009)	-	(8,917)	-	(61,926)
<b>Cash Flows From Investing Activities:</b>					
Interest income	520	-	19	-	539
Net increase (decrease) in cash	35,381	(26,277)	(40,662)	(29,524)	(61,082)
Cash and cash equivalents, beginning of year	101,159	27,807	184,459	29,524	342,949
Cash and cash equivalents, end of year	<u>\$ 136,540</u>	<u>\$ 1,530</u>	<u>\$ 143,797</u>	<u>\$ -</u>	<u>\$ 281,867</u>
Displayed as:					
Cash	\$ 91,923	\$ 1,530	\$ 142,267	\$ -	\$ 235,720
Restricted cash	44,617	-	1,530	-	46,147
	<u>\$ 136,540</u>	<u>\$ 1,530</u>	<u>\$ 143,797</u>	<u>\$ -</u>	<u>\$ 281,867</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, 2017**

	Enterprise Funds				Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	Housing Authority Fund	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>					
Operating (loss)	\$ (187,866)	\$ 14,671	\$ (50,491)	\$ -	\$ (223,686)
Adjustment to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	190,709	-	10,090	-	200,799
Bad debts	145	186	15,802	-	16,133
Change in Assets and Liabilities:					
(Increase) in accounts receivable	(243)	(5,650)	(17,130)	-	(23,023)
Decrease in interfund receivable	4,253	-	-	-	4,253
(Increase) in deferred outflows of resources	(48,402)	-	-	-	(48,402)
Increase (decrease) in accounts payable	(1,519)	10,614	2,470	-	11,565
Increase in accrued salaries	150	-	-	-	150
(Decrease) in accrued payroll liabilities	(19)	-	-	-	(19)
Increase in compensated absences	1,700	-	-	-	1,700
(Decrease) in deferred inflows of resources	(1,571)	-	-	-	(1,571)
Increase in net pension liability	64,027	-	-	-	64,027
Total adjustments	<u>209,230</u>	<u>5,150</u>	<u>11,232</u>	<u>-</u>	<u>225,612</u>
Net cash provided (used) by operating activities	<u>\$ 21,364</u>	<u>\$ 19,821</u>	<u>\$ (39,259)</u>	<u>\$ -</u>	<u>\$ 1,926</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, 2017

	<u>Agency Fund</u>
<b>Assets:</b>	
Cash	<u>\$          400</u>
<b>Liabilities:</b>	
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, 2017

**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 (including street construction, repairs, and maintenance), 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.

As required by GAAP, the Village has reported the financial statements of the Village of Cimarron Housing Authority as a blended component unit. The Village governing board serves as the governing board for the housing authority, and is responsible for the housing authority. The housing authority's financial activity has been reported as a separate proprietary enterprise fund within the Village's financial statements.

On July 1, 2016, the Village's governing board relinquished ownership of the housing authority and completed a transfer of all assets, liabilities, and equity to Northern Regional Housing Authority (NRHA). Revenue and expenses subsequent to the transfer date are the responsibility of NRHA. Please see note 15 for further information.

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, 2017

**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, 2017

**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, 2017

**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, 2017

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

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

**Special Revenue Funds**

The *law enforcement protection fund* 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 *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, 2017

**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, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

D. Budgets

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

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

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

E. Assets, Liabilities, and Net 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.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**1. Cash (continued)**

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. 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.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**6. Capital Assets (continued)**

Infrastructure capital assets consisting of roads, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. The Village defines capital assets as assets with an estimated useful life in excess of one year and costing greater than \$5,000. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed when material. Net revenue bond interest cost incurred during construction is capitalized as part of the construction project.

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

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

**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.

**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.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**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.

**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.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**12. Fund Equity Reservation and Designations (continued)**

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.

F. 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 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’s. 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.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

G. 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	\$ 787,131
Restricted cash	84,703
Statement of Fiduciary Assets and Liabilities	<u>400</u>
Total cash reported on financial statements	<u><u>\$ 872,234</u></u>

Cash at various locations:

Cash held at International Bank	\$ 830,173
Cash held at Wells Fargo Bank	1,975
Cash held at New Mexico Finance Authority	<u>40,086</u>
Total cash	<u><u>\$ 872,234</u></u>

**Cash Deposited with Financial Institution**

The Village maintains cash deposits in one financial institution within Cimarron, New Mexico, and one financial institution in Springer, 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, 2017

**2. CASH (continued)**

*Cash Deposited with Financial Institution (continued)*

As of June 30, 2017, 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	\$ 965,886	\$ (135,713)	\$ 830,173
Wells Fargo Bank	<u>3,522</u>	<u>(1,547)</u>	<u>1,975</u>
	<u>\$ 969,408</u>	<u>\$ (137,260)</u>	<u>\$ 832,148</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>Wells Fargo Bank</u>
Total deposits in bank	\$ 965,886	\$ 3,522
Less FDIC coverage	<u>(250,000)</u>	<u>(3,522)</u>
Uninsured public funds	715,886	<u>\$ -</u>
Pledged collateral held by pledging bank's agent, but not in the Village's name	<u>(474,994)</u>	
Uninsured and uncollateralized public funds	<u>\$ 240,892</u>	
Total pledged collateral	\$ 474,994	
50% pledged collateral requirement per state statute	<u>(357,943)</u>	
Over (under) collateralization	<u>\$ 117,051</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, 2017

**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, 2017, \$715,886 of the Village’s bank balance of \$969,408 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.	\$ 715,886

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	\$ -	\$ 44,617	\$ 44,617
Restricted - held by fiscal agent	38,556	1,530	40,086
	\$ 38,556	\$ 46,147	\$ 84,703
Purpose of the Restriction:			
Held by fiscal agent for debt service	\$ 192	\$ 1,530	\$ 1,722
Program funds	38,364	-	38,364
Utility meter deposits	-	44,617	44,617
	\$ 38,556	\$ 46,147	\$ 84,703

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, 2017

**3. RECEIVABLES, NET**

Receivables, net of allowance for doubtful accounts, at June 30, 2017, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable:		
Charges for services	\$ -	\$ 189,429
Court fines	3,827	-
Miscellaneous	1,965	-
Allowance for doubtful accounts	<u>-</u>	<u>(136,959)</u>
Total	5,792	52,470
Taxes receivable:		
Gross receipts taxes	101,981	1,942
Property taxes	12,942	-
Franchise taxes	5,753	-
Lodgers' taxes	2,951	-
Public service taxes	2,889	-
Allowance for doubtful accounts	<u>(871)</u>	<u>-</u>
	<u>125,645</u>	<u>1,942</u>
Total	<u>\$ 131,437</u>	<u>\$ 54,412</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 1<sup>st</sup>. Property tax rates for the year are set no later than September 1<sup>st</sup> 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 1<sup>st</sup>. Tax notices are sent by the Colfax County Treasurer to property owners by November 1<sup>st</sup> of each year.

Taxes are payable in equal semiannual installments by November 10<sup>th</sup> and April 10<sup>th</sup> 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.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**4. PROPERTY TAX (continued)**

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 2016, was \$7.650 per \$1,000 for non-residential and \$5.181 for residential property. In the year 2016, 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, 2017:

	Balance 06/30/16	Increases	Decreases	Balance 06/30/17
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 117,880	\$ -	\$ -	\$ 117,880
Other capital assets, being depreciated:				
Buildings and improvements	1,720,371	-	-	1,720,371
Infrastructure	2,425,238	-	-	2,425,238
Vehicles	889,704	136,014	-	1,025,718
Equipment	478,436	-	-	478,436
Total other capital assets	5,513,749	136,014	-	5,649,763
Less accumulated depreciation for:				
Buildings and improvements	(944,386)	(49,417)	-	(993,803)
Infrastructure	(835,401)	(73,492)	-	(908,893)
Vehicles	(593,693)	(54,356)	-	(648,049)
Equipment	(419,547)	(15,933)	-	(435,480)
Total accumulated depreciation	(2,793,027)	(193,198)	-	(2,986,225)
Other capital assets, net	2,720,722	(57,184)	-	2,663,538
Total capital assets, net	<u>\$ 2,838,602</u>	<u>\$ (57,184)</u>	<u>\$ -</u>	<u>\$ 2,781,418</u>

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

Governmental Activities:	
General government	\$ 41,718
Public safety	66,604
Public works	79,392
Health and welfare	618
Culture and recreation	4,866
	<u>\$ 193,198</u>

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**5. CAPITAL ASSETS (continued)**

Business-type activities capital assets for the fiscal year ended June 30, 2017:

	Balance 06/30/16	Increases	Decreases	Adjustments	Balance 06/30/17
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 76,600	\$ -	\$ -	\$ (18,600)	\$ 58,000
Other capital assets, being depreciated:					
Buildings	867,096	-	-	(867,096)	-
Water and sewer utility system	6,621,537	-	-	-	6,621,537
Equipment	593,309	67,180	-	(72,542)	587,947
Heavy equipment	59,800	-	-	-	59,800
Vehicles	293,523	-	-	-	293,523
Total other capital assets	8,435,265	67,180	-	(939,638)	7,562,807
Less accumulated depreciation for:					
Buildings	(542,905)	-	-	542,905	-
Water and sewer utility system	(3,458,278)	(188,918)	-	-	(3,647,196)
Equipment	(575,422)	(8,689)	-	72,542	(511,569)
Heavy equipment	(59,800)	-	-	-	(59,800)
Vehicles	(290,331)	(3,192)	-	-	(293,523)
Total accumulated depreciation	(4,926,736)	(200,799)	-	615,447	(4,512,088)
Other capital assets, net	3,508,529	(133,619)	-	(324,191)	3,050,719
Total capital assets, net	\$ 3,585,129	\$ (133,619)	\$ -	\$ (342,791)	\$ 3,108,719

**6. LONG-TERM OBLIGATIONS**

**Governmental Activities Debt**

Changes in governmental activities loan activity during the year ended June 30, 2017, were as follows:

	Balance 06/30/16	Additions	Deletions	Balance 06/30/17	Amounts Due Within One Year
Notes payable	\$ 270,074	\$ -	\$ 33,631	\$ 236,443	\$ 34,229
Compensated absences	10,388	9,589	11,360	8,617	6,800
Total	\$ 280,462	\$ 9,589	\$ 44,991	\$ 245,060	\$ 41,029

**Note Payable – New Mexico Finance Authority PP-3230**

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

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**6. LONG-TERM OBLIGATIONS (continued)**

*Note Payable – New Mexico Finance Authority PP-3230 (continued)*

Due in the fiscal year ending June 30:

	Principal	Interest	Total
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	19,543	1,769	21,312
2023-2025	61,076	2,859	63,935
	<u>\$ 155,968</u>	<u>\$ 14,524</u>	<u>\$ 170,492</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:

	Principal	Interest	Total
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>\$ 80,475</u>	<u>\$ 3,745</u>	<u>\$ 84,220</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.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**6. LONG-TERM OBLIGATIONS (continued)**

*Business-Type Activities Debt*

Changes in business-type activities loan activity during the year ended June 30, 2017, were as follows:

	Balance 06/30/16	Additions	Deletions	Balance 06/30/17	Amounts Due Within One Year
<b>Business-Type Activities:</b>					
Bonds payable	\$ 232,625	\$ -	\$ 8,700	\$ 223,925	\$ 8,800
Notes payable	97,410	57,180	29,510	125,080	37,199
Compensated absences	2,491	3,798	2,098	4,191	2,230
Total	<u>\$ 332,526</u>	<u>\$ 60,978</u>	<u>\$ 40,308</u>	<u>\$ 353,196</u>	<u>\$ 48,229</u>

*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:

	Principal	Interest	Total
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	8,000	1,700	9,700
2023-2025	26,000	2,650	28,650
	<u>\$ 61,000</u>	<u>\$ 14,600</u>	<u>\$ 75,600</u>

*2004 Water System Revenue Bonds*

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

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
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**6. LONG-TERM OBLIGATIONS (continued)**

*2004 Water System Revenue Bonds (continued)*

Due in the fiscal year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	33,325	1,717	35,042
	<u>\$ 162,925</u>	<u>\$ 120,539</u>	<u>\$ 283,464</u>

*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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 13,342	\$ 400	\$ 13,742

*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:

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JUNE 30, 2017

**6. LONG-TERM OBLIGATIONS (continued)**

*Note Payable – New Mexico Finance Authority WTB-0210 (continued)*

Due in the fiscal year ending June 30:

	<u>Principal</u>	<u>Administrative Fee</u>	<u>Total</u>
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	1,748	49	1,797
2023-2027	8,804	178	8,982
2028-2032	8,914	67	8,981
	<u>\$ 26,413</u>	<u>\$ 533</u>	<u>\$ 26,946</u>

*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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,314	\$ 709	\$ 9,023
2019	8,563	571	9,134
2020	8,845	407	9,252
2021	9,157	216	9,373
	<u>\$ 34,879</u>	<u>\$ 1,903</u>	<u>\$ 36,782</u>

*Note Payable – General Obligation Contract*

On September 1, 2017, the Village financed the purchase of equipment to be used in the waste water system. The cost of the equipment was \$67,180, and the Village financed \$57,180. The financing company has a lien on the equipment. The note matures on September 1, 2020. The annual payment is approximately \$15,407, and accrues interest of 3.39% per annum.



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JUNE 30, 2017

**6. LONG-TERM OBLIGATIONS (continued)**

*Note Payable – General Obligation Contract (continued)*

The following is a schedule of the annual payments required for the note:

	Principal	Interest	Total
2018	\$ 13,813	\$ 1,594	\$ 15,407
2019	14,285	1,122	15,407
2020	14,773	634	15,407
2021	7,575	128	7,703
	\$ 50,446	\$ 3,478	\$ 53,924

**7. INTERFUND BALANCES AND TRANSFERS**

*Interfund Balances*

The composition of interfund balances as of June 30, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
General	Water & Sewer	\$ 82,224
General	Capital Projects	188,448
		\$ 270,672

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, \$270,672 is considered noncurrent.

*Transfers*

	Transfer In		
	General Fund	Water Fund	Total
Transfers (Out):			
General Fund	\$ -	\$ 14,506	\$ 14,506
Solid Waste Fund	-	52,000	52,000
Non-major Governmental Fund	22,085	-	22,085
	\$ 22,085	\$ 66,506	\$ 88,591

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.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**8. DEFICIT FUND BALANCE**

The following funds have a deficit fund balance or net assets as of June 30, 2017:

Fund		
Capital Outlay fund	\$	188,448
Solid Waste Fund	\$	7,073

**9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

*General Information about the Pension Plan*

**Plan description** - The *Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

**Tier I Benefits** – Benefits are generally available at age sixty-five with five or more years of service or after twenty-five years of service regardless of age for Tier I members. Provisions also exist for retirement between ages sixty and sixty-five, with varying amounts of service required. Certain police and fire members may retire at any age with twenty or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average salary for the thirty-six consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2.00% to 3.50% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

**Tier II Benefits** – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session.

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

*General Information about the Pension Plan (continued)*

**Tier II Benefits (continued)** - Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the members' age and service credit equals at least eighty-five or at age sixty-seven with eight or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with twenty-five or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with twenty-five or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in twenty-five year retirement plans; however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age sixty with six or more years of service credit. Generally, under Tier II pension factors were reduced by 0.50%, employee contribution increased by 1.50% and effective July 1, 2014, employer contributions were raised by 0.50%. The computation of final average salary increased as the average of salary for sixty consecutive months.

**Contributions** – See PERA's comprehensive annual financial report for contribution provided description.

PERA Contribution Rates and Pension Factors as of July 1, 2016						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor Per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		Tier 1	Tier 2	
State Plan 3	7.42%	8.92%	16.99%	3.00%	2.50%	90%
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
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**9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)**

*General Information about the Pension Plan (continued)*

**Contributions (continued) –**

PERA Contribution Rates and Pension Factors as of July 1, 2016						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor Per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		Tier 1	Tier 2	
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.80%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3-Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2017, the Village reported a liability of \$575,769 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll forward liabilities as of June 30, 2016. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

*PERA Fund Municipal General Division*

At June 30, 2017, the Village reported a liability of \$380,244 for its proportionate share of the net pension liability within the municipal general division. The Village's current year's proportion was .0238 percent, which was an increase of .1105 percent from its proportion measured as of June 30, 2015.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)**

*PERA Fund Municipal General Division (continued)*

For the year ended June 30, 2017, the Village recognized PERA Fund Municipal General Division pension expense of \$53,992. At June 30, 2017, the Village reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan experience	\$ 18,999	\$ 3,711
Changes of assumptions	22,297	63
Changes in proportion and differences between employer contributions and proportionate share of contributions	89,516	20,608
Employer contribution subsequent to the measurement date	16,002	-
	\$ 146,814	\$ 24,382

\$16,002 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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	
2018	\$ 25,702
2019	25,702
2020	52,288
2021	18,740
2022	-
Thereafter	-

*PERA Fund Municipal Police Division*

At June 30, 2017, the Village reported a liability of \$195,525 for its proportionate share of the net pension liability. At June 30, 2016, the Village's proportion was .0265 percent, which was a decrease of .1075 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Village recognized PERA Fund Municipal Police Division pension expense of \$25,049. At June 30, 2017, the Village reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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JUNE 30, 2017

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

*PERA Fund Municipal Police Division (continued)*

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Changes of assumptions	\$ 12,950	\$ 3,526
Difference between projected and actual experience on pension plan investments	36,179	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	12,446
Employee contributions subsequent to the measurement date	<u>9,099</u>	<u>-</u>
	<u>\$ 58,228</u>	<u>\$ 15,972</u>

\$9099 reported as deferred outflows of resources related to pensions resulting from Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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	
2018	\$ 8,094
2019	8,094
2020	18,302
2021	7,766
2022	-
Thereafter	-

*Actuarial Information*

**Actuarial assumption** – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement.

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VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)**

*Actuarial Information (continued)*

Actuarial valuation date	June 30, 2015
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	7.48% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	2.75% for the first 10 years, then 3.25% annual rate
• Projected salary increases	2.75% to 14.00% annual rate
• Includes inflation at	2.25% annual rate for 10 years, then 2.75% all other years
• Mortality Assumption	RP-2000 Mortality Tables (combined table for healthy post-retirements, Employee Table for active members, and Disabled table for disable retirees before retirement age) with projection to 2018 using Scale AA.
• Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building block method 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>
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	100.00%	

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)**

**Discount rate** – A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

**Sensitivity of Village's proportionate share of the net pension liability to changes in the discount rate** - The following presents the Village’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the Village’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

	<u>1% Decrease 6.48%</u>	<u>Current Discount Rate 7.48%</u>	<u>1% Increase 8.48%</u>
PERA Fund Municipal General Division			
Village of Cimarron's proportionate share of the net pension liability	<u>\$ 566,910</u>	<u>\$ 380,244</u>	<u>\$ 225,414</u>
PERA Fund Municipal Police Division			
Village of Cimarron's proportionate share of the net pension liability	<u>\$ 287,666</u>	<u>\$ 195,525</u>	<u>\$ 120,165</u>

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial report.

**10. BAD DEBT EXPENSE – ENTERPRISE FUNDS**

For the fiscal year ended June 30, 2017, 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, 2017

**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	\$	(145)
Solid Waste Fund	\$	(186)
Ambulance Fund	\$	(15,802)

**12. 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.

**13. 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.

**14. EXCESS OF EXPENDITURES BEYOND APPROPRIATIONS**

During the fiscal year, the Village incurred expenditures beyond appropriations within certain funds as detailed below:

Fund	Expenditures and Transfers	Appropriations	Excess Expenditures and Transfers
Fire Protection	\$ 179,593	\$ 161,712	\$ 17,881
Recreation	286	-	286
Corrections	51,922	22,000	29,922
Water and Sewer	342,017	295,000	47,017

Management intends to monitor expenditures in all funds to ensure compliance with appropriation constraints.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**15. DISPOSAL OF HOUSING AUTHORITY**

On September 11, 2013, the Village governing board dissolved the Village of Cimarron Housing Authority's governing board and assumed responsibility for the housing authority. Commencing with the fiscal year ended June 30, 2015, the housing authority's financial activity has been reported as a blended component unit of the Village.

On December 9, 2015, the Village governing board passed a resolution authorizing Northern Regional Housing Authority (NRHA) to accept permanent ownership of the housing program and properties. On April 8, 2016, the U.S. Department of Housing and Urban Development authorized and approved the transfer of all assets, liabilities and equity of the housing authority to NRHA.

On July 1, 2016, the Village completed the transfer to NRHA, thereby relinquishing the component unit. The Village has recorded the transfer of assets, expenses, and equity. All housing authority revenue and expenses for the fiscal year ended June 30, 2017 have been reported by NRHA.

**16. SUBSEQUENT EVENT**

Subsequent events were evaluated through December 1, 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, 2017**

	Special Revenue Funds					
	Law Enforcement Fund	Recreation Fund	Cemetery Fund	Lodgers' Tax Fund	Corrections Fund	Total Other Governmental Funds
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ 27,187	\$ -	\$ 16,572	\$ 12,680	\$ 133,324	\$ 189,763
Receivables, net	-	-	-	2,951	3,827	6,778
Restricted:						
Cash held by fiscal agent	38,413	-	-	-	-	38,413
Total assets	\$ 65,600	\$ -	\$ 16,572	\$ 15,631	\$ 137,151	\$ 234,954
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities:						
Accounts payable	\$ 1,178	\$ -	\$ 22	\$ 4,483	\$ -	\$ 5,683
Fund Balances:						
Restricted for:						
Debt service	49	-	-	-	-	49
State mandated per statutes	64,373	-	-	11,148	-	75,521
Assigned	-	-	16,550	-	137,151	153,701
Total fund balances	64,422	-	16,550	11,148	137,151	229,271
Total liabilities and fund balances	\$ 65,600	\$ -	\$ 16,572	\$ 15,631	\$ 137,151	\$ 234,954

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, 2017**

	Special Revenue Funds					
	Fire Protection Fund	Recreation Fund	Cemetery Fund	Lodgers' Tax Fund	Corrections Fund	Total Other Governmental Funds
<b>Revenues:</b>						
Lodgers' taxes	\$ -	\$ -	\$ -	\$ 19,416	\$ -	\$ 19,416
Intergovernmental:						
State	21,800	-	-	-	-	21,800
Charges for services	-	-	2,976	-	-	2,976
Fines and forfeitures	-	-	-	-	52,842	52,842
Interest	401	-	-	-	-	401
	<u>22,201</u>	<u>-</u>	<u>2,976</u>	<u>19,416</u>	<u>52,842</u>	<u>97,435</u>
Total revenues						
	22,201	-	2,976	19,416	52,842	97,435
<b>Expenditures:</b>						
Current:						
Public safety	5,145	-	-	-	30,123	35,268
Culture and recreation	-	-	-	16,661	-	16,661
Health and welfare	-	-	258	-	-	258
Capital outlay	57,180	-	-	-	-	57,180
Debt service:						
Principal	15,243	-	-	-	-	15,243
Interest and other charges	1,601	-	-	-	-	1,601
	<u>79,169</u>	<u>-</u>	<u>258</u>	<u>16,661</u>	<u>30,123</u>	<u>126,211</u>
Total expenditures						
	79,169	-	258	16,661	30,123	126,211
Excess revenues over expenditures	(56,968)	-	2,718	2,755	22,719	(28,776)
<b>Other Financing Sources (Uses):</b>						
Transfers out	-	(286)	-	-	(21,799)	(22,085)
<b>Special Item:</b>						
Proceeds sale of assets	6,000	-	-	-	-	6,000
Net change in fund balances	(50,968)	(286)	2,718	2,755	920	(44,861)
Fund balances, beginning of year	115,390	286	13,832	8,393	136,231	274,132
Fund balances, end of year	<u>\$ 64,422</u>	<u>\$ -</u>	<u>\$ 16,550</u>	<u>\$ 11,148</u>	<u>\$ 137,151</u>	<u>\$ 229,271</u>

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>	<u>2017</u>
Village of Cimarron's proportion of the net pension liability (asset)	0.0229%	0.0193%	0.0238%
Village of Cimarron's proportionate share of the net pension liability (asset)	\$ 178,645	\$ 196,780	\$ 380,244
Village of Cimarron's covered-employee payroll	\$ 170,667	\$ 195,990	\$ 180,149
Village of Cimarron's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	104.67%	100.40%	211.07%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%

\**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village is not available prior to fiscal year 2015, the year the statement's requirements became effective.



**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>	<u>2017</u>
Village of Cimarron's proportion of the net pension liability (asset)	0.0309%	0.0279%	0.0265%
Village of Cimarron's proportionate share of the net pension liability (asset)	\$ 100,731	\$ 134,159	\$ 195,525
Village of Cimarron's covered-employee payroll	\$ 120,618	\$ 94,679	\$ 101,283
Village of Cimarron's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	83.51%	141.70%	193.05%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%

\* *Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village is not available prior to fiscal year 2015; the year the statement's requirements became effective.

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

	2015	2016	2017
Statutory required contribution	\$ 16,707	\$ 18,065	\$ 17,782
Contributions in relations to the contractually required contribution	16,707	18,065	17,782
Contribution deficiency (excess)	\$ -	\$ -	\$ -

\* *Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village is not available prior to fiscal year 2015; the year the statement's requirements became effective.

**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\*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutory required contribution	\$ 8,439	\$ 11,294	\$ 7,436
Contributions in relations to the contractually required contribution	<u>8,439</u>	<u>11,294</u>	<u>7,436</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* *Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village is not available prior to fiscal year 2015; the year the statement's requirements became effective.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017

***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 <https://www.saonm.org>

***Assumption*** - The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2016, is available at <http://www.nmpera.org>

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
**SCHEDULE OF CASH ACCOUNTS**  
**JUNE 30, 2017**

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	\$ 803,047	\$ (135,129)	\$ 667,918
RUS Water	Checking	48	-	48
Water	Checking	79,896	(558)	79,338
Water Meter Deposit	Checking	31,527	(26)	31,501
Municipal Court Escrow	Checking	4,352	-	4,352
Municipal Court	Checking	400	-	400
Certificate of Deposit	CD	23,757	-	23,757
Certificate of Deposit	CD	9,744	-	9,744
Certificate of Deposit	CD	13,115	-	13,115
		<u>\$ 965,886</u>	<u>\$ (135,713)</u>	<u>\$ 830,173</u>
Wells Fargo, N.A. 400 Maxwell Avenue Springer, New Mexico 87747				
Payroll	Checking	<u>\$ 3,522</u>	<u>\$ (1,547)</u>	<u>\$ 1,975</u>

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2017**

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	\$ 99,994
FHLB 1.375 10/13/20'16	3130A8MPS	10/13/20	75,000
FHLB 1.500 07/06/21'17	3133EGKA2	07/06/21	<u>300,000</u>
		Total	<u>\$ 474,994</u>

The holder of the security pledged by International Bank is Bankers Bank of the West, 1099 18<sup>th</sup> 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, 2017

	<u>Balance</u> <u>06/30/16</u>	<u>Increases/</u> <u>Receipts</u>	<u>Decreases/</u> <u>Disbursements</u>	<u>Balance</u> <u>06/30/17</u>
<b>Municipal Court Bonds</b>				
Assets:				
Cash	\$ 400	\$ 1,300	\$ 13,000	\$ 400
Liabilities:				
Due to bond holders	\$ 300	\$ 1,300	\$ 1,300	\$ 300
Due to others	100	-	-	100
Total liabilities	<u>\$ 400</u>	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ 400</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT**



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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

Wayne Johnson, 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, 2017, 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 of the Village, presented as supplemental information, and have issued our report thereon dated December 1, 2017. Our report for the governmental activities, business-type activities, water and sewer fund, and ambulance fund financial statements was qualified because of incomplete capital asset subsidiary ledgers along with poor subsidiary records of utility customer deposits.

**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, 2015-004, and 2017-001 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 2014-002, 2014-003, and 2015-005 to be significant deficiencies.

### **Compliance and Other Matters**

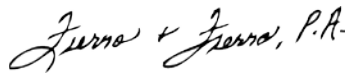
As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-003, 2012-007, 2014-005, 2014-007, 2015-006, 2015-007, 2015-009, 2015-011, 2015-012, 2015-014, 2016-001, 2016-002, 2017-001 and 2017-002

### **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

December 1, 2017

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

**SECTION I – FINANCIAL STATEMENT FINDINGS**

*Item 2008-003 – Other Matter – Enterprise Fund Debt*

**Statement of Condition** – The enterprise funds (Water/Sewer and Solid Waste) continue to borrow monies from the general fund, and receive 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 performing an evaluation of utility rates in effort to generate adequate revenues.

**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 will schedule to have a rate evaluation done on the Utility Rates to ensure the revenues provide the coverage for the maintenance of the Utility as well as the debt payments. The Administrator and Finance Clerk will monitor the revenues to ensure the funding is available for the Debt Service payments. This finding is currently being addressed and with progress will be resolved in the FY18 audit year.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

*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 \$161 of 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. This is a repeat finding. Management had 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 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** – During the fiscal year, the Village experienced difficulties within upper management. As a result, the Village administrator was terminated on December 14, 2016. The administrator position was vacant for one and one-half months, and subsequently filled on a temporary basis by another individual. As a result, the condition noted above was not addressed by the Village.

**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** – At this time accounts are being reconciled to the court reports monthly. The Municipal Court Clerk receipts the payments and the Finance Clerk reconciles these statements on a monthly basis. A process to collect the payments in a timely manner is being reviewed. This finding will be addressed for the FY18 to have it resolved. The Court Clerk and Village Finance Clerk are working together to resolve this issue.

*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 time reconciling and posting numerous journal entries to the general ledger. This is a repeat finding. Management had anticipated a June 30, 2017 completion date to resolve the audit finding.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

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

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

**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.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

**Views of Responsible Officials and Planned Corrective Actions** – The Village of Cimarron contracted with the NM Department of Finance and Administration to assist with the accounting issues. Currently Village staff is reconciling monthly, staff is aware of the processes and procedures government fund accounting. This finding has been addressed and changes have been made to the system. The Finance Clerk is responsible for the finance accounting activity. The Clerk Administrator provides oversight and assistance. This finding is being addressed and resolving this finding is in the process for FY18.

*Item 2014-003 – Significant Deficiency – Interfund Balances*

**Statement of Condition** – The management of the Village has recorded a general fund receivable in the amount of \$82,224, and the corresponding payable in the water/sewer enterprise fund. These interfund balances were created to support the operations and debt obligations of the water and sewer activities. Because of the lack of adequate sources of revenues in the water/sewer fund, the prior year corrective action 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** – All interfund balances journal entries have been input and verified by the NM Department of Finance contractor. The utility accounts have been combined to help eliminate the short falls of one or the other utility this unification of bank accounts has also eliminated the need for repeated transfers. This finding has been addressed by the Finance Clerk and the Village Administrator and will be corrected during the FY18 audit.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

*Item 2014-005 – Compliance – Reconciliation of DFA Report with General Ledger*

**Statement of Condition** – The quarterly Department of Finance and Administration (DFA) reports were not reconciled to the accounting books of record on a timely basis. 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. 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** – The Village Administrator and the Finance Clerk provide a joint oversight of this process. The internal control of oversight of the accounts is being provided. This oversight has assisted in identifying any misclassifications of transactions during that month. These reconciliations are being conducted through the Caselle finance program as soon as the statements are received. A monthly report is generated for the governing body for review of the transactions per month. This finding has been resolved in the FY18 year.

*Item 2014-007 – Compliance – Water Conservation Fee*

**Statement of Condition** – In the prior years, the Village had been 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.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

*Item 2014-007 – Compliance – Water Conservation Fee (continued)*

**Statement of Condition (continued)** – For the year ended June 30, 2017, ten of the twelve months reports had no supporting documents on file to substantiate the amounts reported. In addition, the reports for the months of November 2016 through June 2017 were filed on July 7, 2017 which were subjected to penalties. 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** – During the change in management, the Village did not properly address filing and making payments for the water conservation fee.

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

**Views of Responsible Officials and Planned Corrective Actions** – The Village is now paying the water conservation fees according to the water produced. The utility operator is providing the monthly water meter readings and the finance clerk is paying NM Taxation and Revenue in a timely manner. This finding will be resolved during the FY18 year.

*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, 2017, 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.



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FOR THE YEAR ENDED JUNE 30, 2017

**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

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

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

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

**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.

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**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

**Recommendation (continued)** – 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** – The Village is diligently working to have the Caselle system reconciled to each fund. The staff has been working closely with the contractor from NM Department of Finance and Administration in order to identify any misstatements. This finding has been addressed and corrective measures have been implemented which include detail ledger and financial statement review for any potential issues. The Finance Clerk and Village Administrator are diligently working to correct this finding during the FY18.

*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. The Village did not prepare monthly bank reconciliations using the accounting software on a timely basis. Since the reconciliations were not prepared timely, the Village missed opportunities to thoroughly review the reconciliations for bank errors. Further, 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, 2017. 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** – It was the practice of the Village, that the administrator prepare a monthly cash allocation reconciliation. The monthly allocations for the five months ended November 5, 2017, were not prepared prior to the administrator leaving the employment of the Village in December 2016.

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**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

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

**Views of Responsible Officials and Planned Corrective Actions** – The Village administrator and the finance clerk provide a joint oversight of this process. The internal control of oversight of the accounts is being provided to ensure the bank statements are being reconciled on a monthly basis to a balance of zero. This oversight has assisted in identifying any misclassifications of transactions during that month. These reconciliations are being conducted through the Caselle finance program as soon as the statements are received. The water, sewer, and solid waste accounts have been combined to a utility combined cash account to provide more accountability of the utility funds and the impress payroll account is no longer being used. A monthly report is generated for the governing body for review of the transactions per month. The bank statements and reconciliation is available to the governing body to review on a monthly basis to provide the opportunity for comment and suggestion. This finding has been resolved in the FY18 year.

*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:

- During the fiscal year, there were at least four different employee who acted as the utility clerk. The Village did not provide written instructions for the utility billing and collection procedures and did not provide adequate supervision.
- 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, 2017. As such, true and accurate meter deposit balances could not be determined at year end.
- The Village incorrectly billed sewer charges for the month of June 2016. The Village used a rate schedule for a resolution that was passed in July 2010.
- Billing adjustments were reviewed using the transaction register generated from the software program. There were numerous billing adjustments done during the period of July 1, 2016 through June 30, 2017.

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**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

**Statement of Condition (continued) –**

The adjustments were labeled as meter reading/usage adjustment, 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.

**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.

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**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

**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** – During the FY17 the Village had a large turnover in staff in all departments. Currently the Village has trained staff which is providing an oversight for all adjustments that need to be done and the proper backup documentation is included for each one before they are approved. Each adjustment is being drafted by the utility clerk and authorized by the Village administrator and the mayor. This provides an added oversight for these adjustments. The utility clerk continues to implement the process of this process. This finding has been corrected in the FY18 fiscal year.

*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, 2017. The Village did not adjust their capital asset subsidiary records to reflect these new acquisitions, disposals and depreciation. 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:

- 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.

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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) –**

- 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 administrator 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** – The Village has contracted with RCI Asset Management Software to provide a capital asset inventory for the Village which will include a total listing of all assets, an assigned depreciation schedule, and a disposal listing. The Village administrator and the finance clerk will update and conduct the data entry adjustments for the inventory and asset management upon each purchase or disposal that should be listed. The program will list each asset, building, and content per department. This finding will be resolved in the FY18 year.

*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 \$6,727.04 for two hundred forty (240) individual transactions.

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**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

**Statement of Condition** – The Village did not require and or maintain all the individual receipts for fuel purchases. Prior to its monthly payment, the Village does not attempt to match the receipts it collected to the statement. There was no indication that the Village thoroughly reviewed the statement by other means prior to payment. 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** – Monthly the Village finance clerk is reconciling each fuel purchase to the receipt to the statement before the statement is paid. The WEX system currently used tracks the driver, vehicle, and mileage of the vehicle that is being fueled. The Village does not have any other additional credit cards. The WEX fuel cards are limited to fuel. This finding has been resolved in the FY18 year due to the due diligence and accountability of the staff.

*Item 2015-006 – Compliance – Official Board Minutes*

**Statement of Condition** – During the review of the Village Council board minutes, we noted the board minutes are, at times, vague as to discussion items 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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**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** – The Village administrator is providing the draft minutes within the 10 days requirement and the draft is available for public review. The minutes are being presented to the governing body for approval at the next meeting after they have been drafted. The Open Meetings Act is being followed for accurate timelines and requirements. The minutes that are being drafted are a summary of the meeting and the packet support documentation is being retained. All minutes are current and this finding will be resolved during the FY18 year.

*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 twenty-five 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 thirteen 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 eighteen instances that lacked a supervisor or management approval for the travel.
- There were eighteen instances where the partial day (where overnight lodging is required) reimbursements were miscalculated. The overpayments totaled \$793 and the underpayments totaled \$32.



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**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

**Statement of Condition (continued) –**

- 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 \$260 on January 26, 2017. The travel was to occur on February 21, 2017. The employee did not do the travel and reimbursed the Village on February 28, 2017, thirty-two days after the initial advance was given to the employee.
- The Village does not have a policy that states how far out a travel advance can be given. Advances varied from 1 day prior to travel to 28 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;*

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.

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**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

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

**Cause** – The Village staff 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** – The finance clerk has implemented a double oversight process of mileage and per diem to ensure the correct amounts are being paid and all receipts are collected for actuals. The employee, administrator, and mayor all sign each transaction for travel. The process and forms used by the finance clerk has improved the accountability for all travel and the process will confirm the solution for resolving this finding in the FY18 year.

*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 purchased a 2017 John Deere Motor Grader for \$212,231 without going through the sealed bid process. The Village made a down payment of \$50,000 on June 26, 2017 and then financed the balance with John Deere Financial. The motor grader was received in October 2017.
- The Village purchased a 2016 Vactor Trailer Mounted Jetter for \$67,180 without going through the sealed bid process. The Village made a down payment of \$10,000 and then financed the balance of \$57,180 with Tax-Exempt Leasing Corporation.
- 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.

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**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

**Criteria (continued)** - 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.*

Pursuant to Section 13-1-158 NMSA 1978, no warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under Section 13-1-98 NMSA 1978 by exclusion of the purchase from the Procurement Code.

Pursuant to Section 13-1-95.2 NMSA 1978, 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.

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SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

**Recommendation (continued)** – 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** – The Village administrator is the chief procurement officer, and is responsible for all purchasing and procedures be adhered to as per the procurement requirements of the state of New Mexico. All equipment will be obtained through the New Mexico state contracting process or through a sealed bid of the exact specifications of the items. The administrator will ensure the procurement process is being followed and will diligently work to resolve this finding in the FY18 audit.

*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, 2017. 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.

**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 administration has 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** – The Village has solicited and approved the RCI inventory/asset management program to track all the inventory and assets of the Village. The finance department or the administrator will track the expenditures and disposal of each department to make sure the items are listed in the program. Each department will be responsible for submitting a listing inventory for the reporting. This finding will be improved and resolved for the FY18 audit year.

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**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

*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:

- It could not be determined whether the Village reported correct PERA wages because the wages as reported to PERA do not match the wages as reported on the payroll registers. The total PERA wages as reported were \$281,431.35. These wages included exempt overtime wages and wages in excess of an 80 hour pay period. The wages as reported on the payroll registers were \$305,118.34. The Village did not reconcile the difference prior to remitting reports and payments to PERA.

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. It also impacts the individual's contributions if incorrectly calculated amounts are remitted.

**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.

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

**Views of Responsible Officials and Planned Corrective Actions** – The financial clerk is currently using an Excel spreadsheet with formula to assist her with payroll and PERA contributions. The PERA wage rates are being reported on the RIO system and they have been reconciled with payroll. This finding has been resolved for the FY18 year.

*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.

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**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

**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** – The Village administrator failed to comply with the NMAC Audit Rule regarding the submittal of the IPA recommendation and contract to the Office of the State Auditor.

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

**Views of Responsible Officials and Planned Corrective Actions** – The audit procurement process for FY18 audit firm will be followed as required by the NM State Auditor's Office and procured on time. The Administrator will implement this process to confirm the finding is being resolved.

*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 thirty transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- Under the direct order from management, there was a Stryker chair purchased for the ambulance that was paid out of the water fund. The amount of the purchase was \$2,543.
- Voided checks could not be located for review.
- One of the newly hired utility clerk began employment during a pay period. The employee worked 20 hours during the pay period. In lieu of preparing a payroll check, management directed the payment to be made through accounts payable and not through payroll. The total payment was \$200.

This is a repeat finding of which management did not have a corrective action plan.

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

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**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

**Criteria (continued)** – 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** – The Village experienced difficulties within upper management during the fiscal year. As a result, the Village administrator was terminated on December 14, 2016. The administrator position was vacant for one and one-half months and subsequently filled on a temporary basis by another individual.

The administrator employed at the end of January 2017 lacked the proper understanding of certain accounting matters and state statute requirements. As a result, the administrator incorrectly directed the proper accounting requirements of the expenditure of the chair, and he provided incorrect accounting direction for the payroll transaction.

The Village failed to establish proper record retention for the voided checks.

**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** – Each transaction is endorsed by the administrator and the mayor this ensures accountability and segregation. A new form has been designed and implemented in the FY18 year to resolve this finding. There is double oversight of all transactions. The finance clerk is ensuring the process is completed before any payments are made.

*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. This is a repeat finding of which management did not have a corrective action plan.

**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:

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**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

**Criteria (continued) –**

- 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** – This finding first appeared in the audit report for the fiscal year ended June 30, 2016. That audit report was not completed until September 2017. As a result, the Village did not have the opportunity to implement change to the internal control procedures for the fiscal year ended June 30, 2017.

**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.

**Views of Responsible Officials and Planned Corrective Actions** – The Village administrator and mayor are providing oversight of all transactions and sign on each invoice. All checks are two signature documents with staff not signing the checks unless emergency. The requisition, purchase order, and checks all have two or more signatures.



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**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

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

**Views of Responsible Officials and Planned Corrective Actions (continued)** –The signatures are those of the requestor, the approval of the purchase order, the invoice, and the checks. This finding is being addressed and resolving the finding procedures are in place.

*Item 2017-001 – Indebtedness Material Weakness and Compliance*

**Statement of Condition** – The Village financed the purchase of a motor grader with John Deere Financial. The amount financed was \$162,551. The loan is for seventy-two months at an annual percentage rate of 4.99%. In addition, the Village financed the purchase of a Vactor trailer mounted jetter with Tax-Exempt Leasing Corporation. The amount financed was \$57,180. The loan is for eight payments at an annual percentage rate of approximately 8.0%.

**Criteria** – Article IX Section 12 of the New Mexico Constitution prohibits state agencies, counties and municipalities from borrowing debt unless under certain circumstances. It states “no city, town, or village shall contract any debt except by an ordinance, which shall be irrevocable until the indebtedness therein provided for shall have been fully paid or discharged, and which shall specify the purposes to which the funds to be raised shall be applied, and which shall provide for the levy of a tax, not exceeding twelve mills on the dollar upon all taxable property within such city, town or village, sufficient to pay the interest on, and to extinguish the principal of, such debt within fifty years.”

**Effect** – Noncompliance with the state of New Mexico constitution subjects officials and employees to penalties and provisions established by the constitution.

**Cause** – The Village did not have the cash on hand to remit the entire purchase price of each piece of equipment at one time. The management of the Village were not aware of the provisions of the New Mexico Constitution.

**Recommendation** – We recommend the Village seek a solution where no funds are being borrowed to finance the purchase of equipment, unless done with proper consideration to the New Mexico Constitution. Strategic planning, meaningful budgets, and management oversight should be developed to guide the Village through difficult financial periods. New Mexico Finance Authority can provide the Village with guidance and insight when considering purchasing and financing options.

**Views of Responsible Officials and Planned Corrective Actions** – The John Deere Motor-grader was listed on the NM State Contract however the Village chose to obtain three quotes for pricing. The newly hired Village administrator is the Certified Chief Procurement Officer (CPO) and will implement correct purchasing and procurement procedures immediately.

The Village is in the process of researching the option of refinancing these pieces of equipment through a low interest loan through the PPRF Program of the New Mexico Finance Authority. All requests for purchases that require financing will be applied for with NMFA for financing before outside resources are sought. If outside resources are an option the governmental clause of default will be included. This finding will be resolved in the FY18 audit year.

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**SECTION I – FINANCIAL STATEMENT FINDINGS (continued)**

*Item 2017-002 – Compliance - Legal Compliance with Adopted Budget*

**Statement of Condition** – During the fiscal year the Village failed to comply with budget constraints as detailed below:

Fund	Expenditures and Transfers	Authorized Budget	Excess Expenditures and Transfers
Fire Protection	\$ 179,593	\$ 161,712	\$ 17,881
Recreation	286	-	286
Corrections	51,922	22,000	29,922
Water & Sewer	342,017	295,000	47,017

**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.

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

**Cause** – Management did not monitor expenditures to ensure compliance with the authorized budget. Management failed to adjust the budget as needed.

**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 reviews, a resolution requesting adjustments should be submitted to the Department of Finance and Administration Local Government Division, if necessary.

**View of Responsible Officials and Planned Corrective Actions** – The Village administrator and finance clerk will work to monitor the budget closely and present all budget adjustments to the Governing Body for approval on a timely basis. The New Mexico Department of Finance and Administration quarterly reporting will be done on time which will provide the opportunity for review of the budget and the adjustments that need to be made. The Village administrator and the finance clerk will diligently work to resolve this issue during the FY18 year.

**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 audit report for the year ended June 30, 2017 was submitted timely. The finding is considered resolved.

*Item 2003-006 – Significant Deficiency – Imprest Bank Account* – In the prior year, the Village did not correctly reconcile the imprest payroll bank account. The imprest bank account was closed in April 2017. The finding is considered resolved.

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

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. For the year ended June 30, 2017, the Chamber did provide a final accounting for the funds given to the Chamber. The finding is considered resolved.

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. For the year ended June 30, 2017, the Chamber was not overpaid. The finding is considered resolved.

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 FY2016-201 service agreement contained language that clarifies how the lodger's tax receipts were to be spent. The finding is considered resolved.

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.

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

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, 2017. 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 Village administrator has sorted documents and has located some files. The grant files that were found are all stored in a locked room for safe keeping. The audit finding is considered resolved.

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.

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.

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

*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.

Item 2016-001 – Other Matters – Vendor Payment Process – In the prior year, the Village had issues concerning the vendor payment process that included lack of management approval and payments for meals for training sessions. The finding was modified for the current year and is repeated as item 2016-001.

Item 2016-002 – Other Matters – Segregation of Duties – In the prior year, it was reported that the Village lacked adequate segregation of duties. The Village did not prepare a corrective action plan. The finding is not resolved and is repeated as item 2016-002.

Item 2016-003 – Compliance – Calculation of New Mexico Gross Receipts - In the prior year, the Village had several deficiencies concerning the calculation and reporting of gross receipts. The Village imposed measures to ensure the proper amounts were being calculated and remitted timely. The finding is considered resolved.

Item 2016-004 – Compliance – Sale of Public Property – In the prior year the Village sold two tracts of land without obtaining the approval of the Department of Finance and Administration. This was a unique situation for the year ended June 30, 2016. The finding is not repeated.

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

Item 2006-003 – Significant Deficiency – Capital Assets for Cimarron Housing Authority – In the prior year, Cimarron Housing Authority had not maintained a detailed listing of capital asset schedules for assets purchased prior to July 1, 2005. The Cimarron Housing Authority was transferred to the Northern Regional Housing Authority effective July 1, 2016. The finding was transferred along with all other items. The finding has been removed for the Village's audit report.

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. The Cimarron Housing Authority was transferred to the Northern Regional Housing Authority effective July 1, 2016. The finding was transferred along with all other items. The finding has been removed for the Village's audit report.

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

*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 Cimarron Housing Authority was transferred to the Northern Regional Housing Authority effective July 1, 2016.

*Item 2016-001 – Significant Deficiency – Inadequate Internal Control over Cash Disbursements – Housing Authority* – In the prior year the finding noted a lack of control over the expenditure of funds in the form of payments for services, and the purchase of goods. The Cimarron Housing Authority was transferred to the Northern Regional Housing Authority effective July 1, 2016. The finding was transferred, along with other items. The finding has been removed for the Village's audit report.

*Item 2016-002-Compliance-Legal Compliance with Adopted Budget-Housing Authority* – The audit finding noted the Authority expended funds in excess of the authorized budget. The Cimarron Housing Authority was transferred to the Northern Regional Housing Authority effective July 1, 2016. The finding was transferred along with all other items. The finding has been removed for the Village's audit report.

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EXIT CONFERENCE AND  
FINANCIAL STATEMENT PREPARATION  
JUNE 30, 2017**

**EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2017, was discussed during the exit conference held on December 1, 2017. Present for the Village was Leo R. Martinez, mayor; Eunice Brimley, councilor; and Shawn Jeffrey, Village administrator; and Renee LeDoux, financial clerk. 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, 2017. 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.