

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2019

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**

Table of Contents
June 30, 2019

	<u>PAGE</u>
Directory of Officials.....	1
Independent Auditors' Report.....	2-4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position.....	5
Statement of Activities.....	6
Governmental Funds Financial Statements:	
Balance Sheet.....	7
Reconciliation of the Balance Sheet Governmental Funds To the Statement of Net Position.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities	10
Statement of Revenues, Expenditures and Changes in Cash Balance – Budget (Non-GAAP Budgetary Basis) and Actual On Budgetary Basis With Reconciliation to GAAP: General Fund	11
Proprietary Funds Financial Statements:	
Enterprise Funds:	
Statement of Net Position.....	12
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	13
Statement of Cash Flows	14-15
Fiduciary Financial Statement:	
Statement of Fiduciary Assets and Liabilities	16
Notes to the Financial Statements.....	17-46

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**

Table of Contents
June 30, 2019

	<u>PAGE</u>
Supplementary Information	
Combining and Individual Other Governmental Fund Financial Statements:	
<u>Other Governmental Funds:</u>	
Combining Balance Sheet.....	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	48
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability of PERA Fund - Municipal General Division - Public Employees Retirement Association (PERA) Plan Last Ten Fiscal Years	49
Schedule of Proportionate Share of the Net Pension Retirement Association (PERA) Plan – PERA Fund Municipal General Division Last Ten Fiscal Years.....	50
Schedule of Contributions Public Employees Liability of PERA Fund – Municipal Police Division – Public Employees General Division Last Ten Fiscal Years.....	51
Schedule of Contributions Public Employees Retirement Association (PERA) Plan - PERA Fund Municipal Police Division Last Ten Fiscal Years.....	52
Notes to Required Supplementary Information.....	53
Other Schedules	
Schedule of Cash Accounts	54
Schedule of Pledged Collateral	55
Schedule of Changes in Assets and Liabilities	56
Additional Independent Auditors' Reports	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	57-58
Schedule of Findings and Responses	59-69
Exit Conference and Financial Statement Preparation	70

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Directory of Officials
June 30, 2019

ELECTED OFFICIALS

Leo R. Martinez..... Mayor
Laura Gonzales..... Mayor Pro-Tem
Nicolas Cardenas..... Councilor
James Gallegos 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

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent Auditors' ReportBrian S. Colón, 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 comparison for the general fund of the Village of Cimarron (Village), as of and for the year ended June 30, 2019, 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, 2019, 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 misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Fire Protection Fund	Unmodified
Capital Outlay Fund	Unmodified
Water and Sewer Fund	Qualified
Solid Waste Fund	Unmodified
Ambulance Fund	Qualified
Aggregate Remaining Fund Information	Unmodified
Combining and Individual Non-Major Governmental Funds	Unmodified
General Fund Budgetary Comparison	Unmodified

Basis for Qualified Opinions

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. Even though the Village performed a physical inventory to reconcile assets on hand and those recorded in the subsidiary ledger, the Village failed to complete the reconciliation and to record the necessary adjustments in the accounting records. 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 utility deposits 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, 2019, 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, 2019, and the respective changes in financial position, thereof, and the respective budgetary comparison for the general 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-three 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 9, 2019 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 effectiveness of the Village's 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 9, 2019

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash	\$ 741,887	\$ 672,909	\$ 1,414,796
Receivables, net	89,819	116,120	205,939
Total current assets	831,706	789,029	1,620,735
Noncurrent assets:			
Restricted cash	10,937	49,629	60,566
Restricted investments	22,211	101,798	124,009
Capital assets:			
Land and construction in progress	211,328	295,728	507,056
Other capital assets, net of depreciation	2,703,059	2,647,204	5,350,263
Total capital assets	2,914,387	2,942,932	5,857,319
Total noncurrent assets	2,947,535	3,094,359	6,041,894
Deferred Outflows of Resources:			
Pension related	289,633	31,048	320,681
Total assets and deferred outflows of resources	\$ 4,068,874	\$ 3,914,436	\$ 7,983,310
Liabilities:			
Current liabilities:			
Accounts payable	\$ 38,575	\$ 99,156	\$ 137,731
Accrued salaries	14,105	2,910	17,015
Accrued payroll liabilities	1,031	213	1,244
Accrued interest payable	748	6,399	7,147
Deposits payable	-	40,739	40,739
Note payable	73,034	26,103	99,137
Bonds payable	-	10,100	10,100
Compensated absences	6,714	2,592	9,306
Total current liabilities	134,207	188,212	322,419
Noncurrent liabilities:			
Note payable	208,817	121,449	330,266
Bonds payable	-	195,125	195,125
Compensated absences	12,683	4,273	16,956
Net pension liability	568,448	104,786	673,234
Total noncurrent liabilities	789,948	425,633	1,215,581
Total liabilities	924,155	613,845	1,538,000
Deferred Inflows of Resources:			
Pension related	71,979	12,644	84,623
Net Position:			
Net investment in capital assets	2,632,536	2,709,780	5,342,316
Restricted for:			
Debt service	33,148	1,530	34,678
State mandated per statutes	90,920	-	90,920
Unrestricted	316,136	576,637	892,773
Total net position	3,072,740	3,287,947	6,360,687
Total liabilities, deferred inflows of resources and net position	\$ 4,068,874	\$ 3,914,436	\$ 7,983,310

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, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 438,059	\$ 6,950	\$ 97,320	\$ -	\$ (333,789)	\$ -	\$ (333,789)
Public safety	486,526	26,494	110,853	-	(349,179)	-	(349,179)
Public works	224,000	-	-	353,737	129,737	-	129,737
Culture and recreation	25,591	3,080	-	-	(22,511)	-	(22,511)
Health and welfare	13,708	2,997	-	-	(10,711)	-	(10,711)
Interest on long-term debt	10,875	-	-	-	(10,875)	-	(10,875)
Total governmental activities	1,198,759	39,521	208,173	353,737	(597,328)	-	(597,328)
Business-type activities:							
Water	355,950	171,937	-	667,208	-	483,195	483,195
Wastewater	72,860	57,065	-	-	-	(15,795)	(15,795)
Solid waste	179,212	149,947	-	-	-	(29,265)	(29,265)
Ambulance	76,348	74,479	8,000	-	-	6,131	6,131
Interest on long-term debt	12,414	-	-	-	-	(12,414)	(12,414)
Total business-type activities	696,784	453,428	8,000	667,208	-	431,852	431,852
Total primary government	\$ 1,895,543	\$ 492,949	\$ 216,173	\$ 1,020,945	(597,328)	431,852	(165,476)
General Revenues:							
Gross receipts taxes					312,439	2,774	315,213
Property taxes, levied for general purposes					75,242	-	75,242
Lodgers' taxes					17,773	-	17,773
Franchise taxes					31,991	-	31,991
Public service taxes					32,951	-	32,951
Interest income					15,770	4,169	19,939
Donations					77,619	-	77,619
Miscellaneous					134,646	-	134,646
Special item - Gain (loss) on disposal of assets					(8,569)	789	(7,780)
Transfers					(107,631)	107,631	-
Total general revenues, special item and transfers					582,231	115,363	697,594
Change in net position					(15,097)	547,215	532,118
Net position, beginning of year					3,087,837	2,740,732	5,828,569
Net position, end of year					\$ 3,072,740	\$ 3,287,947	\$ 6,360,687

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, 2019**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 283,554	\$ 270,696	\$ 187,637	\$ 741,887
Receivables, net	86,531	-	3,288	89,819
Restricted:				
Cash	10,343	-	594	10,937
Investments	21,202	-	1,009	22,211
	\$ 401,630	\$ 270,696	\$ 192,528	\$ 864,854
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 25,318	\$ 9,407	\$ 3,850	\$ 38,575
Accounts salaries	14,105	-	-	14,105
Accrued payroll liabilities	1,031	-	-	1,031
	40,454	9,407	3,850	53,711
 Deferred Inflows of Resources:				
Unavailable property tax revenue	14,246	-	-	14,246
 Fund Balances:				
Restricted for:				
Debt service	31,545	-	1,603	33,148
State mandated per statutes	-	-	150,736	150,736
State mandated budget reserve	86,268	-	-	86,268
Committed for:				
Subsequent years' expenditures	22,011	261,289	18,123	301,423
Assigned	-	-	18,216	18,216
Unassigned	207,106	-	-	207,106
	346,930	261,289	188,678	796,897
 Total liabilities, deferred inflows of resources and fund balances	\$ 401,630	\$ 270,696	\$ 192,528	\$ 864,854

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, 2019

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

Total fund balance governmental funds (page seven)	\$	796,897
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,914,387
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.		14,246
Deferred outflows of resources related to pensions are applicable to future periods and are not reported in the funds.		289,633
Certain accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(748)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.		(869,696)
Deferred inflows of resources related to pensions are applicable to future periods and are not reported in the funds.		(71,979)
Net position of governmental activities (page five)	\$	3,072,740

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, 2019

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Gross receipts taxes	\$ 292,001	\$ -	\$ -	\$ 292,001
Property taxes	76,013	-	-	76,013
Franchise taxes	31,991	-	-	31,991
Lodgers' taxes	-	-	17,773	17,773
Public service taxes	53,389	-	-	53,389
Intergovernmental:				
State	96,320	354,737	110,853	561,910
Charges for services	13,102	-	2,829	15,931
Fines and forfeitures	-	-	19,495	19,495
Interest	15,157	-	613	15,770
Miscellaneous	234,656	-	6,417	241,073
	<u>812,629</u>	<u>354,737</u>	<u>157,980</u>	<u>1,325,346</u>
Total revenues	812,629	354,737	157,980	1,325,346
Expenditures:				
Current:				
General government	377,533	-	-	377,533
Public safety	297,557	-	86,664	384,221
Highways and streets	141,648	-	-	141,648
Culture and recreation	621	-	19,580	20,201
Health and welfare	12,250	-	773	13,023
Capital outlay	154,076	93,448	-	247,524
Debt service:				
Principal	173,143	-	34,564	207,707
Interest and other charges	3,950	-	6,700	10,650
	<u>1,160,778</u>	<u>93,448</u>	<u>148,281</u>	<u>1,402,507</u>
Total expenditures	1,160,778	93,448	148,281	1,402,507
Excess (deficiency) revenues over expenditures	(348,149)	261,289	9,699	(77,161)
Other Financing Sources (Uses):				
Transfers in	20,779	-	-	20,779
Transfers (out)	(107,631)	-	(20,779)	(128,410)
Loan proceeds	170,384	-	-	170,384
	<u>83,532</u>	<u>-</u>	<u>(20,779)</u>	<u>62,753</u>
Total other financing sources (uses)	83,532	-	(20,779)	62,753
Special Item:				
Proceeds from sale of assets	5,742	-	-	5,742
	<u>5,742</u>	<u>-</u>	<u>-</u>	<u>5,742</u>
Net change in fund balance	(258,875)	261,289	(11,080)	(8,666)
Fund balance, beginning of year	605,805	-	199,758	805,563
	<u>605,805</u>	<u>-</u>	<u>199,758</u>	<u>805,563</u>
Fund balance, end of year	\$ 346,930	\$ 261,289	\$ 188,678	\$ 796,897
	<u><u>\$ 346,930</u></u>	<u><u>\$ 261,289</u></u>	<u><u>\$ 188,678</u></u>	<u><u>\$ 796,897</u></u>

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

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

Net change in fund balances total governmental fund (page nine)	\$	(8,666)
<p>Governmental funds report capital outlay as expenditures in the amount of \$247,524; 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 \$214,010.</p>		
		33,514
<p>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.</p>		
		771
<p>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.</p>		
Note proceeds received		170,384
Note obligation principal payments		(207,707)
<p>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:</p>		
Change in compensated absences		(2,687)
Change in accrued interest payable		(225)
Pension expense		(481)
		(15,097)
Net change in net position - statement of activities (page six)	\$	(15,097)

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, 2019**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Gross receipts taxes	\$ 545,000	\$ 402,000	\$ 293,971	\$ (1,970)	\$ 292,001	\$ (108,029)
Property taxes	70,000	76,000	75,617	396	76,013	(383)
Franchise taxes	30,000	(109,000)	31,965	26	31,991	140,965
Public service taxes	102,000	91,750	53,541	(152)	53,389	(38,209)
Intergovernmental:						
State	132,000	97,321	97,320	(1,000)	96,320	(1)
Charges for services	31,500	12,750	13,083	19	13,102	333
Fines and forfeitures	45,000	26,000	-	-	-	(26,000)
Interest	8,500	14,500	15,157	-	15,157	657
Miscellaneous	105,000	142,000	159,656	75,000	234,656	17,656
Total revenues	1,069,000	753,321	740,310	72,319	812,629	(13,011)
Expenditures:						
Current:						
General government	361,500	419,000	395,149	(17,616)	377,533	23,851
Public safety	300,000	295,570	295,459	2,098	297,557	111
Public works	75,000	133,420	138,166	3,482	141,648	(4,746)
Culture and recreation	-	-	621	-	621	(621)
Health and welfare	62,000	11,850	11,892	358	12,250	(42)
Capital outlay	30,000	97,000	81,465	72,611	154,076	15,535
Debt service:						
Principal	-	900	175,552	(2,409)	173,143	(174,652)
Interest and other charges	-	1,000	1,541	2,409	3,950	(541)
Total expenditures	828,500	958,740	1,099,845	60,933	1,160,778	(141,105)
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	240,500	(205,419)	(359,535)	11,386	(348,149)	(154,116)
Other Financing Sources (Uses):						
Loan proceeds	-	170,679	170,384	-	170,384	(295)
Transfers in	-	-	20,779	-	20,779	20,779
Transfers (out)	(36,000)	(36,000)	(25,407)	(82,224)	(107,631)	10,593
Total other financing sources (uses)	(36,000)	134,679	165,756	(82,224)	83,532	31,077
Special Item:						
Proceeds from sale of assets	-	-	5,742	-	5,742	5,742
Net change	204,500	(70,740)	(188,037)	\$ (70,838)	\$ (258,875)	(117,297)
Cash balance, beginning of year	503,136	503,136	503,136			-
Cash balance, end of year	<u>\$ 707,636</u>	<u>\$ 432,396</u>	<u>\$ 315,099</u>			<u>\$ (117,297)</u>
Explanation of Differences:						
Change in receivables				\$ (3,452)		
Interfund receivable adjustment				(82,224)		
Change in accounts payable				15,586		
Change in accrued salaries				(1,393)		
Change in accrued payroll taxes				(126)		
Change in unavailable revenues				771		
				<u>\$ (70,838)</u>		

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	
Assets:				
Current assets:				
Cash	\$ 518,555	\$ 29,345	\$ 124,961	\$ 672,861
Receivables, net	82,991	11,230	21,899	116,120
Total current assets	601,546	40,575	146,860	788,981
Noncurrent assets:				
Restricted assets:				
Cash	49,677	-	-	49,677
Investments	-	-	101,798	101,798
Capital assets:				
Land	58,000	-	-	58,000
Construction in progress	237,728	-	-	237,728
Other capital assets, net of accumulated depreciation	2,647,204	-	-	2,647,204
Total noncurrent assets	2,992,609	-	101,798	3,094,407
Deferred Outflows of Resources:				
Pension related	31,048	-	-	31,048
Total assets and deferred outflows of resources	<u>\$ 3,625,203</u>	<u>\$ 40,575</u>	<u>\$ 248,658</u>	<u>\$ 3,914,436</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 82,777	\$ 13,908	\$ 2,471	\$ 99,156
Accrued salaries	2,910	-	-	2,910
Accrued payroll liabilities	213	-	-	213
Accrued interest payable	6,383	-	16	6,399
Deposits payable	40,739	-	-	40,739
Current maturities of liabilities:				
Notes payable	16,512	-	9,591	26,103
Bonds payable	10,100	-	-	10,100
Compensated absences	2,592	-	-	2,592
Total current liabilities	162,226	13,908	12,078	188,212
Noncurrent Liabilities:				
Notes payable	28,784	-	92,665	121,449
Bonds payable	195,125	-	-	195,125
Compensated absences	4,273	-	-	4,273
Net pension liability	104,786	-	-	104,786
Total noncurrent liabilities	332,968	-	92,665	425,633
Total liabilities	495,194	13,908	104,743	613,845
Deferred Inflows of Resources:				
Pension related	12,644	-	-	12,644
Net Position:				
Net investment in capital assets	2,692,411	-	-	2,692,411
Unrestricted	424,954	26,667	143,915	595,536
Total net position	<u>3,117,365</u>	<u>26,667</u>	<u>143,915</u>	<u>3,287,947</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,625,203</u>	<u>\$ 40,575</u>	<u>\$ 248,658</u>	<u>\$ 3,914,436</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, 2019

	Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	
Operating Revenues:				
Charges for services	\$ 216,365	\$ 149,217	\$ 74,479	\$ 440,061
Operating Expenses:				
Personnel services	91,735	12,942	-	104,677
Utilities	17,185	-	5,593	22,778
Contractual services	30,389	153,345	13,121	196,855
Professional services	13,063	1,298	6,842	21,203
Repairs and maintenance	1,703	-	12,244	13,947
General operating	41,702	11,495	21,729	74,926
Fuel	4,366	-	9,571	13,937
Insurance claims and expenses	10,033	132	6,481	16,646
Depreciation	215,207	-	-	215,207
Total operating expenses	<u>425,383</u>	<u>179,212</u>	<u>75,581</u>	<u>680,176</u>
Operating (loss)	(209,018)	(29,995)	(1,102)	(240,115)
Non-Operating Revenues (Expenses):				
Gross receipts taxes	-	2,774	-	2,774
Intergovernmental revenues	48,241	-	8,000	56,241
Miscellaneous revenues	9,210	730	-	9,940
Interest income	3,760	100	309	4,169
Interest expense and other charges	(12,398)	-	(783)	(13,181)
Total non-operating revenues (expenses)	<u>48,813</u>	<u>3,604</u>	<u>7,526</u>	<u>59,943</u>
Income (loss) before transfers	(160,205)	(26,391)	6,424	(180,172)
Transfers and Capital Contributions:				
Capital contributions	618,967	-	-	618,967
Transfers in	97,679	39,000	-	136,679
Transfers (out)	(29,048)	-	-	(29,048)
Total transfers and capital contributions	<u>687,598</u>	<u>39,000</u>	<u>-</u>	<u>726,598</u>
Special Item:				
Proceeds from sale of assets	-	-	789	789
Change in net position	527,393	12,609	7,213	547,215
Net position, beginning of year	<u>2,589,972</u>	<u>14,058</u>	<u>136,702</u>	<u>2,740,732</u>
Net position, end of year	<u>\$ 3,117,365</u>	<u>\$ 26,667</u>	<u>\$ 143,915</u>	<u>\$ 3,287,947</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, 2019

	Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	
Cash Flows From Operating Activities:				
Cash received from customers	\$ 223,044	\$ 148,372	\$ 74,940	\$ 446,356
Cash payments to suppliers for goods and services	(116,756)	(168,368)	(74,701)	(359,825)
Cash payments to employees for services	(88,604)	(14,056)	-	(102,660)
Net cash provided (used) by operating activities	17,684	(34,052)	239	(16,129)
Cash Flows From Non-Capital and Related Financing Activities:				
Cash received from sales taxes	-	3,959	-	3,959
Intergovernmental	615,233	-	8,000	623,233
Miscellaneous	10,325	730	-	11,055
Transfers	(13,593)	39,000	-	25,407
Net cash provided by non-capital and related financing activities	611,965	43,689	8,000	663,654
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(183,392)	-	-	(183,392)
Gain (loss) on sale of capital assets	-	-	789	789
Loan proceeds	-	-	102,256	102,256
Principal payment on capital debt	(27,357)	-	-	(27,357)
Interest and related debt charges	(11,319)	-	(767)	(12,086)
Net cash (used) by capital and related financing activities	(222,068)	-	102,278	(119,790)
Cash Flows From Investing Activities:				
Interest income	3,760	100	309	4,169
Net increase in cash	411,341	9,737	110,826	531,904
Cash and cash equivalents, beginning of year	156,891	19,608	115,933	292,432
Cash and cash equivalents, end of year	<u>\$ 568,232</u>	<u>\$ 29,345</u>	<u>\$ 226,759</u>	<u>\$ 824,336</u>
Displayed as:				
Cash	\$ 518,555	\$ 29,345	\$ 124,961	\$ 672,861
Restricted cash	49,677	-	101,798	151,475
	<u>\$ 568,232</u>	<u>\$ 29,345</u>	<u>\$ 226,759</u>	<u>\$ 824,336</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, 2019

	Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Ambulance Fund	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating (loss)	\$ (209,018)	\$ (29,995)	\$ (1,102)	\$ (240,115)
Adjustment to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	215,207	-	-	215,207
Bad debts	(941)	119	25,097	24,275
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	16,475	(964)	(24,636)	(9,125)
(Increase) in deferred outflows of resources	(7,689)	-	-	(7,689)
Increase (decrease) in accounts payable	77,640	(2,098)	880	76,422
Increase (decrease) in accrued salaries	1,047	(1,040)	-	7
Increase (decrease) in accrued payroll liabilities	75	(74)	-	1
(Decrease) in interfund payable	(82,224)	-	-	(82,224)
(Decrease) in deferred inflows of resources	(10,513)	-	-	(10,513)
Increase in net pension liability	17,625	-	-	17,625
Total adjustments	226,702	(4,057)	1,341	223,986
Net cash provided (used) by operating activities	\$ 17,684	\$ (34,052)	\$ 239	\$ (16,129)

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, 2019

	Agency Fund
Assets:	
Cash	<u>\$ 100</u>
Liabilities:	
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, 2019

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, 2019

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, 2019

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, 2019

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

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Special Revenue Funds

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

The *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, 2019

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

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

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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	\$ 1,414,796
Restricted cash	60,566
Restricted investments	124,009
Statement of Fiduciary Assets and Liabilities	<u>100</u>
Total cash reported on financial statements	<u><u>\$ 1,599,471</u></u>

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. CASH (continued)

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.

As of June 30, 2019, the amount of cash reported on the financial statements differs from the amount on deposit with the institution because of transactions in transit and outstanding checks. The location and amounts deposited are as follows:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
INBANK	\$ 1,480,450	\$ (36,805)	\$ 1,443,645
Wells Fargo Bank	<u>20,880</u>	<u>-</u>	<u>20,880</u>
	<u>\$ 1,501,330</u>	<u>\$ (36,805)</u>	<u>\$ 1,464,525</u>

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

	<u>INBANK</u>	<u>Wells Fargo Bank</u>
Total deposits in bank	\$ 1,480,450	\$ 20,880
Less FDIC coverage	<u>(250,000)</u>	<u>(20,880)</u>
Uninsured public funds	1,230,450	<u>\$ -</u>
Pledged collateral held by pledging bank's agent, but not in the Village's name	<u>(315,433)</u>	
Uninsured and uncollateralized public funds	<u>\$ 915,017</u>	
Total pledged collateral	\$ 315,433	
50% pledged collateral requirement per state statute	<u>(615,225)</u>	
Over (under) collateralization	<u>\$ (299,792)</u>	

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

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. CASH (continued)

Cash Deposited with Financial Institutions (continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2019, \$1,230,450 of the Village’s bank balance of \$1,480,450 was exposed to custodial credit risk as follows:

	INBANK
Uninsured and collateralized held by pledging bank's trust department or agent not in the Village's name.	\$ 1,230,450

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	\$ 10,937	\$ 49,629	\$ 60,566
Restricted investments	22,211	101,798	124,009
	\$ 33,148	\$ 151,427	\$ 184,575
Purpose of the Restriction:			
Held by fiscal agent for debt service	\$ 10,937	\$ -	\$ 10,937
Program funds	22,211	101,798	124,009
Utility meter deposits	-	49,629	49,629
	\$ 33,148	\$ 151,427	\$ 184,575

Cash Held by Fiscal Agent

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

3. RECEIVABLES, NET

Receivables, net of allowance for doubtful accounts, at June 30, 2019, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable:		
Charges for services	\$ 303	\$ 240,938
Allowance for doubtful accounts	-	(188,828)
Total accounts receivable	<u>303</u>	<u>52,110</u>
Taxes receivable:		
Gross receipts taxes	60,429	-
Property taxes	15,455	-
Franchise taxes	4,956	-
Lodgers' taxes	3,288	-
Public service taxes	5,568	-
Allowance for doubtful accounts	(180)	-
Total taxes receivable	<u>89,516</u>	<u>-</u>
Intergovernmental receivables:		
CDBG grant revenues	-	48,241
Cleaning water grant revenues	-	6,745
Drinking water grant revenues	-	9,024
Total intergovernmental receivables	<u>-</u>	<u>64,010</u>
Total receivables, net	<u>\$ 89,819</u>	<u>\$ 116,120</u>

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

4. PROPERTY TAX

Property taxes attached as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Colfax County Assessor to develop the property tax schedule by October 1st. Tax notices are sent by the Colfax County Treasurer to property owners by November 1st of each year. Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year. Thirty days later the bill becomes delinquent and the county treasurer assesses penalties and interest. Taxes are collected on behalf of the Village by the county treasurer, and are remitted to the Village in the month following collection. The Colfax County treasurer is statutorily required to collect taxes as an intermediary agency for all governments within the county. Distribution of taxes collected is made through the county treasurer's office.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

4. PROPERTY TAX (continued)

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 2018, was \$6.608 per \$1,000 for non-residential and \$5.256 for residential property. In the year 2018, 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, 2019:

	Balance 06/30/18	Increases	Decreases	Balance 06/30/19
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 117,880	\$ -	\$ -	\$ 117,880
Construction in progress	-	93,448	-	93,448
	<u>117,880</u>	<u>93,448</u>	<u>-</u>	<u>211,328</u>
Total capital assets, not being depreciated	117,880	93,448	-	211,328
Other capital assets, being depreciated:				
Land improvements	-	65,000	-	65,000
Buildings	1,783,235	-	-	1,783,235
Building improvements	-	79,076	-	79,076
Infrastructure	2,425,238	-	-	2,425,238
Vehicles	1,053,202	-	(64,775)	988,427
Equipment	714,258	10,000	-	724,258
	<u>5,975,933</u>	<u>154,076</u>	<u>(64,775)</u>	<u>6,065,234</u>
Total other capital assets	5,975,933	154,076	(64,775)	6,065,234
Less accumulated depreciation for:				
Land improvements	-	(24,087)	-	(24,087)
Buildings	(1,043,220)	(16,121)	-	(1,059,341)
Building improvements	-	(10,769)	-	(10,769)
Infrastructure	(982,385)	(74,153)	-	(1,056,538)
Vehicles	(702,405)	(72,222)	31,258	(743,369)
Equipment	(451,413)	(16,658)	-	(468,071)
	<u>(3,179,423)</u>	<u>(214,010)</u>	<u>31,258</u>	<u>(3,362,175)</u>
Total accumulated depreciation	(3,179,423)	(214,010)	31,258	(3,362,175)
Other capital assets, net	<u>2,796,510</u>	<u>(59,934)</u>	<u>(33,517)</u>	<u>2,703,059</u>
Total capital assets, net	<u>\$ 2,914,390</u>	<u>\$ 33,514</u>	<u>\$ (33,517)</u>	<u>\$ 2,914,387</u>

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

5. CAPITAL ASSETS (continued)

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

Governmental Activities:	
General government	\$ 46,212
Public safety	73,779
Public works	87,944
Health and welfare	685
Culture and recreation	5,390
	<u>\$ 214,010</u>

Business-type activities capital assets for the fiscal year ended June 30, 2019:

	Balance 06/30/18	Increases	Decreases	Balance 06/30/19
Capital assets, not being depreciated:				
Land	\$ 58,000	\$ -	\$ -	\$ 58,000
Construction in progress	-	237,728	-	237,728
	<u>58,000</u>	<u>237,728</u>	<u>-</u>	<u>295,728</u>
Total capital assets, not being depreciated	58,000	237,728	-	295,728
Other capital assets, being depreciated:				
Water and sewer utility system	6,621,537	-	-	6,621,537
Equipment	587,947	8,400	-	596,347
Heavy equipment	59,800	-	-	59,800
Vehicles	293,523	-	(35,000)	258,523
	<u>7,562,807</u>	<u>8,400</u>	<u>(35,000)</u>	<u>7,536,207</u>
Total other capital assets	7,562,807	8,400	(35,000)	7,536,207
Less accumulated depreciation for:				
Water and sewer utility system	(3,836,114)	(179,517)	-	(4,015,631)
Equipment	(519,359)	(3,450)	-	(522,809)
Heavy equipment	(59,800)	-	-	(59,800)
Vehicles	(293,523)	(32,240)	35,000	(290,763)
	<u>(4,708,796)</u>	<u>(215,207)</u>	<u>35,000</u>	<u>(4,889,003)</u>
Total accumulated depreciation	(4,708,796)	(215,207)	35,000	(4,889,003)
Other capital assets, net	<u>2,854,011</u>	<u>(206,807)</u>	<u>-</u>	<u>2,647,204</u>
Total capital assets, net	<u>\$ 2,912,011</u>	<u>\$ 30,921</u>	<u>\$ -</u>	<u>\$ 2,942,932</u>

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

6. LONG-TERM OBLIGATIONS

Governmental Activities Debt

Changes in governmental activities loan activity during the year ended June 30, 2019, were as follows:

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19	Amounts Due Within One Year
Notes payable	\$ 319,174	\$ 170,384	\$ (207,707)	\$ 281,851	\$ 73,034
Compensated absences	16,710	16,854	(14,167)	19,397	6,714
Total	<u>\$ 335,884</u>	<u>\$ 187,238</u>	<u>\$ (221,874)</u>	<u>\$ 301,248</u>	<u>\$ 79,748</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
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	20,350	961	21,311
2025	20,794	518	21,312
	<u>\$ 118,753</u>	<u>\$ 9,116</u>	<u>\$ 127,869</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
2020	\$ 19,065	\$ 2,230	\$ 21,295

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

6. LONG-TERM OBLIGATIONS (continued)

Governmental Activities Debt (continued)

Note Payable – New Mexico Finance Authority PPRF-4725

On July 27, 2018, the Village borrowed \$170,384 from the New Mexico Finance Authority for the purpose of refinancing the loan with John Deere Financial, for the purchase of a motor grader. The loan is to be repaid from municipal gross receipts revenues distributed by the state treasurer, pursuant to Village resolution no. 2018-21, adopted on June 30, 2018. The note matures My 1, 2023. The annual payment is approximately \$37,787 and accrues interest at a blended rate of 1.931585%. The following is a schedule of the annual payments required for the note:

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2020	\$ 35,043	\$ 2,744	\$ 37,787
2021	35,650	2,137	37,787
2022	36,316	1,471	37,787
2023	37,024	763	37,787
	<u>\$ 144,033</u>	<u>\$ 7,115</u>	<u>\$ 151,148</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, 2019, were as follows:

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19	Amounts Due Within One Year
Business-Type Activities:					
Bonds payable	\$ 215,125	\$ -	\$ (9,900)	\$ 205,225	\$ 10,100
Notes payable	61,316	102,256	(16,020)	147,552	26,103
Compensated absences	5,463	3,979	(2,577)	6,865	2,592
	<u>\$ 281,904</u>	<u>\$ 106,235</u>	<u>\$ (28,497)</u>	<u>\$ 359,642</u>	<u>\$ 38,795</u>
Total	<u>\$ 281,904</u>	<u>\$ 106,235</u>	<u>\$ (28,497)</u>	<u>\$ 359,642</u>	<u>\$ 38,795</u>

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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
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	9,000	900	9,900
2025	9,000	450	9,450
	<u>\$ 48,000</u>	<u>\$ 8,800</u>	<u>\$ 56,800</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
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	3,700	6,139	9,839
2025-2029	21,500	28,648	50,148
2030-2034	26,900	22,765	49,665
2035-2039	34,000	15,799	49,799
2040-2044	43,000	7,202	50,202
2045	14,925	-	14,925
	<u>\$ 157,225</u>	<u>\$ 106,654</u>	<u>\$ 263,879</u>

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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
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	1,756	40	1,796
2025-2029	8,848	133	8,981
2030-2032	5,362	28	5,390
	<u>\$ 22,948</u>	<u>\$ 405</u>	<u>\$ 23,353</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:

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2020	\$ 14,773	\$ 634	\$ 15,407
2021	7,575	128	7,703
	<u>\$ 22,348</u>	<u>\$ 762</u>	<u>\$ 23,110</u>

Note Payable – New Mexico Finance Authority PPRF-4898

On May 17, 2019, the Village borrowed \$102,256 from the New Mexico Finance Authority for the purpose of financing the costs of purchasing an ambulance chassis and related equipment, for the use by the Village. The loan is to be repaid from one-quarter of one percent (0.255) of the municipal gross receipts tax revenues distributed by the state treasurer, pursuant to Village resolution no. 2019-023, adopted on April 10, 2019. The note matures May 1, 2025. The annual payment is approximately \$10,347, and accrues interest at a blended rate of 0.099996%. The following is a schedule of the annual payments required for the note:

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

6. LONG-TERM OBLIGATIONS (continued)

Business-Type Activities Debt (continued)

Note Payable – New Mexico Finance Authority PPRF-4898 (continued)

Due in Fiscal Year Ending June 30:	Principal	Administrative Fee	Total
2020	\$ 9,591	\$ 98	\$ 9,689
2021	10,255	93	10,348
2022	10,265	82	10,347
2023	10,276	72	10,348
2024	10,286	62	10,348
2025-2029	51,583	155	51,738
	<u>\$ 102,256</u>	<u>\$ 562</u>	<u>\$ 102,818</u>

Note Payable – New Mexico Environment Department – Clean Water Loan Fund

On January 16, 2019, the Village entered into a loan and subsidy agreement with the New Mexico Environment Department, with a total amount of \$500,000, of which the loan portion of the agreement is a maximum of \$250,000 for upgrades to the Village's wastewater facilities. The note matures twenty years after the completion of the project, and accrues interest at a rate of 1.20%. The loan is to be repaid from pledged gross receipts from wastewater sales. Annual principal and interest payments will commence no later than one year after completion of the project, and shall be paid in annual installments due on the anniversary of the first annual installment. The annual payment will be approximately \$14,134. As of June 30, 2019, the Village has not completed the project and the final loan amount has not been determined. No annual loan payment will be due in the fiscal year ending June 30, 2020.

Note Payable – New Mexico Finance Authority – Drinking Water State Revolving Loan Fund

On February 22, 2019, the Village entered into a loan and subsidy agreement with the New Mexico Finance Authority, with a total amount of \$385,550, of which the loan portion of the agreement is a maximum of \$179,275 for upgrades to the Village's water facilities. The loan is to be repaid from pledged gross receipts from water sales. The note matures on May 1, 2040, and accrues and administrative fee of 0.250%. The annual payment will be \$9,201, and accrues an administrative fee of 0.250%. No annual loan payment will be due in the fiscal year ending June 30, 2020.

Note Payable – United States Department of Agriculture Rural Development – Water Treatment Plant Rehabilitation

On September 28, 2018, the Village signed a letter of intent to meet conditions and a request for obligation of funds with the United States Department of Agriculture, Rural Development, in the amount of \$2,374,800, of which the loan portion of the agreement is \$617,000 for water treatment plant rehabilitation and upgrades. The project must be completed and funds disbursed within three years of obligation. The loan will be schedule for repayment over a period of forty years. The anticipated annual payment will be \$23,916 and accrued interest at 2.75%. No annual loan payment will be due in the fiscal year ending June 30, 2020.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

7. TRANSFERS

	Transfers In			Total
	General Fund	Water & Sewer Fund	Solid Waste Fund	
Transfers (Out):				
General Fund	\$ -	\$ 97,631	\$ 10,000	\$ 107,631
Water and Sewer Fund	-	48	29,000	29,048
Non-major Governmental Funds	20,779	-	-	20,779
	\$ 20,779	\$ 97,679	\$ 39,000	\$ 157,458

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

Benefits provided – 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. 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.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

General Information about the Pension Plan (continued)

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 Contributuion Rates and Pension Factors as of July 1, 2017						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maxiumum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER I	TIER II	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.00%	2.50%	90%
MUNICIPAL PLANS 1 - 4						
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%
MUNICIPAL POLICE PLANS 1 - 5						
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%

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

General Information about the Pension Plan (continued)

Contributions (continued)

PERA Contribution Rates and Pension Factors as of July 1, 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	
MUNICIPAL FIRE PLANS 1 - 5						
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%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.00%	3.00%	90.00%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
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 \$673,234 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018.

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, 2018, the Village's proportion was 0.0207%, which was an increase of 0.0018%, from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village recognized pension expense of \$12,069. At June 30, 2019, the Village reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

PERA Fund Municipal General Division (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,539	\$ 8,665
Net difference between projected and actual investment earnings on pension plan investments	24,477	29,260
Changes of assumptions	29,922	1,898
Changes in proportion and differences between contributions and proportionate share of contributions	29,142	-
Employer contributions subsequent to the measurement date	5,610	-
	\$ 98,690	\$ 39,823

\$5,610 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
2020	\$ 35,453
2021	7,786
2022	8,735
2023	1,283
2024	-
Thereafter	-

PERA Fund Municipal Police Division

At June 30, 2018, the Village's proportion was 0.0503%, which was an increase of 0.0026%, from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village recognized pension expense of \$36,828. At June 30, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

PERA Fund Municipal Police Division (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 16,802	\$ 34,020
Net difference between projected and actual investment earnings on pension plan investments	23,617	-
Changes of assumptions	39,159	2,098
Changes in proportion and differences between contributions and proportionate share of contributions	110,279	8,682
Employer contributions subsequent to the measurement date	32,134	-
	\$ 221,991	\$ 44,800

\$32,134 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:

Year Ending	
2020	\$ 58,938
2021	39,874
2022	44,642
2023	1,603
2024	-
Thereafter	-

Actuarial assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA Fund	
Actuarial valuation date	June 30, 2017
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

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Actuarial assumptions (continued)

Actuarial Assumptions:

- Investment rate of return 7.25% annual rate, net of investment expense
- Projected benefit payment 100 years
- Payroll growth 3.00%
- Projected salary increases 3.25% to 13.50% annual rate
- Includes inflation at 2.50%
2.75% all other years
- Mortality Assumption The mortality assumptions are based on the PRH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty related for public safety groups.
- Experience Study Dates July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 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%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to Include		
Real Estate Equity	20.00%	6.48%
Total	100.00%	

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Discount rate – A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
PERA Fund Municipal General Division			
Village of Cimarron's proportionate share of the net pension liability	\$ 508,561	\$ 330,035	\$ 182,454
PERA Fund Municipal Police Division			
Village of Cimarron's proportionate share of the net pension liability	\$ 527,699	\$ 343,199	\$ 192,787

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. 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.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

10. BAD DEBT EXPENSE – ENTERPRISE FUNDS

For the fiscal year ended June 30, 2019, 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. 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	\$	941
Solid Waste Fund	\$	(119)
Ambulance Fund	\$	(25,097)

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	\$ 76,603	\$ 60,000	\$ 16,603

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

13. CONSTRUCTION COMMITMENTS

Governmental Activities – As of June 30, 2019, the Village has drainage improvement construction contracts in progress with total costs of \$93,448. The projects are funded through state grants with a local match. The remaining construction commitment is \$379,535.

Business-Type Activities – The Village has a rehabilitation of drinking water supply facilities loan and subsidy agreement with the New Mexico Finance Authority in the amount of \$358,550. The project's construction in progress at June 30, 2019 was \$90,728.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

13. CONSTRUCTION COMMITMENTS (continued)

Business-Type Activities (continued) –

The Village has a wastewater collection system improvements project financed with a loan subsidy grant award of \$250,000 from the Environmental Protection Agency and a loan of \$250,000 from the New Mexico Environment Department. The project's construction in progress at June 30, 2019 was \$53,267.

The Village has a water treatment plant rehabilitation and upgrade project to provide safe drinking water to the community and to acquire six (6) acre-foot of senior water rights to provide additional water supply. The project is financed with a \$1,757,800 grant and a loan of \$617,000 from the United States Department of Agriculture (USDA) Rural Development. The project's construction progress at June 30, 2019 was \$41,969.

The Village had received a \$750,000 Community Development Block Grant (CDBG) for the replacement of sewer lines and manholes, reconnections to residences and other appurtenances. The project's construction in progress at June 30, 2019 was \$51,764.

14. SUBSEQUENT EVENT

Subsequent events were evaluated through December 9, 2019, which is the date of the independent auditors' report.

SUPPLEMENTARY INFORMATION

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue Funds					
	Fire Protection Fund	Law Enforcement Fund	Cemetery Fund	Lodgers' Tax Fund	Corrections Fund	Total Other Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 156,106	\$ 775	\$ 11,007	\$ 12,181	\$ 7,568	\$ 187,637
Receivables, net	-	-	-	3,288	-	3,288
Restricted:						
Cash	350	244	-	-	-	594
Investments	-	1,009	-	-	-	1,009
	<u>\$ 156,456</u>	<u>\$ 2,028</u>	<u>\$ 11,007</u>	<u>\$ 15,469</u>	<u>\$ 7,568</u>	<u>\$ 192,528</u>
Total assets						
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 516	\$ 775	\$ 359	\$ 2,200	\$ -	\$ 3,850
Fund Balances:						
Restricted for:						
Debt service	350	1,253	-	-	-	1,603
State mandated per statutes	140,967	-	-	9,769	-	150,736
Committed for:						
Subsequent years' expenditures	14,623	-	-	3,500	-	18,123
Assigned	-	-	10,648	-	7,568	18,216
	<u>155,940</u>	<u>1,253</u>	<u>10,648</u>	<u>9,769</u>	<u>7,568</u>	<u>188,678</u>
Total fund balances						
Total liabilities and fund balances	<u>\$ 156,456</u>	<u>\$ 2,028</u>	<u>\$ 11,007</u>	<u>\$ 11,969</u>	<u>\$ 7,568</u>	<u>\$ 192,528</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, 2019

	Special Revenue Funds					Total Other Governmental Funds
	Fire Protection Fund	Law Enforcement Fund	Cemetery Fund	Lodgers' Tax Fund	Corrections Fund	
Revenues:						
Lodgers' taxes	\$ -	\$ -	\$ -	\$ 17,773	\$ -	\$ 17,773
Intergovernmental:						
State	89,431	21,422	-	-	-	89,431
Charges for services	-	-	2,829	-	-	2,829
Fines and forfeitures	-	-	-	-	19,495	19,495
Interest	349	264	-	-	-	349
Miscellaneous	6,354	63	-	-	-	6,354
Total revenues	<u>96,134</u>	<u>21,749</u>	<u>2,829</u>	<u>17,773</u>	<u>19,495</u>	<u>136,231</u>
Expenditures:						
Current:						
Public safety	72,357	12,046	-	-	2,261	86,664
Culture and recreation	-	-	-	19,580	-	19,580
Health and welfare	-	-	773	-	-	773
Debt service:						
Principal	18,696	15,868	-	-	-	34,564
Interest and other charges	2,615	4,085	-	-	-	6,700
Total expenditures	<u>93,668</u>	<u>31,999</u>	<u>773</u>	<u>19,580</u>	<u>2,261</u>	<u>148,281</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	2,466	(10,250)	2,056	(1,807)	17,234	9,699
Other Financing Sources (Uses):						
Transfers (out)	-	-	-	-	(20,779)	(20,779)
Net change in fund balances	2,466	(10,250)	2,056	(1,807)	(3,545)	(11,080)
Fund balances, beginning of year	<u>153,474</u>	<u>11,503</u>	<u>8,592</u>	<u>15,076</u>	<u>11,113</u>	<u>199,758</u>
Fund balances, end of year	<u>\$ 155,940</u>	<u>\$ 1,253</u>	<u>\$ 10,648</u>	<u>\$ 13,269</u>	<u>\$ 7,568</u>	<u>\$ 188,678</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 2019	2018	2017	2016	2015
Measurement Date	2018	2017	2016	2015	2014
Village's proportionate of the net pension liability (asset)	0.0207%	0.0189%	0.0238%	0.0193%	0.0229%
Village's proportionate share of the net pension liability (asset)	\$ 330,035	\$ 259,702	\$ 380,244	\$ 196,780	\$ 178,645
Village's covered-employee payroll	\$ 254,048	\$ 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	129.91%	137.91%	211.07%	100.40%	104.67%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required	\$ 14,631	\$ 17,892	\$ 17,782	\$ 18,065	\$ 16,707
Contributions in relation to the statutorily required contributions	<u>14,631</u>	<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>	<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 2019	2018	2017	2016	2015
Measurement Date	2018	2017	2016	2015	2014
Village's proportionate of the net pension liability (asset)	0.0503%	0.0241%	0.0238%	0.0193%	0.0229%
Village's proportionate share of the net pension liability (asset)	\$ 343,199	\$ 133,892	\$ 380,244	\$ 196,780	\$ 178,645
Village's covered-employee payroll	\$ 159,130	\$ 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	215.67%	107.21%	211.07%	100.40%	104.67%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required	\$ 32,134	\$ 22,902	\$ 7,436	\$ 11,294	\$ 8,439
Contributions in relation to the statutorily required contributions	<u>32,134</u>	<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>	<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, 2019

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 CAFR. 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, 2018, is available at <https://www.nmpera.org>.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2019

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
INBANK				
P.O. Box 417				
31062 Hwy 64				
Cimarron, New Mexico 87714				
General	Checking	\$ 842,033	\$ (27,150)	\$ 814,883
RUS Water	Checking	48	-	48
Utility	Checking	104,910	(1,132)	103,778
Water Meter Deposit	Checking	36,340	(254)	36,086
Municipal Court Escrow	Checking	808	(2)	806
Municipal Court	Checking	100	-	100
USDA Construction	Checking	448,508	(8,267)	440,241
Certificate of Deposit	CD	24,100	-	24,100
Certificate of Deposit	CD	10,061	-	10,061
Certificate of Deposit	CD	13,542	-	13,542
		<u>\$ 1,480,450</u>	<u>\$ (36,805)</u>	<u>\$ 1,443,645</u>
Wells Fargo, N.A.				
400 Maxwell Avenue				
Springer, New Mexico 87747				
Payroll	Checking	<u>\$ 20,880</u>	<u>\$ -</u>	<u>\$ 20,880</u>

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2019

INBANK
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>\$ 315,433</u>

The holder of the security pledged by INBANK is Bankers Bank of the West, 1099 18th Street, Suite 2700, Denver, Colorado 80302.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE AGENCY FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>06/30/18</u>	<u>Increases/</u> <u>Receipts</u>	<u>Decreases/</u> <u>Disbursements</u>	<u>Balance</u> <u>06/30/19</u>
Municipal Court Bonds				
Assets:				
Cash	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100</u>
Liabilities:				
Due to others	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORT

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

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

Independent Auditors' Report

Brian S. Colón, 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 comparison of the general fund, of the Village of Cimarron (Village), as of and for the year ended June 30, 2019, 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 9, 2019. Our report for the governmental activities, business-type activities, water and sewer fund, and ambulance fund financial statements, was qualified because of incomplete capital asset subsidiary ledgers along with poor subsidiary records of customer utility 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 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 deficiency described in the accompanying schedule of findings and responses listed as item 2015-003 to be a significant deficiency.

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, 2015-007, 2017-002, and 2019-001.

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 9, 2019

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

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

Cause – The servicing of the debt from the general fund was done in error; however management did not address reimbursement to the general fund.

Recommendation – We recommend the Village establish a procedure that ensures periodic review of the net operating activity of the water and sewer funds. Projecting cash flows and monitoring budget to actual would assist in the review process.

Views of Responsible Officials and Planned Corrective Actions – The Village administrator and finance clerk will review the operating activity periodically. This process will ensure all debt is being paid from the correct fund and co-mingling of assets or funds is being posted.

Estimated Completion Date – June 30, 2020.

Responsible Party – Administrator and finance clerk.

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

Statement of Condition – In an effort to address this repeat finding, the Village procured services of an independent financial professional to assist with the process of generating correct and accurate financial information to be presented for audit. Because of the changes in management in the past couple years and all the difficulties in maintain accurate accounting records, the goal has been to produce complete and accurate cash basis records. Cash basis trial balances at and as of June 30, 2019, were presented for audit. The Village did assist with the utility and ambulance receivables, the capital asset listing, accounts payable and the compensated absences schedule. The Village has chosen to rely on the assistance of the auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP).

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.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

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

Criteria (continued) – AU Section 325 paragraph .05 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph .06 states “*A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.*”

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

Effect – Since the Village’s financial administrator and staff lacks the expertise to 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 – The finance/accounting staff lacks the full knowledge to prepare GAAP statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements.

Recommendation – 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. The goal would be to obtain the necessary knowledge concerning GAAP financial statement preparation, so as to demonstrate the ability to prevent and or detect a material misstatement caused by error or fraud in the accounting records.

Views of Responsible Officials and Planned Corrective Actions – The Village obtained the services of Michael Steininger from DFA to assist in the updating of the financials according to the previous audit balances. The administrator and finance clerk are working diligently to review all information to ensure there are no misstatements of the financial records. For the FY20 audit, the Village will procure professional services of an independent financial professional to assist with this process of generating the GAAP financial statements, so they may be presented accurately and fairly to the auditor for auditing purposes.

Estimated Completion Time – June 30, 2020.

Responsible Party – Administrator.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

Item 2015-003 – Significant Deficiency – Consumer Utility Deposits

Statement of Condition – While reviewing and testing the internal controls related to the utility department operations, we noted the meter deposit listing of all customers' deposits has not been updated. As such, a true and accurate meter deposit liability balance could not be determined.

This is a repeat audit finding. It is a time consuming project to locate and examine old records to determine customers' balances. With limited staff and time, progress has been slow.

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 regular, meaningful, and timely reconciliation of consumer utility 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.

Cause – The administrative/finance and utility staff is very small. The current administration is challenged with sorting through prior year's poor record keeping and changes in accounting systems that did not carry forward information.

Recommendation – We recommend the Village place a priority on determining a meter deposit listing that is reasonable and can be supported. The deposits represent a liability to the Village and as such it is necessary to have an accurate balance recorded in the accounting records.

Views of Responsible Officials and Planned Corrective Actions – The Village is currently working to identify all utility deposit holders for the utility accounts so this could be reconciled. The remaining funds that are not identified will be put in the water fund and kept in reserve so if any account holders come back for a refund, then it will be taken out of that funding.

Estimated Completion Time – June 30, 2020.

Responsible Party – Administrator and utility clerk.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

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

Statement of Condition – Recently, 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. The Village has reviewed the listing and conducted its own counts to verify as much information as they could identify. In reviewing the listing, the audited amounts previously reported require material adjustments that need to be presented to the full governing board for approval. It was management’s intention to bring the adjustments to the board for approval prior to June 30, 2019. This is a finding that has been modified and repeated. The Village believes they have made significant progress in capital asset maintenance. Subsequent to the year ending, a resolution to align the balances the Village has been carrying for capital assets to the corrected values, as determined by RCI, has been presented to the Village council for approval.

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 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 had planned to present the alignment resolution prior to June 30, 2019; other issues took priority.

Recommendation – We continue to recommend that the Village establish and maintain a capital asset accounting system with procedures that meets the criteria established by the New Mexico Administrative Code 2.20.1. All additions should be added once they have been acquired and recorded in the general ledger. Further, it is recommend a procedure be established that would require the capital assets subsidiary records to be reconciled to capital outlay purchases on a quarterly basis. All disposals should be deleted from the system and any gain or loss determined for year-end GAAP reporting purposes. Depreciation should be reviewed to ensure asset life has been appropriately determined. Finally, once the annual physical inventory is completed and the capital asset subsidiary records are reconciled, the final listing should be present to the council for approval no later than 90 days after year end.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

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

Views of Responsible Officials and Planned Corrective Actions – The Village has obtained the services from RCI to generate an inventory and asset management program for the Village. Not only does the program track assets and inventory, it has the depreciation values assigned. The program lacks the calculating of the values and RCI has indicated that this should be resolved within the application upgrade that will be released this summer. All Village owned assets are included in this program and all assets and surplus reports have been physically reviewed by each department head for accuracy. The physical inventory checklist has been reconciled to the program to ensure the correct reporting and data input is available. The assets have been aligned and Council approved.

Estimated Completion Time – June 30, 2020.

Responsible Party – Administrator and utility clerk.

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 nineteen 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, 2019. The audit test sample contained the following discrepancies:

- One instance where the employee was paid \$7.58 for actual meals on the return day. They should have been paid partial day per diem at \$12.00.
- One instance where the employee was paid \$19.99 for actual meals on the return day and \$12.00 of partial day per diem.
- One instance where an employee was not given \$20.00 return day per diem in error.
- One instance where the employee chose to commute a three day conference. No consideration was given to partial day per diem day with no overnight travel for each day of travel.
- One instance where an employee was paid for meals when partial day per diem should have been paid. Employee was overpaid \$10.31.
- Three instances where the employee failed to document the departure and return time on their travel form. On the first instance, the employee may have been entitled to partial day per diem and not entitled to \$6/day for miscellaneous expenses. On the second instance we were unable to re-calculate the actual paid meal amounts per a 24-hour period. The employee may have been entitled to partial day per diem. On the third instance, the Village applied the in-state per diem rate of \$30 for a 24-hour period, instead of the out-of-state rate of \$45. We were unable to re-calculate whether the employee was paid correctly due to incorrect and or incomplete departure and return dates and times.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

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

Statement of Condition (continued) –

- One instance where the travel voucher was signed by a Village councilor two days after the payment check was prepared.
- One instance where the employee was paid in February 2019, \$0.58/mile as per Resolution No. 2019-24, that was signed 4-10-2019.
- The Village does not have a policy that states how far out a travel advance can be given. Advances varied from (2) days prior to travel to fifteen (15) 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. 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:*

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

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

Criteria (continued) –

- (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
- (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 is diligently working to implement an oversight process of mileage and per diem, to ensure the correct amounts are being paid and all receipts are collected for actuals. The employee, administrator, and mayor all sign each transaction for travel. The process and forms used by the finance clerk has improved the accountability for all travel, and has implemented the procedures for correct compliance. The finance clerk and administrator have attended training for the Mileage and Per Diem Act, and are currently implementing the current rates and formulas for both per diem rates, as well as actuals.

Estimated Completion Time – June 30, 2020.

Responsible Party – Administrator and finance clerk.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

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:

Fund	Expenditures and Transfers	Authorized Budget	Excess Expenditures and Transfers
General Fund	\$ 1,125,252	\$ 1,004,740	\$ 120,512
Law Enforcement Fund	\$ 31,224	\$ 25,987	\$ 5,237

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 – In the general fund, management did not budget for the re-financing of debt. In the law enforcement protection fund, management did not budget for the return of unused funds.

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

View of Responsible Officials and Planned Corrective Actions – The administrator and finance clerk are working together to provide oversight of the budget, as well as the quarterly reports. This process will aid in the accountability of the Village’s budget, as well as, the correct classification of the transactions. The process had been followed correctly; however, the NMFA debt had not been budgeted into each fund, thus causing the overage in the budget. The budget adjustments are done during the month after the quarter ends. To remedy this finding, the budget will be put into the Caselle accounting software, so a more accurate and detailed budget report may be generated before quarter ending. The reports will be reviewed more often.

Estimated Completion Time – June 30, 2020.

Responsible Party – Administrator and finance clerk.

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

Item 2019-001 – Other Non-Compliance – Public Money Act – Pledged Collateral

Statement of Condition – At June 30, 2019, the total deposits held in INBANK was \$1,480,450. The bank pledged securities of \$315,433. The Village was under collateralized by \$299,792.

Criteria – Public Money Act, Sections 6-10-1 to 6-10-63 NMSA 1978 requires that all deposits of public funds be secured by securities in the amount required by law. The securities are to have an aggregate value equal to one-half the amount of public money to be received in accordance with Subsection B of Section 6-10-16 NMSA 1978.

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

Cause – Lack of monitoring pledged collateral statements. The bank has admitted that they did not have funds pledged specifically to the Village of Cimarron during that time (June 30, 2019). However, they did have excess of funds pledged as a pool for public fund purposes.

Recommendation – We recommend procedures be established to ensure that the Village is in compliance with the Public Money Act, Sections 6-10-1 to 6-10-63 NMSA 1978. At a minimum, the monthly pledged collateral statements received from the bank should be reviewed.

View of Responsible Officials and Planned Corrective Actions – Due to an administration turnover at the bank, the collateral was not pledged correctly. The bank had the collateral, it was just not designated to the Village of Cimarron. The issue has been resolved and the collateral is at full value for the Village. Monthly reports will be reviewed to ensure sufficient collateral is pledged.

Estimated Completion Time – July 2019.

Responsible Party – Administrator.

SECTION III – PRIOR YEAR'S AUDIT FINDINGS

Item 2008-003 – Other Non-Compliance – Enterprise Fund Debt – Repeated/Modified.

Item 2012-007 – Other Matters – Bank Reconciliation Municipal Escrow Account – Resolved.

Item 2014-002 – Significant Deficiency – Accounting Activity – Resolved.

Item 2014-003 – Significant Deficiency – Interfund Balances – Resolved.

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

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION III – PRIOR YEAR’S AUDIT FINDINGS (continued)

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

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

Item 2015-011 – Other Non-Compliance – Annual Inventory of Capital Assets – Resolved.

Item 2016-002 – Other Non-Compliance – Segregation of Duties – Resolved.

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

**STATE OF NEW MEXICO
VILLAGE OF CIMARRON
EXIT CONFERENCE AND
FINANCIAL STATEMENT PREPARATION
JUNE 30, 2019**

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2019, was discussed during the exit conference held on December 12, 2019. Present for the Village was James Gallegos, councilor; Shawn Jeffrey, administrator; Renee LeDoux, deputy clerk; and Lorrie Zamora, utility 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, 2019. 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.