

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2018**

**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, 2018

***ELECTED OFFICIALS***

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

***DEPARTMENT HEADS***

Shawn Jeffrey..... Clerk Administrator  
Renee LeDoux..... Deputy Clerk  
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, 2018, 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, 2018, 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	Qualified
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	Qualified
Fire Protection Fund Budgetary Comparison	Unmodified

### ***Basis for Qualified Opinions***

The Village did not compare, on a monthly basis, the reconciled cash balances against the cash balances recorded in the general ledger. At June 30, 2018, the general operating checking account, the Village had a reconciled bank balance of \$717,653; however, the general ledger indicated a cash balance of \$719,810, a variance of \$2,157. Further, at June 30, 2018, the water operating checking account, the Village had a reconciled balance of \$122,923; however, the general ledger indicated a cash balance of \$128,039, a variance of \$5,116. Finally, after further review the Village determined that an additional \$10,692 of net adjustments were required to reconcile the checking account cash balances to the Village's general ledger. Proper accounting procedures require that the reconciled cash balances be reconciled against what is recorded within the Village's general ledger. As a result, we were unable to ascertain the completeness or accuracy of the cash balances reflected in the general ledger.

The Village, even with assistance from outside source, 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, 2018, 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, 2018, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the major special revenue fund, 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.

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 forty-nine through fifty-two 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 11, 2018 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 11, 2018

## **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash	\$ 650,876	\$ 245,941	\$ 896,817
Receivables, net	145,222	60,705	205,927
Total current assets	796,098	306,646	1,102,744
Noncurrent assets:			
Restricted cash	676	46,491	47,167
Restricted investments	988	-	988
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	2,796,510	2,854,011	5,650,521
Total capital assets	2,914,390	2,912,011	5,826,401
Total noncurrent assets	2,998,278	2,876,278	5,874,556
<b>Deferred Outflows of Resources:</b>			
Pension related	86,618	23,359	109,977
Total assets and deferred outflows of resources	<u>\$ 3,880,994</u>	<u>\$ 3,206,283</u>	<u>\$ 7,087,277</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 45,789	\$ 22,734	\$ 68,523
Accrued salaries	12,712	2,903	15,615
Accrued payroll liabilities	905	212	1,117
Accrued interest payable	523	6,741	7,264
Deposits payable	-	40,739	40,739
Note payable	61,983	16,020	78,003
Bonds payable	-	9,900	9,900
Compensated absences	9,426	2,423	11,849
Total current liabilities	131,338	101,672	233,010
Noncurrent liabilities:			
Note payable	257,191	45,296	302,487
Bonds payable	-	205,225	205,225
Compensated absences	7,284	3,040	10,324
Net pension liability	306,433	87,161	393,594
Total noncurrent liabilities	570,908	340,722	911,630
Total liabilities	702,246	442,394	1,144,640
<b>Deferred Inflows of Resources:</b>			
Pension related	90,911	23,157	114,068
<b>Net Position:</b>			
Net investment in capital assets	2,595,216	2,709,780	5,304,996
Restricted for:			
Debt service	1,664	1,530	3,194
State mandated per statutes	90,920	-	90,920
Unrestricted	400,037	29,422	429,459
Total net position	3,087,837	2,740,732	5,828,569
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,880,994</u>	<u>\$ 3,206,283</u>	<u>\$ 7,087,277</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, 2018**

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	\$ 318,690	\$ 17,594	\$ 131,704	\$ -	\$ (169,392)	\$ -	\$ (169,392)
Public safety	394,181	87,923	109,184	-	(197,074)	-	(197,074)
Public works	206,997	-	1,300	-	(205,697)	-	(205,697)
Culture and recreation	21,260	-	-	-	(21,260)	-	(21,260)
Health and welfare	60,529	3,968	-	-	(56,561)	-	(56,561)
Interest on long-term debt	8,960	-	-	-	(8,960)	-	(8,960)
Total governmental activities	1,010,617	109,485	242,188	-	(658,944)	-	(658,944)
<b>Business-type activities:</b>							
Water	313,265	194,393	-	-	-	(118,872)	(118,872)
Wastewater	63,019	65,770	-	-	-	2,751	2,751
Solid waste	132,759	145,324	-	-	-	12,565	12,565
Ambulance	80,034	82,851	8,369	-	-	11,186	11,186
Interest on long-term debt	12,748	-	-	-	-	(12,748)	(12,748)
Total business-type activities	601,825	488,338	8,369	-	-	(105,118)	(105,118)
Total primary government	\$ 1,612,442	\$ 597,823	\$ 250,557	\$ -	(658,944)	(105,118)	(764,062)
<b>General Revenues:</b>							
Gross receipts taxes					521,419	9,365	530,784
Property taxes, levied for general purposes					76,299	-	76,299
Lodgers' taxes					20,322	-	20,322
Franchise taxes					27,216	-	27,216
Public service taxes					32,075	-	32,075
Interest income					9,880	2,174	12,054
Insurance recoveries					41,811	-	41,811
Special item - Gain on disposal of assets					750	-	750
Transfers					(4,409)	4,409	-
Total general revenues, special item and transfers					725,363	15,948	741,311
Change in net position					66,419	(89,170)	(22,751)
Net position, beginning of year					3,021,418	2,829,902	5,851,320
Net position, end of year					\$ 3,087,837	\$ 2,740,732	\$ 5,828,569

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, 2018**

	General Fund	Fire Protection Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>					
Cash	\$ 503,136	\$ 105,204	\$ -	\$ 42,536	\$ 650,876
Receivables, net	89,983	49,520	-	5,719	145,222
Due from other funds	82,224	-	-	-	82,224
Restricted:					
Cash	-	230	-	446	676
Investments	-	-	-	988	988
Total assets	<u>\$ 675,343</u>	<u>\$ 154,954</u>	<u>\$ -</u>	<u>\$ 49,689</u>	<u>\$ 879,986</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>					
<b>Liabilities:</b>					
Accounts payable	\$ 40,904	\$ 1,480	\$ -	\$ 3,405	\$ 45,789
Accounts salaries	12,712	-	-	-	12,712
Accrued payroll liabilities	905	-	-	-	905
Total liabilities	54,521	1,480	-	3,405	59,406
<b>Deferred Inflows of Resources:</b>					
Unavailable property tax revenue	15,017	-	-	-	15,017
<b>Fund Balances:</b>					
Nonspendable:					
Interfund advances	82,224	-	-	-	82,224
Restricted for:					
Debt service	-	230	-	1,434	1,664
State mandated per statutes	-	69,962	-	20,958	90,920
State mandated budget reserve	69,042	-	-	-	69,042
Committed for:					
Subsequent years' expenditures	-	83,282	-	4,187	87,469
Assigned	-	-	-	19,705	19,705
Unassigned	454,539	-	-	-	454,539
Total fund balances	<u>605,805</u>	<u>153,474</u>	<u>-</u>	<u>46,284</u>	<u>805,563</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 675,343</u>	<u>\$ 154,954</u>	<u>\$ -</u>	<u>\$ 49,689</u>	<u>\$ 879,986</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, 2018

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

Total fund balance governmental funds (page seven)	\$	805,563
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,914,390
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.		15,017
Deferred outflows of resources related to pensions are applicable to future periods and are not reported in the funds.		86,618
Certain accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(523)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.		(642,317)
Deferred inflows of resources related to pensions are applicable to future periods and are not reported in the funds.		(90,911)
Net position of governmental activities (page five)	\$	3,087,837

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, 2018**

	General Fund	Fire Protection Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Gross receipts taxes	\$ 494,605	\$ -	\$ -	\$ -	\$ 494,605
Property taxes	68,673	-	-	-	68,673
Franchise taxes	27,216	-	-	-	27,216
Lodgers' taxes	-	-	-	20,322	20,322
Public service taxes	58,889	-	-	-	58,889
Intergovernmental:					
State	133,004	87,606	-	21,578	242,188
Charges for services	17,819	49,520	-	3,968	71,307
Fines and forfeitures	-	-	-	37,220	37,220
Interest	9,615	87	-	178	9,880
Miscellaneous	41,811	1,617	-	-	43,428
	<u>851,632</u>	<u>138,830</u>	<u>-</u>	<u>83,266</u>	<u>1,073,728</u>
<b>Total revenues</b>					
<b>Expenditures:</b>					
Current:					
General government	261,311	-	-	-	261,311
Public safety	264,246	49,833	-	26,793	340,872
Highways and streets	124,923	-	-	-	124,923
Culture and recreation	-	-	-	16,394	16,394
Health and welfare	59,620	-	-	291	59,911
Capital outlay	309,037	-	-	17,133	326,170
Debt service:					
Principal	15,759	18,519	-	45,542	79,820
Interest and other charges	5,180	2,793	-	1,047	9,020
	<u>1,040,076</u>	<u>71,145</u>	<u>-</u>	<u>107,200</u>	<u>1,218,421</u>
<b>Total expenditures</b>					
Excess (deficiency) revenues over expenditures before other financing sources (uses)	(188,444)	67,685	-	(23,934)	(144,693)
<b>Other Financing Sources (Uses):</b>					
Loan proceeds	162,551	-	-	-	162,551
Transfers in	163,097	-	188,448	-	351,545
Transfers (out)	(196,151)	-	-	(159,803)	(355,954)
	<u>129,497</u>	<u>-</u>	<u>188,448</u>	<u>(159,803)</u>	<u>158,142</u>
<b>Total other financing sources (uses)</b>					
<b>Special Item:</b>					
Proceeds from sale of assets	-	-	-	750	750
	<u>(58,947)</u>	<u>67,685</u>	<u>188,448</u>	<u>(182,987)</u>	<u>14,199</u>
<b>Net change in fund balance</b>					
Fund balance, beginning of year	664,752	85,789	(188,448)	229,271	791,364
	<u>\$ 605,805</u>	<u>\$ 153,474</u>	<u>\$ -</u>	<u>\$ 46,284</u>	<u>\$ 805,563</u>
<b>Fund balance, end of year</b>					

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, 2018

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

Net change in fund balances total governmental fund (page nine)	\$	14,199
Governmental funds report capital outlay as expenditures in the amount of \$326,170; 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.		132,972
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.		7,626
The issuance of long-term debt (notes, bonds) provides current resources to governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position.		
Note proceeds received		(162,551)
Note obligation principal payments		79,820
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Change in compensated absences		(8,093)
Change in accrued interest payable		60
Pension expense		2,386
		2,386
Net change in net position - statement of activities (page six)	\$	66,419

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, 2018**

	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	\$ 376,500	\$ 561,500	\$ 534,187	\$ (39,582)	\$ 494,605	\$ (27,313)
Property taxes	70,000	70,000	72,720	(4,047)	68,673	2,720
Franchise taxes	25,000	25,000	28,039	(823)	27,216	3,039
Public service taxes	62,000	62,000	56,058	2,831	58,889	(5,942)
Intergovernmental:						
State	150,000	150,000	132,004	1,000	133,004	(17,996)
Charges for services	6,000	26,000	17,671	148	17,819	(8,329)
Fines and forfeitures	45,000	45,000	-	-	-	(45,000)
Interest	2,000	7,000	9,615	-	9,615	2,615
Miscellaneous	25,000	105,000	42,179	(368)	41,811	(62,821)
<b>Total revenues</b>	<b>761,500</b>	<b>1,051,500</b>	<b>892,473</b>	<b>(40,841)</b>	<b>851,632</b>	<b>(159,027)</b>
<b>Expenditures:</b>						
Current:						
General government	359,500	410,500	256,980	4,331	261,311	153,520
Public safety	325,000	325,000	261,716	2,530	264,246	63,284
Public works	50,000	99,000	121,584	3,339	124,923	(22,584)
Health and welfare	10,000	10,000	59,597	23	59,620	(49,597)
Capital outlay	-	-	83,913	225,124	309,037	(83,913)
Debt service:						
Principal	-	-	15,759	(1,860)	13,899	(15,759)
Interest and other charges	-	-	5,180	1,860	7,040	(5,180)
<b>Total expenditures</b>	<b>744,500</b>	<b>844,500</b>	<b>804,729</b>	<b>235,347</b>	<b>1,040,076</b>	<b>39,771</b>
Excess (deficiency) of revenues over expenditures	17,000	207,000	87,744	(276,188)	(188,444)	(119,256)
<b>Other Financing Sources (Uses):</b>						
Loan proceeds	-	-	-	162,551	162,551	-
Transfers in	-	125,000	163,097	-	163,097	38,097
Transfers (out)	(60,000)	(238,448)	(7,703)	(188,448)	(196,151)	230,745
<b>Total other financing sources (uses)</b>	<b>(60,000)</b>	<b>(113,448)</b>	<b>155,394</b>	<b>(25,897)</b>	<b>129,497</b>	<b>268,842</b>
Net change	(43,000)	93,552	243,138	\$ (302,085)	\$ (58,947)	149,586
Cash balance, beginning of year	259,998	259,998	259,998			-
Cash balance, end of year	\$ 216,998	\$ 353,550	\$ 503,136			\$ 149,586
<b>Explanation of Differences:</b>						
Change in receivables				\$ (34,676)		
Change in prepaid expense				(50,000)		
Interfund receivable adjustment				(188,448)		
Change in accounts payable				(9,663)		
Change in accrued salaries				(10,897)		
Change in accrued payroll taxes				(775)		
Change in unavailable revenues				(7,626)		
				<u>\$ (302,085)</u>		

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, 2018**

	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	\$ 74,587	\$ 74,587	\$ 87,606	\$ -	\$ 87,606	\$ 13,019
Charges for services	-	-	-	49,520	49,520	-
Interest	-	-	87	-	87	87
Miscellaneous	95,256	95,256	1,617	-	1,617	(93,639)
Total revenues	169,843	169,843	89,310	49,520	138,830	(80,533)
<b>Expenditures:</b>						
Current:						
Public safety	169,843	169,843	64,357	(14,524)	49,833	105,486
Debt service:						
Principal	-	-	18,519	-	18,519	(18,519)
Interest and other charges	-	-	2,793	-	2,793	(2,793)
Total expenditures	169,843	169,843	85,669	(14,524)	71,145	84,174
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	-	-	3,641	64,044	67,685	3,641
<b>Other Financing Sources (Uses):</b>						
Transfers (out)	(21,223)	(21,223)	-	-	-	21,223
Net change	(21,223)	(21,223)	3,641	\$ 64,044	\$ 67,685	24,864
Cash balance, beginning of year	101,793	101,793	101,793			-
Cash balance, end of year	\$ 80,570	\$ 80,570	\$ 105,434			\$ 24,864
<b>Explanation of Differences:</b>						
Change in receivables				\$ 49,520		
Change in accounts payable				14,524		
				\$ 64,044		

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, 2018**

	Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	
<b>Assets:</b>				
Current assets:				
Cash	\$ 110,400	\$ 19,608	\$ 115,933	\$ 245,941
Receivables, net	26,775	11,570	22,360	60,705
Total current assets	137,175	31,178	138,293	306,646
Noncurrent assets:				
Restricted assets:				
Cash	46,491	-	-	46,491
Capital assets:				
Land	58,000	-	-	58,000
Other capital assets, net of accumulated depreciation	2,854,011	-	-	2,854,011
Total noncurrent assets	2,958,502	-	-	2,958,502
<b>Deferred Outflows of Resources:</b>				
Pension related	23,359	-	-	23,359
Total assets and deferred outflows of resources	<u>\$ 3,119,036</u>	<u>\$ 31,178</u>	<u>\$ 138,293</u>	<u>\$ 3,288,507</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	\$ 5,137	\$ 16,006	\$ 1,591	\$ 22,734
Accrued salaries	1,863	1,040	-	2,903
Accrued payroll liabilities	138	74	-	212
Accrued interest payable	6,741	-	-	6,741
Deposits payable	40,739	-	-	40,739
Current maturities of liabilities:				
Notes payable	16,020	-	-	16,020
Bonds payable	9,900	-	-	9,900
Compensated absences	2,423	-	-	2,423
Total current liabilities	82,961	17,120	1,591	101,672
Noncurrent Liabilities:				
Due to other funds	82,224	-	-	82,224
Notes payable	45,296	-	-	45,296
Bonds payable	205,225	-	-	205,225
Compensated absences	3,040	-	-	3,040
Net pension liability	87,161	-	-	87,161
Total noncurrent liabilities	422,946	-	-	422,946
Total liabilities	505,907	17,120	1,591	524,618
<b>Deferred Inflows of Resources:</b>				
Pension related	23,157	-	-	23,157
<b>Net Position:</b>				
Net investment in capital assets	2,635,570	-	-	2,635,570
Unrestricted	(45,598)	14,058	136,702	105,162
Total net position	2,589,972	14,058	136,702	2,740,732
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,119,036</u>	<u>\$ 31,178</u>	<u>\$ 138,293</u>	<u>\$ 3,288,507</u>

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, 2018

	Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	
<b>Operating Revenues:</b>				
Charges for services	\$ 254,848	\$ 145,324	\$ 80,431	\$ 480,603
<b>Operating Expenses:</b>				
Personnel services	78,335	1,114	-	79,449
Utilities	17,404	-	4,240	21,644
Contractual services	13,683	129,404	14,995	158,082
Professional services	8,215	1,750	10,056	20,021
Repairs and maintenance	4,290	-	1,783	6,073
General operating	43,908	24	23,752	67,684
Fuel	1,607	-	7,978	9,585
Insurance claims and expenses	15,313	467	11,231	27,011
Depreciation	190,709	-	5,999	196,708
Total operating expenses	<u>373,464</u>	<u>132,759</u>	<u>80,034</u>	<u>586,257</u>
Operating income	(118,616)	12,565	397	(105,654)
<b>Non-Operating Revenues (Expenses):</b>				
Gross receipts taxes	-	9,365	-	9,365
Intergovernmental revenues	-	-	8,369	8,369
Miscellaneous revenues	2,495	-	2,420	4,915
Interest income	2,148	-	26	2,174
Interest expense and other charges	(12,291)	-	(457)	(12,748)
Total non-operating revenues (expenses)	<u>(7,648)</u>	<u>9,365</u>	<u>10,358</u>	<u>12,075</u>
Income (loss) before transfers	(126,264)	21,930	10,755	(93,579)
<b>Transfers:</b>				
Transfers in	7,703	-	-	7,703
Transfers (out)	(2,495)	(799)	-	(3,294)
Total transfers	<u>5,208</u>	<u>(799)</u>	<u>-</u>	<u>4,409</u>
Change in net position	(121,056)	21,131	10,755	(89,170)
Net position, beginning of year	<u>2,711,028</u>	<u>(7,073)</u>	<u>125,947</u>	<u>2,829,902</u>
Net position, end of year	<u>\$ 2,589,972</u>	<u>\$ 14,058</u>	<u>\$ 136,702</u>	<u>\$ 2,740,732</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, 2018**

	Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers	\$ 249,494	\$ 150,703	\$ 74,471	\$ 474,668
Cash payments to suppliers for goods and services	(102,314)	(141,948)	(77,696)	(321,958)
Cash payments to employees for services	(86,557)	-	-	(86,557)
Net cash provided (used) by operating activities	60,623	8,755	(3,225)	66,153
<b>Cash Flows From Non-Capital and Related Financing Activities:</b>				
Cash received from sales taxes	-	10,122	-	10,122
Intergovernmental	-	-	8,369	8,369
Miscellaneous	2,495	-	2,420	4,915
Transfers	5,208	(799)	-	4,409
Net cash provided by non-capital and related financing activities	7,703	9,323	10,789	27,815
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Principal payment on capital debt	(41,984)	-	(34,879)	(76,863)
Interest and related debt charges	(8,139)	-	(575)	(8,714)
Net cash (used) by capital and related financing activities	(50,123)	-	(35,454)	(85,577)
<b>Cash Flows From Investing Activities:</b>				
Interest income	2,148	-	26	2,174
Net increase (decrease) in cash	20,351	18,078	(27,864)	10,565
Cash and cash equivalents, beginning of year	136,540	1,530	143,797	281,867
Cash and cash equivalents, end of year	<u>\$ 156,891</u>	<u>\$ 19,608</u>	<u>\$ 115,933</u>	<u>\$ 292,432</u>
Displayed as:				
Cash	\$ 110,400	\$ 19,608	\$ 115,933	\$ 245,941
Restricted cash	46,491	-	-	46,491
	<u>\$ 156,891</u>	<u>\$ 19,608</u>	<u>\$ 115,933</u>	<u>\$ 292,432</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, 2018**

	Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating (loss)	\$ (118,616)	\$ 12,565	\$ 397	\$ (105,654)
Adjustment to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	190,709	-	5,999	196,708
Bad debts	698	758	27,598	29,054
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(6,052)	4,621	(33,558)	(34,989)
Decrease in deferred outflows of resources	32,430	-	-	32,430
Increase (decrease) in accounts payable	2,106	(10,303)	(3,661)	(11,858)
Increase in accrued salaries	1,411	1,040	-	2,451
Increase in accrued payroll liabilities	105	74	-	179
Increase in compensated absences	1,272	-	-	1,272
Increase in deferred inflows of resources	13,892	-	-	13,892
(Decrease) in net pension liability	(57,332)	-	-	(57,332)
Total adjustments	<u>179,239</u>	<u>(3,810)</u>	<u>(3,622)</u>	<u>171,807</u>
Net cash provided (used) by operating activities	<u>\$ 60,623</u>	<u>\$ 8,755</u>	<u>\$ (3,225)</u>	<u>\$ 66,153</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, 2018

	<u>Agency Fund</u>
<b>Assets:</b>	
Cash	<u>\$        100</u>
<b>Liabilities:</b>	
Due to others	<u>\$        100</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, 2018

**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. Based on this criterion, there are no component units of the village.

**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.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

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.

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.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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.

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.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

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.

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.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

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 four 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 *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.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

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.

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.



**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

E. Assets, Liabilities, and Net Position or Equity

**1. Cash**

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

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

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

**2. Receivables and Payables**

Activity between funds, that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as interfund balance. Long-term advances between funds, reported in the fund financial statements are considered noncurrent, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**3. Prepaid Items**

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

**4. Restricted Assets**

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

**5. Interfund Activity**

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

**5. Interfund Activity (continued)**

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**6. Capital Assets**

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

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

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

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

**7. Compensated Absences**

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

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

**8. Deferred Outflows/Inflows of Resources**

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

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

**9. Short-Term Obligations**

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

**10. Long-Term Obligations**

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

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

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

**11. Net Position**

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

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

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

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

**12. Fund Equity Reservation and Designations**

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

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

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

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

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

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

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

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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.

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	\$ 896,817
Restricted cash	47,167
Restricted investments	988
Statement of Fiduciary Assets and Liabilities	100
Total cash reported on financial statements	\$ 945,072

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**2. CASH (continued)**

Cash at various locations:

Cash held at International Bank	\$	923,095
Cash held at Wells Fargo Bank		20,313
Cash held at New Mexico Finance Authority		1,664
Total cash	\$	945,072

**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.

**Cash Deposited with Financial Institution (continued)**

As of June 30, 2018, 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:

	Per Institution	Reconciling Items	Per Financial Statements
International Bank	\$ 954,397	\$ (31,302)	\$ 923,095
Wells Fargo Bank	20,313	-	20,313
	\$ 974,710	\$ (31,302)	\$ 943,408

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.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**2. CASH (continued)**

*Cash Deposited with Financial Institutions (continued)*

	International Bank	Wells Fargo Bank
Total deposits in bank	\$ 954,397	\$ 20,313
Less FDIC coverage	(250,000)	(20,313)
Uninsured public funds	704,397	\$ -
Pledged collateral held by pledging bank's agent, but not in the Village's name	(375,397)	
Uninsured and uncollateralized public funds	\$ 329,000	
Total pledged collateral	\$ 375,397	
50% pledged collateral requirement per state statute	(352,198)	
Over (under) collateralization	\$ 23,199	

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

*Custodial Credit Risk – Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$704,397 of the Village's bank balance of \$954,397 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.	\$ 704,397

**Restricted Cash**

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

	Governmental Activities	Business-Type Activities	Total
Statement of Net Position:			
Restricted cash	\$ 676	\$ 46,491	\$ 47,167
Restricted investments	988	-	988
	\$ 1,664	\$ 46,491	\$ 48,155

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**2. CASH (continued)**

*Restricted Cash (continued)*

	Governmental Activities	Business-Type Activities	Total
Purpose of the Restriction:			
Held by fiscal agent for debt service	\$ 676	\$ -	\$ 676
Program funds	988	-	988
Utility meter deposits	-	46,491	46,491
	<u>\$ 1,664</u>	<u>\$ 46,491</u>	<u>\$ 48,155</u>

*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.

**3. RECEIVABLES, NET**

Receivables, net of allowance for doubtful accounts, at June 30, 2018, consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$ -	\$ 224,073
Court fines	3,408	-
Miscellaneous	1,284	-
Allowance for doubtful accounts	-	(164,553)
Total accounts receivable	4,692	59,520
Taxes receivable:		
Gross receipts taxes	62,399	1,185
Property taxes	15,806	-
Franchise taxes	4,930	-
Lodgers' taxes	1,933	-
Public service taxes	5,720	-
Allowance for doubtful accounts	(156)	-
Total taxes receivable	90,632	1,185
Intergovernmental receivable:		
Wildfire reimbursements	49,898	-
Total	<u>\$ 145,222</u>	<u>\$ 60,705</u>

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



**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**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. 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 2017, was \$6.133 per \$1,000 for non-residential and \$5.151 for residential property. In the year 2017, there was no tax rate established for payment of bonds principal and interest.

Tax abatement agreements are reductions in tax revenues that result from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promise to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. Presently, the Village of Cimarron has no tax abatement agreements.

**5. CAPITAL ASSETS**

Governmental activities capital assets for the fiscal year ended June 30, 2018:

	Balance 06/30/17	Increases	Decreases	Balance 06/30/18
<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	62,864	-	1,783,235
Infrastructure	2,425,238	-	-	2,425,238
Vehicles	1,025,718	27,484	-	1,053,202
Equipment	478,436	235,822	-	714,258
Total other capital assets	5,649,763	326,170	-	5,975,933

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**5. CAPITAL ASSETS (continued)**

	Balance 06/30/17	Increases	Decreases	Balance 06/30/18
Less accumulated depreciation for:				
Buildings and improvements	(993,803)	(49,417)	-	(1,043,220)
Infrastructure	(908,893)	(73,492)	-	(982,385)
Vehicles	(648,049)	(54,356)	-	(702,405)
Equipment	(435,480)	(15,933)	-	(451,413)
Total accumulated depreciation	<u>(2,986,225)</u>	<u>(193,198)</u>	<u>-</u>	<u>(3,179,423)</u>
Other capital assets, net	<u>2,663,538</u>	<u>132,972</u>	<u>-</u>	<u>2,796,510</u>
Total capital assets, net	<u>\$ 2,781,418</u>	<u>\$ 132,972</u>	<u>\$ -</u>	<u>\$ 2,914,390</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>

Business-type activities capital assets for the fiscal year ended June 30, 2018:

	Balance 06/30/17	Increases	Decreases	Balance 06/30/18
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 58,000	\$ -	\$ -	\$ 58,000
Other capital assets, being depreciated:				
Buildings	6,621,537	-	-	6,621,537
Water and sewer utility system	587,947	-	-	587,947
Equipment	59,800	-	-	59,800
Heavy equipment	293,523	-	-	293,523
Vehicles	-	-	-	-
Total other capital assets	<u>7,562,807</u>	<u>-</u>	<u>-</u>	<u>7,562,807</u>
Less accumulated depreciation for:				
Water and sewer utility system	(3,647,196)	(188,918)	-	(3,836,114)
Equipment	(511,569)	(7,790)	-	(519,359)
Heavy equipment	(59,800)	-	-	(59,800)
Vehicles	(293,523)	-	-	(293,523)
Total accumulated depreciation	<u>(4,512,088)</u>	<u>(196,708)</u>	<u>-</u>	<u>(4,708,796)</u>
Other capital assets, net	<u>3,050,719</u>	<u>(196,708)</u>	<u>-</u>	<u>2,854,011</u>
Total capital assets, net	<u>\$ 3,108,719</u>	<u>\$ (196,708)</u>	<u>\$ -</u>	<u>\$ 2,912,011</u>

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**6. LONG-TERM OBLIGATIONS**

*Governmental Activities Debt*

Changes in governmental activities loan activity during the year ended June 30, 2018, were as follows:

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18	Amounts Due Within One Year
Notes payable	\$ 236,443	\$ 162,551	\$ 79,820	\$ 319,174	\$ 61,983
Compensated absences	8,617	22,763	14,670	16,710	9,426
Total	<u>\$ 245,060</u>	<u>\$ 185,314</u>	<u>\$ 94,490</u>	<u>\$ 335,884</u>	<u>\$ 71,409</u>

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

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

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
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	19,932	1,380	21,312
2024-2025	41,144	1,479	42,623
	<u>\$ 137,449</u>	<u>\$ 11,731</u>	<u>\$ 149,180</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 three police vehicles purchased by the Village. The loan is to be repaid solely from the distribution of law enforcement 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:

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2019	\$ 18,453	\$ 1,759	\$ 20,212
2020	16,287	557	16,844
	<u>\$ 34,740</u>	<u>\$ 2,316</u>	<u>\$ 37,056</u>

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

*Governmental Activities Debt (continued)*

*Note Payable – John Deere Financial*

On October 6, 2017, the Village entered into a loan agreement with John Deere Financial, in the amount of \$162,551, for the purpose of purchasing a 2017 motor grader. The loan is for seventy-two months at an annual percentage rate of 4.99%. The monthly payment is approximately \$2,617.

*Note Payable – John Deere Financial (continued)*

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

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2019	\$ 24,641	\$ 6,766	\$ 31,407
2020	25,899	5,508	31,407
2021	27,222	4,186	31,408
2022	28,612	2,796	31,408
2023	30,072	1,335	31,407
2024	10,346	108	10,454
	<u>\$ 146,792</u>	<u>\$ 20,699</u>	<u>\$ 167,491</u>

*Compensated Absences*

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

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

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

*Business-Type Activities Debt*

Changes in business-type activities loan activity during the year ended June 30, 2018, were as follows:

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18	Amounts Due Within One Year
<b>Business-Type Activities:</b>					
Bonds payable	\$ 223,925	\$ -	\$ 8,800	\$ 215,125	\$ 9,900
Notes payable	125,080	-	63,764	61,316	16,020
Compensated absences	4,191	4,548	3,276	5,463	2,423
Total	<u>\$ 353,196</u>	<u>\$ 4,548</u>	<u>\$ 75,840</u>	<u>\$ 281,904</u>	<u>\$ 28,343</u>

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

*Business-Type Activities Debt (continued)*

*1985 Water and Sewer Revenue Bonds*

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

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
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	8,000	1,300	9,300
2024-2025	18,000	1,350	19,350
	<u>\$ 55,000</u>	<u>\$ 11,550</u>	<u>\$ 66,550</u>

*2004 Water System Revenue Bonds*

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

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
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	3,500	6,301	9,801
2024-2028	20,500	29,803	50,303
2029-2033	25,700	23,749	49,449
2034-2038	32,500	17,265	49,765
2039-2043	41,000	9,083	50,083
2044-2045	24,325	653	24,978
	<u>\$ 160,125</u>	<u>\$ 113,533</u>	<u>\$ 273,658</u>

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

*Business-Type Activities Debt (continued)*

*Note Payable – New Mexico Finance Authority WTB-0210*

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

Due in Fiscal Year Ending June 30:	Principal	Administrative Fee	Total
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	1,752	44	1,796
2024-2028	8,826	156	8,982
2029-2032	7,140	45	7,185
	<u>\$ 24,683</u>	<u>\$ 467</u>	<u>\$ 25,150</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. The following is a schedule of the annual payments required for the note:

	Principal	Interest	Total
2019	\$ 14,285	\$ 1,122	\$ 15,407
2020	14,773	634	15,407
2021	7,575	128	7,703
	<u>\$ 36,633</u>	<u>\$ 1,884</u>	<u>\$ 38,517</u>

**7. INTERFUND BALANCES AND TRANSFERS**

*Interfund Balances*

The composition of interfund balances as of June 30, 2018, is as follows:

Receivable Fund	Payable Fund	Amount
General	Water & Sewer	<u>\$ 82,224</u>

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**7. INTERFUND BALANCES AND TRANSFERS (continued)**

*Interfund Balances (continued)*

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, \$82,224 is considered noncurrent.

*Transfers*

	Transfers In			Total
	General Fund	Capital Outlay Fund	Water & Sewer Fund	
Transfers (Out):				
General Fund	\$ -	\$ 188,448	\$ 7,703	\$ 196,151
Water and Sewer Fund	2,495	-	-	2,495
Solid Waste Fund	799	-	-	799
Non-major Governmental Funds	159,803	-	-	159,803
	\$ 163,097	\$ 188,448	\$ 7,703	\$ 359,248

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

**8. 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 PERA fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund, unless specifically excluded.

**Benefits provided** – Benefits are generally available at age 65 with five or benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

*General Information about the Pension Plan (continued)*

**Benefits provided (continued)** – Certain police and fire members may retire at any age with 20 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 of salary for the 36 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% to 3.5% 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**

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. 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 member’s age and service credit equals at least 85 or at age 67 with 8 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 25 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 25 or more years of service credit. State police and adult correctional officers, peace officers, and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee contribution increased 1.5 percent and effective July 1, 2014, employer contributions were raised by .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

**Contributions** - See PERA’s compressive annual financial report for contribution provided description.

PERA Contribution Rates and Pension Factors as of July 1, 2017						
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 I	TIER II	
<b>STATE PLAN</b>						
State Plan 3	7.42%	8.92%	16.99%	3.00%	2.50%	90%



**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

*General Information about the Pension Plan (continued)*

**Contributions (continued)**

<b>PERA Contribution Rates and Pension Factors as of July 1, 2017</b>						
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 I	TIER II	
<b>MUNICIPAL PLANS 1 -4</b>						
Municipal Plan 1 (plan open to new employers)	7.00%	8.50%	7.40%	2.00%	2.00%	90.00%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.50%	2.00%	90.00%
Municipal Plan 3 (plan closed to new employers on 6/95)	13.15%	14.65%	9.55%	3.00%	2.50%	90.00%
Municipal Plan 4 (plan closed to new employers on 6/00)	15.65%	17.15%	12.05%	3.00%	2.50%	90.00%
<b>MUNICIPAL POLICE PLANS 1 -5</b>						
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.00%	2.00%	90.00%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.50%	2.00%	90.00%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.50%	2.00%	90.00%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.00%	2.50%	90.00%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.50%	3.00%	90.00%
<b>MUNICIPAL FIRE PLANS 1 -5</b>						
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.00%	2.00%	90.00%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.50%	2.00%	90.00%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.50%	2.00%	90.00%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.00%	2.50%	90.00%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.50%	3.00%	90.00%
<b>MUNICIPAL DETENTION OFFICER PLAN 1</b>						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.00%	3.00%	90.00%
<b>STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.</b>						
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.00%	3.00%	90.00%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.00%	3.00%	90.00%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.00%	3.00%	90.00%

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2018, the Village reported a liability of \$393,594 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

*General Information about the Pension Plan (continued)*

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's proportion was 0.0189%, which was a decrease of 0.0049%, from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Village recognized pension expense of \$21,677. At June 30, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Difference between expected and actual experience	\$ 10,205	\$ 13,301
Changes of assumptions	11,976	2,684
Net difference between projected and actual earnings on pension plan investments	21,307	-
Changes in proportion and differences between contributions and proportionate share of contributions	24,048	53,012
Employer contributions subsequent to the measurement date	2,064	-
	<u>\$ 69,600</u>	<u>\$ 68,997</u>

\$2,064 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 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:

<u>Year Ending</u>	
2019	\$ (4,855)
2020	17,722
2021	(8,101)
2022	(6,227)
2023	-
Thereafter	-

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

*PERA Fund Municipal Police Division*

At June 30, 2017, the Village's proportion was 0.0241%, which was a decrease of 0.0024%, from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Village recognized pension expense of \$16,768. At June 30, 2018, the Village reported 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 expected and actual experience	\$ 8,132	\$ 25,017
Changes of assumptions	7,966	3,113
Net difference between projected and actual earnings on pension plan investments	10,783	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	16,941
Employer contributions subsequent to the measurement date	13,496	-
	<u>\$ 40,377</u>	<u>\$ 45,071</u>

\$13,496 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 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:

<u>Year Ending</u>	
2019	\$ (8,774)
2020	744
2021	(7,006)
2022	(3,154)
2023	-
Thereafter	-

**Actuarial assumptions** – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

***Actuarial assumptions (continued)***

**PERA Fund**

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	
• Investment rate of return	7.51% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	2.75% for first 9 years, then 3.25% annual rate
• Projected salary increases	2.75% to 14.00% annual rate
• Includes inflation at	2.25% annual rate, first 9 years
	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 disabled retirees before retirement age) with
	July 1, 2008 to June 30, 2013 (demographic)
• Experience Study Dates	and July 1, 2010 through June 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets to Include		
Real Estate Equity	20.00%	7.35%
Total	100.00%	

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

**Discount rate** – A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, 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 the 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 7.51 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 (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

	1% Decrease 6.51%	Current Discount Rate 7.51%	1% Increase 8.51%
PERA Fund Municipal General Division			
Village of Cimarron's proportionate share of the net pension liability	\$ 407,039	\$ 259,702	\$ 137,171
PERA Fund Municipal Police Division			
Village of Cimarron's proportionate share of the net pension liability	\$ 213,520	\$ 133,892	\$ 68,545

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

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

For the fiscal year ended June 30, 2018, 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, 2018

**9. 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	\$	(754)
Solid Waste Fund	\$	1,512
Ambulance Fund	\$	(27,598)

**10. 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.

**11. 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.

**12. 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
Law Enforcement	\$ 60,000	\$ 76,603	\$ (16,603)

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, 2018

**13. SUBSEQUENT EVENT**

On July 27, 2018, the Village refinanced their loan with John Deere Financial, for the purchase of a motor grader, with the New Mexico Finance Authority. The new loan was for \$170,384, with a blended interest rate of 1.931585%. The first interest payment was due on November 1, 2018. The loan matures on May 1, 2023. By refinancing this loan with the New Mexico Finance Authority, the Village saved \$16,006 in interest payments over the life of the loan.

## **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, 2018**

	Special Revenue Funds				
	Law Enforcement Fund	Cemetery Fund	Lodgers' Tax Fund	Corrections Fund	Total Other Governmental Funds
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 9,691	\$ 8,883	\$ 16,107	\$ 7,855	\$ 42,536
Receivables, net	378	-	1,933	3,408	5,719
Restricted:					
Cash	446	-	-	-	446
Investments	988	-	-	-	988
	<u>\$ 11,503</u>	<u>\$ 8,883</u>	<u>\$ 18,040</u>	<u>\$ 11,263</u>	<u>\$ 49,689</u>
Total assets					
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities:					
Accounts payable	\$ -	\$ 291	\$ 2,964	\$ 150	\$ 3,405
Fund Balances:					
Restricted for:					
Debt service	1,434	-	-	-	1,434
State mandated per statutes	5,882	-	15,076	-	20,958
Committed for:					
Subsequent years' expenditures	4,187	-	-	-	4,187
Assigned	-	8,592	-	11,113	19,705
	<u>11,503</u>	<u>8,592</u>	<u>15,076</u>	<u>11,113</u>	<u>46,284</u>
Total fund balances					
Total liabilities and fund balances	<u>\$ 11,503</u>	<u>\$ 8,883</u>	<u>\$ 18,040</u>	<u>\$ 11,263</u>	<u>\$ 49,689</u>

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, 2018

	Special Revenue Funds				Total Other Governmental Funds
	Law Enforcement Fund	Cemetery Fund	Lodgers' Tax Fund	Corrections Fund	
<b>Revenues:</b>					
Lodgers' taxes	\$ -	\$ -	\$ 20,322	\$ -	\$ 20,322
Intergovernmental:					
State	21,578	-	-	-	21,578
Charges for services	-	3,968	-	-	3,968
Fines and forfeitures	-	-	-	37,220	37,220
Interest	178	-	-	-	178
	<u>21,756</u>	<u>3,968</u>	<u>20,322</u>	<u>37,220</u>	<u>83,266</u>
Total revenues					
	21,756	3,968	20,322	37,220	83,266
<b>Expenditures:</b>					
Current:					
Public safety	23,338	-	-	3,455	26,793
Culture and recreation	-	-	16,394	-	16,394
Health and welfare	-	291	-	-	291
Capital outlay	5,498	11,635	-	-	17,133
Debt service:					
Principal	45,542	-	-	-	45,542
Interest and other charges	1,047	-	-	-	1,047
	<u>75,425</u>	<u>11,926</u>	<u>16,394</u>	<u>3,455</u>	<u>107,200</u>
Total expenditures					
	75,425	11,926	16,394	3,455	107,200
Excess revenues over expenditures	(53,669)	(7,958)	3,928	33,765	(23,934)
<b>Other Financing Sources (Uses):</b>					
Transfers (out)	-	-	-	(159,803)	(159,803)
<b>Special Item:</b>					
Proceeds from sale of assets	750	-	-	-	750
Net change in fund balance	(52,919)	(7,958)	3,928	(126,038)	(182,987)
Fund balances, beginning of year	64,422	16,550	11,148	137,151	229,271
Fund balances, end of year	<u>\$ 11,503</u>	<u>\$ 8,592</u>	<u>\$ 15,076</u>	<u>\$ 11,113</u>	<u>\$ 46,284</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	June 30,				
	Fiscal Year	2018	2017	2016	2015
	Measurement Date	2017	2016	2015	2014
Village's proportionate of the net pension liability (asset)		0.0189%	0.0238%	0.0193%	0.0229%
Village's proportionate share of the net pension liability (asset)		\$ 259,702	\$ 380,244	\$ 196,780	\$ 178,645
Village's covered-employee payroll		\$ 188,310	\$ 180,149	\$ 195,990	\$ 170,667
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		137.91%	211.07%	100.40%	104.67%
Plan fiduciary net position as a percentage of the total pension liability		73.74%	69.18%	76.99%	81.29%

\*Governmental Accounting Standards Board Statement No. 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 VILLAGE OF CIMARRON'S CONTRIBUTIONS  
 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
 MUNICIPAL GENERAL DIVISION  
 LAST TEN FISCAL YEARS \*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required	\$ 17,892	\$ 17,782	\$ 18,065	\$ 16,707
Contributions in relation to the statutorily required contributions	<u>17,892</u>	<u>17,782</u>	<u>18,065</u>	<u>16,707</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\**Governmental Accounting Standards Board Statement No. 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 VILLAGE OF CIMARRON'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY OF PERA FUND  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
MUNICIPAL POLICE DIVISION  
LAST TEN FISCAL YEARS \*

	June 30,			
	Fiscal Year 2018	2017	2016	2015
Measurement Date	2017	2016	2015	2014
Village's proportionate of the net pension liability (asset)	0.0241%	0.0238%	0.0193%	0.0229%
Village's proportionate share of the net pension liability (asset)	\$ 133,892	\$ 380,244	\$ 196,780	\$ 178,645
Village's covered-employee payroll	\$ 124,892	\$ 180,149	\$ 195,990	\$ 170,667
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	107.21%	211.07%	100.40%	104.67%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

\**Governmental Accounting Standards Board Statement No. 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's 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 VILLAGE OF CIMARRON'S CONTRIBUTIONS  
 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
 MUNICIPAL POLICE DIVISION  
 LAST TEN FISCAL YEARS \*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required	\$ 22,902	\$ 7,436	\$ 11,294	\$ 8,439
Contributions in relation to the statutorily required contributions	<u>22,902</u>	<u>7,436</u>	<u>11,294</u>	<u>8,439</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\**Governmental Accounting Standards Board Statement No. 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's 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, 2018

***Changes of benefit terms*** - The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA's CFAR. That report is available at <https://www.saonm.org>.

***Changes of assumption*** - The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2017, is available at <https://www.nmpera.org>.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
**SCHEDULE OF CASH ACCOUNTS**  
**JUNE 30, 2018**

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	\$ 743,399	\$ (28,002)	\$ 715,397
RUS Water	Checking	48	-	48
Water	Checking	126,248	(3,417)	122,831
Water Meter Deposit	Checking	33,295	(68)	33,227
Municipal Court Escrow	Checking	3,817	65	3,882
Municipal Court	Checking	100	-	100
Xpress Bill Pay	CD	271	120	391
Certificate of Deposit	CD	24,100	-	24,100
Certificate of Deposit	CD	9,854	-	9,854
Certificate of Deposit	CD	13,265	-	13,265
		<u>\$ 954,397</u>	<u>\$ (31,302)</u>	<u>\$ 923,095</u>
Wells Fargo, N.A. 400 Maxwell Avenue Springer, New Mexico 87747				
Payroll	Checking	<u>\$ 20,313</u>	<u>\$ -</u>	<u>\$ 20,313</u>

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2018

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 Pool #BJ0913	3140H2AP3	10/01/47	<u>\$ 375,397</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, 2018

	<u>Balance</u> <u>06/30/17</u>	<u>Increases/</u> <u>Receipts</u>	<u>Decreases/</u> <u>Disbursements</u>	<u>Balance</u> <u>06/30/18</u>
<b>Municipal Court Bonds</b>				
Assets:				
Cash	\$ 400	\$ -	\$ (300)	\$ 100
Liabilities:				
Due to bond holders	\$ 300	\$ -	\$ (300)	\$ -
Due to others	100	-	-	100
	<u>\$ 400</u>	<u>\$ -</u>	<u>\$ (300)</u>	<u>\$ 100</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT**

**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
Bus: (575) 525-0313 • Fax: (575) 525-9708  
www.fierrocpa.com

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

Independent Auditors' Report

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, 2018, 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 11, 2018. Our report for the governmental activities, business-type activities, general fund, water and sewer fund, and ambulance fund financial statements, and general fund budgetary comparison was qualified because of incomplete cash subsidiary ledgers and bank reconciliations, 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 did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

## **Internal Control Over Financial Reporting (continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses listed as items 2014-002 and 2014-003 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, 2015-007, 2015-011, 2016-002, 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 11, 2018

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

**SECTION I – FINANCIAL STATEMENT FINDINGS**

*Item 2008-003 – Other Non-Compliance – Enterprise Fund Debt*

**Statement of Condition** – Over the past several years, the Water and Sewer Fund borrowed a total of \$82,224 from the General Fund, of which no funds have been repaid. During the current year, the General Fund transferred \$7,703 to the Water and Sewer Fund to subsidize debt payments of the fund. The continual use of general fund resources is having a negative financial impact upon the General Fund. This finding is repeated as the Village has not addressed the shortfall of revenues and other resources in the Water and Sewer Fund.

**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 currently has a professional services contract for a utility rate assessment with UNM University. The report should be completed by March 2019, and the governing body will review the rates, debt, and recommendations for utility rate increases.



**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

*Item 2008-003 – Other Non-Compliance – Enterprise Fund Debt (continued)*

**Estimated Completion Time** – June 30, 2019.

**Responsible Party** – Clerk administrator.

*Item 2012-007 – Other Non-Compliance - 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 \$14,669.45 of deposits, from September 2017 through February 2018, that were not reconciled to the records maintained by the Municipal Court. This finding is repeated, as the Village failed to complete the bank reconciliation of the municipal escrow during the current fiscal year.

**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** – A new Village Administrator and Village Deputy Clerk were hired during the fiscal year. It is unknown as to why the Village failed to record those municipal court deposits into the Village's general ledger.

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

**Views of Responsible Officials and Planned Corrective Actions** – Management has corrected this issue in FY19. Each transaction is reconciled to the bank statements. The court clerk has received training for the cash receipting process with oversight of the finance department. A report of all Village finance activity is presented to each member of the governing body on a monthly basis.

**Estimated Completion Date** – July 1, 2018.

**Responsible Party** – Court clerk, deputy clerk, and the clerk administrator will ensure this process is completed.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

*Item 2014-002 – Significant Deficiency – Accounting Activity*

**Statement of Condition** – During the review of the Village’s general ledger, we noticed the following deviations, 1.) the cash balances per the general ledger (\$932,716), at June 30, 2018, did not tie to the June 2018 bank reconciliations (\$925,443), 2.) the Village double posted debt payments (\$9,321), into the general ledger, within the enterprise funds and 3.) the bank reconciliations did not tie to the general ledger, by \$5,466, between January and June 2018. This finding is repeated. With the numerous changes in management, very little progress has been made in resolving this finding.

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

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.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

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

**Recommendation (continued)** – Alternately, the Village could choose to consult with a separate and independent accounting firm prior to and during the audit process that would assist the Village in the gathering of key components of the financial statements and the related notes.

**Views of Responsible Officials and Planned Corrective Actions** – The clerk administrator has implemented procedures of recording the key components that are required for the financial statements. For example, a form has been created that allows for the recording of all outstanding payables as of June 30 of the fiscal year. The finance department will utilize the Caselle program more efficiently to ensure accurate recordings are presented.

**Estimated Completion Time** – June 30, 2019.

**Responsible Party** – The deputy clerk and the clerk administrator will ensure the documents are produced and accurate financials are presented.

*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.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

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

**Views of Responsible Officials and Planned Corrective Actions** – Current management is in the process of clearing the interfund balances to the correct fund. The finance department has received training on the proper fund payments for debt processing and posting.

**Estimated Completion Time** – June 30, 2019.

**Responsible Party** – The deputy clerk and the clerk administrator are responsible for these transactions.

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

**Statement of Condition** – The quarterly Department of Finance and Administration (DFA) reports were submitted timely for review by DFA; however, the cash balances reported on the DFA report, taken from the Village's general ledger, were incorrect due to unreconciled cash (\$7,273) and double posting of debt payments (\$9,321). This finding was reported in the prior year and is repeated, as the issue remains unresolved. With the numerous changes in management, very little progress has been made in resolving this finding.

**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.

**STATE OF NEW MEXICO**  
**VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

*Item 2014-005 – Other Non-Compliance – Reconciliation of  
DFA Report with General Ledger (continued)*

**Views of Responsible Officials and Planned Corrective Actions** – The previous process of recording transactions had caused some interfund balances to get co-mingled, which will be corrected with journal entries. The finance department and the clerk administrator are providing double oversight to ensure this is resolved in the next fiscal year.

**Estimated Completion Time** – July 1, 2018.

**Responsible Party** – The deputy clerk and the clerk administrator.

*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. The Village has failed to 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 audit finding is repeated. With the numerous changes in management, very little progress has been made in resolving this finding.

**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.”*

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

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

**Criteria (continued)** – AU Section 325 paragraph .15 provides a list of indicators of a material weakness in internal control. One such example is *“Ineffective oversight of the entity’s financial reporting and internal control by those charged with governance.”*

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

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

**Recommendation** – The Village should give serious consideration to the employment of a qualified individual to serve in the position of director of finance. This employee should have the ability to prepare governmental financial statements in accordance with GAAP. Alternately, the Village could chose to consult with a separate accounting firm prior to and during the audit process that would assist the Village in the preparation of financial statements and the related notes. Notwithstanding the above recommendations, the Village should place proper financial resources in training the administrative staff that would include at a minimum, accounting courses that would instruct the staff of GAAP considerations in regards to government financial reporting.

**Views of Responsible Officials and Planned Corrective Actions** – The Village will procure professional services for an independent financial professional to assist with this process of generating the correct information so it may be presented accurately and fairly to the auditor for auditing purposes.

**Estimated Completion Time** – June 30, 2019.

**Responsible Party** – Clerk administrator and the deputy clerk.

*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 reconcile the bank balances to the cash balances, per fund, as listed in the general ledger. The net variance between the bank balances to the cash balances was \$10,691. This is a repeat audit finding, as it was reflected in the previous year’s audit report with no resolution during the current fiscal year.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

**Effect** – Without accurate 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** – While the Village was preparing the monthly bank reconciliations, for all checking accounts, the Village failed to reconcile the reconciled cash balance against the cash balances recorded in the general ledger.

**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 clerk administrator is providing additional oversight of the general ledger journals to ensure the correct transactions are being updated in the program and corrections are made monthly.

**Estimated Completion Time** – In progress, June 30, 2019.

**Responsible Party** – Clerk administrator and the deputy clerk.

*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:

- One instance where a commercial account was billed using residential rates. The customer was overbilled by \$144.79 for the month of August 2017.
- There were three instances in the month of June 2018 that the individual meter reading was not listed on the meter reading report. The accounts were billed using the minimum usage rate.
- There was one instance in which a commercial account was billed for the usage of a four (4) cubic yard sole use dumpster at \$205.90. Village Ordinance No. 277 does not address the charge for a 4 cubic yard dumpster; it addresses only three (3), six (6), and eight (8) cubic yard dumpsters.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

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

**Statement of Condition (continued) –**

- There was an instance where a customer was billed \$5,658.95 in June 2018. All the utility reports reflect this billing. If this was billed in error, the error should have been caught during the review process and adjusted accordingly.
- The meter deposit listing has not been updated and or reconciled. As such, true and accurate meter deposit balances could not be determined at June 30, 2018.
- At times, the Village adjusts customers' account for errors discovered after the bill has been generated. While the adjustment corrects the customer's account, no adjustment is being prepared to reflect the corrected revenue in the general ledger.

This is a repeat audit finding. With the numerous changes in management, very little progress has been made in resolving this 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.

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.

**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.



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VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

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

**Recommendation (continued)** – 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** – The current utility clerk has implemented the current rates into the system and every deposit and utility account adjustment is reviewed and all transactions are acknowledged by the finance clerk or the clerk administrator each day. The Village has a form that is signed by those reviewing and approving the adjustments and receipting of deposits. The utility clerk will continue to review the billing reports before the billing is generated as to avoid any discrepancies in the customer accounts.

**Estimated Completion Time** – In progress and has been implemented as of July 1, 2018.

**Responsible Party** – Utility clerk, clerk administrator, and the deputy clerk.

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

**Statement of Condition** – During the fiscal year, the Village hired a firm who specializes in capital assets management to complete an in-depth inventory and review of the capital assets owned by the Village. During the testing and observation of the capital assets, we discovered assets that were not included in the inventory, such as land and equipment and assets of which the cost basis was not recorded correctly. The Village had not taken the time to thoroughly review the listing as provided by the capital assets management firm. While the Village did make progress in contracting the management firm, the process to resolve the finding was not completed.

**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.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

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

**Criteria (continued) –**

- 7) Serial number or vehicle identification number.
- 8) Estimated useful life.
- 9) Date acquired.
- 10) Cost.
- 11) Fund and organization that purchased the asset.

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

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

**Cause** – The Village hired a consulting firm that specializes in capital assets, including the calculation of depreciation expense, for governmental entities. The Village relied on the reports presented by the consulting firm, without reviewing the documents for accuracy and completeness, prior to providing to the auditing firm.

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

**Views of Responsible Officials and Planned Corrective Actions** – Management is working with the program software developer to ensure this information is available in the reports for all government and business activities, as well as the depreciation reports. The reports will be reviewed and reconciled.

**Estimated Completion Time** – In progress, will be completed by June 30, 2019.

**Responsible Party** – Department directors and clerk administrator.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

*Item 2015-007 – Other Non-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 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, 2018. The audit test sample contained the following discrepancies:

- There were two instances that lacked a signature by the employee on the travel form.
- There were eight instances where the Village based the per diem and mileage reimbursement on actual days and not on twenty-four hour periods.
- There were three instances where an employee was given an advance greater than the eighty percent (80%) maximum. One employee was given a one-hundred percent (100%) advance.
- There were six instances where an employee was paid actual meals on their return day. The employees should have been paid a partial per diem rate. The total amount overpaid was \$70.57.
- There were five instances where an employee was not paid for partial day per diem on their return day. The employees were underpaid by \$78.00.
- There were two instances where an employee received partial day per diem for a same day travel trip. The trip did not exceed a normal nine hour workday. The employees were overpaid by \$40.00.
- There was one instance where an employee traveled out of state. The employee was paid based on in-state per diem rates. The employee was underpaid by \$60.
- There was one instance where an employee received \$36.00 for other expenses. The employee did not present receipts to support the reimbursement. Without actual receipts, the employee was not entitled to the reimbursement.
- The Village could not support how the mileage rate of \$0.505, per mile, was established.
- The Village does not have a policy that states how far out a travel advance can be given. Advances varied from one (1) day prior to travel to nine (9) days.

The finding is repeated, as not enough progress was made in obtaining the necessary knowledge of the travel and per diem regulations.

**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.

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VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

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

**Criteria (continued)** – Section 2.42.2.8B(1) of the Travel and Per Diem regulation states, “*Partial day per diem rate: Public officers or employees who occasionally and irregularly travel shall be reimbursed for travel which does not require overnight lodging, but extends beyond a normal work day as follows:*

- (a) *For less than 2 hours, none;*
- (b) *For 2 hours, but less than 6 hours, \$12.00;*
- (c) *For 6 hours or more, but less than 12 hours, \$20.00;*
- (d) *For 12 hours or more, \$30.00.”*

Further, Section 2.21.2.8B(1)(f) states, “*Normal work day means 8 hours within a nine-hour period for all public officers and employees both salaries and nonsalaried, regardless of the officers’ or employees’ regular work schedule.*”

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) states “*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:*

- (a) *For less than 2 hours, none;*
- (b) *For 2 hours, but less than 6 hours, \$12.00;*
- (c) *For 6 hours or more, but less than 12 hours, \$20.00;*
- (d) *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.

Section 2.42.12.A states “*Public officers and employee may be reimbursed without receipts for the following expenses in an amount of \$6.00 per day not to exceed a total of \$30.00 per trip:*

- (a) *Taxi or other transportation fares at the destination of the traveler;*
- (b) *Gratuities as allowed by the agency head or designee; and*

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SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

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

**Criteria (continued) –**

- (c) *Parking fees;*
- (d) *If more than \$6.00 per day or \$30.00 per trip is claimed, the entire amount of the reimbursement claim must be accompanied by receipts.”*

**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.

**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 attended training for the Mileage and Per Diem Act, and is currently implementing the current rates and formulas.

**Management Response** – The finance clerk has attended training for the Mileage and Per Diem Act, and is currently implementing the current rates and formulas.

**Estimated Completion Time** – July 1, 2018.

**Responsible Party** – The deputy clerk and clerk administrator.

*Item 2015-011 – Other Non-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, 2018. This finding is repeated as the Village failed to conduct the annual physical inventory observation during the current fiscal year.

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

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

**Cause** – The 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** – Management has implemented an annual asset confirmation with all departments. Every year, each department director is given the department list to verify all assets are in the correct listing, and the values are current as listed. If there are corrections and supporting documentation has been provided, the administrator will implement the changes in the program.

**Estimated Completion Time** – In progress-July 1, 2019.

**Responsible Party** – Department directors and clerk administrator.

*Item 2016-002 – Other Non-Compliance – 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 optimum segregation of duties. With the numerous changes in management, very little progress has been made in resolving this repeat finding.

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

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

Some examples of incompatible duties are:

- Authorizing a transaction, receiving and maintaining custody of the asset that resulted from the transaction
- Receiving funds (checks or cash) and approving write-off of receivables

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VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

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

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

**Criteria (continued) –**

- 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** – Due to the changes in clerk administrator during the fiscal year, the Village did not have the opportunity to implement change to the internal control procedures for the fiscal year ended June 30, 2018.

**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** – Current management is implementing internal controls and verifications to ensure accountability and transparency for all departments and transactions.

**Estimated Completion Time** – In progress-July 1, 2018.

**Responsible Party** – Clerk administrator and the deputy clerk.

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

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

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VILLAGE OF CIMARRON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018**

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

*Item 2017-002 – Other Non-Compliance - Legal Compliance with Adopted Budget (continued)*

**Statement of Condition (continued) –**

Fund	Expenditures and Transfers	Authorized Budget	Excess Expenditures and Transfers
Law Enforcement	\$ 76,603	\$ 60,000	\$ 16,603

This is a repeated finding that has been modified. The new procedures, if fully implemented, were not always followed.

**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** – In October 2017, an independent financial professional was hired to review and correct the Village accounting system. It was discovered the police department had an excess of funds and requested to pay a large amount down on the law enforcement units, thus causing this excess in expenditures. All budget line items are reviewed and budget adjustments are being submitted to the governing board for approval.

**Estimated Completion Time** – July 1, 2018.

**Responsible Party** – Clerk administrator.

**SECTION II - PRIOR YEAR'S AUDIT FINDINGS**

*Item 2008-003 – Other Matters – Enterprise Fund Debt* – Repeated/Modified.



**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

**SECTION II - PRIOR YEAR'S AUDIT FINDINGS (continued)**

Item 2012-007 – Other Matters – Bank Reconciliation Municipal Escrow Account – Repeated/Modified

Item 2014-002 – Significant Deficiency – Accounting Activity – Repeated/Modified.

Item 2014-003 – Significant Deficiency – Interfund Balances – Repeated/Modified.

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

Item 2014-007 – Compliance – Water Conservation Fee – Resolved.

Item 2015-001 – Material Weakness – Financial Statements and Disclosures – Repeated/Modified.

Item 2015-002 – Material Weakness – Cash Reconciliation to the General Ledger – Repeated/Modified.

Item 2015-003 – Material Weakness – Utility Department Discrepancies – Repeated/Modified.

Item 2015-004 – Material Weakness – Capital Asset  
Subsidiary Records and Depreciation Expense – Repeated/Modified.

Item 2015-005 – Significant Deficiency – Credit Card Transactions – Resolved.

Item 2015-006 – Compliance – Official Board Minutes – Resolved.

Item 2015-007 – Compliance – Per Diem and Mileage Act – Repeated/Modified.

Item 2015-009 – Compliance – Procurement Violation – Resolved.

Item 2015-011 – Compliance – Annual Inventory of Capital Assets – Repeated/Modified.

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

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

Item 2016-001 – Other Matters – Vendor Payment Process – Resolved.

Item 2016-002 – Other Matters – Segregation of Duties – Repeated/Modified.

Item 2017-001 – Material Weakness & Compliance – Indebtedness – Resolved.

Item 2017-002 – Compliance – Legal Compliance with Adopted Budget – Repeated/Modified.

**STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
EXIT CONFERENCE AND  
FINANCIAL STATEMENT PREPARATION  
JUNE 30, 2018**

**EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2018, was discussed during the exit conference held on December 14, 2018. Present for the Village was Matthew E. Gonzales, councilor; James Gallegos, councilor; Shawn Jeffrey, clerk administrator; and Renee LeDoux, deputy 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, 2018. 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.