

STATE OF NEW MEXICO

VILLAGE OF CIMARRON

AUDIT REPORT

For the Year Ended June 30, 2003

(with Auditor's Report Thereon)

RICE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

VILLAGE OF CIMARRON

AUDIT REPORT

For The Year Ended June 30, 2003

(with Auditor's Report Thereon)

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
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STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Official Roster
Year Ended June 30, 2003

Village Council

| <u>Name</u> | <u>Title</u> |
|--------------------------|----------------|
| Ms. Mary Smith | Mayor |
| Mr. Michael Hammitt | Mayor Pro-Tem |
| Ms. Judy LeDoux | Council Member |
| Mr. Henry Gonzales | Council Member |
| Mr. Kenneth Martinez | Council Member |
| Ms. Sherry Gallegos | Council Member |
| Ms. Katherine Behrendsen | Council Member |

Village Administration

| | |
|------------------|-------|
| Ms. Debra Decker | Clerk |
|------------------|-------|

Public Housing Administration

| | |
|---------------------|--------------------|
| Ms. Rebecca Owensby | Executive Director |
|---------------------|--------------------|

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas
State Auditor, and
Honorable Mayor and Village Council
Village of Cimarron
Cimarron, New Mexico

We have audited the accompanying general-purpose financial statements and the combining and individual fund and account group financial statements of the Village of Cimarron as of and for the year ended June 30, 2003, as listed in the table of contents. We did not audit the financial statements of the component unit-proprietary fund. Those financial statements were audited by other auditors whose report has been furnished to us, and in our opinion on the financial statements, insofar as it relates to the amounts included for the component unit-proprietary fund, is based on the report of the other auditors. These financial statements are the responsibility of the Village of Cimarron's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, 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 general-purpose and the combining and individual fund and account group financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Village of Cimarron does not have detailed records to support the recorded amounts of equipment, buildings and land in the General Fixed Assets Account Group. As a result, we were not able to audit the actual additions, deletions or yearly listing of fixed assets for the year ended June 30, 2003.

The Village of Cimarron does not have detailed records to support the recorded amounts of buildings, improvements and equipment in the Enterprise Fund. The Village also does not have a depreciation schedule corresponding to the assets acquired over the years. As a result we were not able to audit the fixed assets or the corresponding accumulated depreciation for the year ended June 30, 2003.

In our opinion, and the report of the other auditors, except for the effects of such adjustments as might have been determined to be necessary had we been able to audit detailed records supporting recorded amounts of equipment, buildings, improvements, land, and accumulated depreciation as discussed in the preceding paragraphs, the financial statements and combining, individual and account group financial statements referred to above present fairly, in all material respects, the financial position of the Village of Cimarron, as of June 30, 2003 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2007 on our consideration of the Village of Cimarron's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Rice & Associates, C.P.A.

May 10, 2007

FINANCIAL STATEMENTS

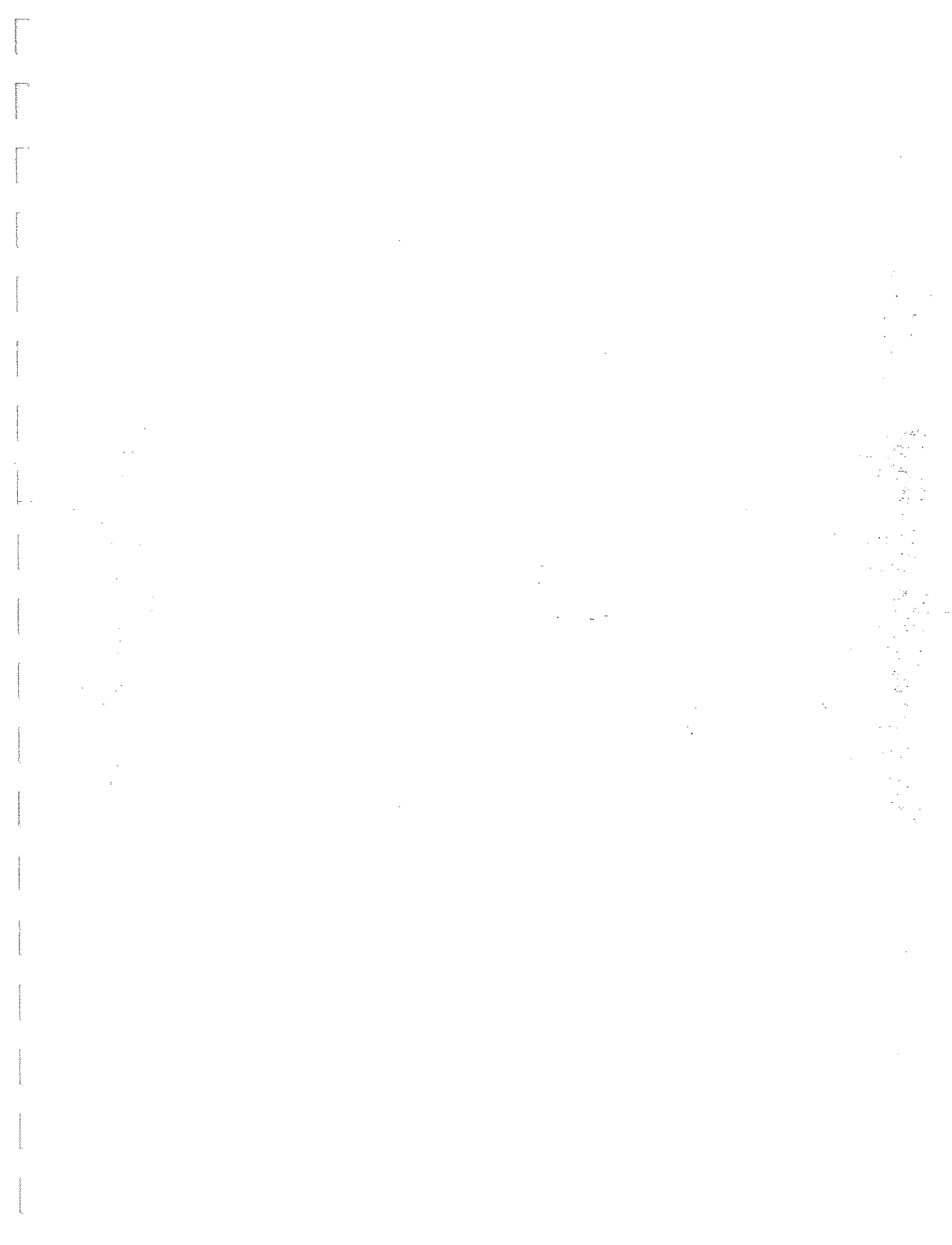


Exhibit 1

| Component Unit | Fiduciary Fund Type | Account Groups | |
|-------------------|---------------------|----------------------|------------------------|
| | | General Fixed Assets | General Long-Term Debt |
| Housing Authority | Agency | | |
| \$ 72,297 | \$ 1,167 | \$ - | \$ - |
| 2,973 | - | - | - |
| - | - | - | 47,942 |
| 3,197 | - | - | - |
| 484,236 | - | - | - |
| - | - | - | 41,958 |
| - | - | 4,111,295 | - |
| 1,871 | - | - | - |
| <u>\$ 564,574</u> | <u>\$ 1,167</u> | <u>\$ 4,111,295</u> | <u>\$ 89,900</u> |
| \$ 6,355 | \$ - | \$ - | \$ - |
| - | 1,148 | - | - |
| - | 19 | - | - |
| - | - | - | - |
| 4,219 | - | - | 20,900 |
| 2,122 | - | - | - |
| - | - | - | - |
| - | - | - | 69,000 |
| <u>12,696</u> | <u>1,167</u> | <u>-</u> | <u>89,900</u> |
| - | - | 4,111,295 | - |
| 484,236 | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 67,642 | - | - | - |
| - | - | - | - |
| - | - | - | - |
| <u>551,878</u> | <u>-</u> | <u>4,111,295</u> | <u>-</u> |
| <u>\$ 564,574</u> | <u>\$ 1,167</u> | <u>\$ 4,111,295</u> | <u>\$ 89,900</u> |

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Combined Statement of Revenues, Expenditures and Changes in
Fund Balance - All Governmental Fund Types
Year Ended June 30, 2003

| | Governmental Fund Types | | |
|---|-------------------------|--------------------|------------------|
| | General | Special Revenue | Debt Service |
| REVENUES | | | |
| Taxes | \$ 141,721 | \$ - | \$ - |
| Local sources | 13,025 | 28,271 | - |
| State sources | 93,690 | 111,036 | - |
| Federal sources | 17,440 | - | - |
| Licenses and permits | 3,947 | - | - |
| Fines | 28,466 | - | - |
| Charges for services | 2,585 | - | - |
| State shared taxes | 98,023 | 594 | - |
| Earnings from investments | 3,983 | 2,578 | 541 |
| Total revenues | <u>402,880</u> | <u>142,479</u> | <u>541</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 187,910 | - | - |
| Public safety | 140,151 | 55,061 | - |
| Highways and streets | 49,169 | - | - |
| Culture and recreation | 35,181 | 16,595 | - |
| Health and welfare | - | 1,985 | - |
| Public works | - | - | - |
| Bond principal | - | - | 20,000 |
| Bond interest | - | - | 6,616 |
| Total expenditures | <u>412,411</u> | <u>73,641</u> | <u>26,616</u> |
| Excess (deficiency) of revenues over expenditures | (9,531) | 68,838 | (26,075) |
| Other financing sources (uses) | | | |
| Transfer in | - | - | 27,444 |
| Transfer out | (27,444) | - | - |
| Total other financing sources (uses) | <u>(27,444)</u> | <u>-</u> | <u>27,444</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) | (36,975) | 68,838 | 1,369 |
| Fund balance at beginning of year | <u>119,849</u> | <u>166,277</u> | <u>46,573</u> |
| Fund balance at end of year | <u>\$ 82,874</u> | <u>\$ 235,115</u> | <u>\$ 47,942</u> |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Combined Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 All Governmental Fund Types
 Year Ended June 30, 2003

| | General Fund | | | Special Revenue Funds | | | Variance Favorable (Unfavorable) |
|--------------------------------------|--------------------|--------------------|--|-----------------------|-------------------|--|--|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | |
| REVENUES | | | | | | | |
| Taxes | \$ 172,000 | \$ 147,132 | \$ (24,868) | \$ - | \$ - | \$ - | - |
| Local sources | 16,700 | 13,025 | (3,675) | 33,395 | 25,284 | (8,111) | |
| State sources | 62,200 | 93,690 | 31,490 | 85,561 | 111,036 | 25,475 | |
| Federal sources | 19,300 | 15,240 | (4,060) | - | - | - | |
| Licences and permits | 7,250 | 3,947 | (3,303) | - | - | - | |
| Fines | 60,000 | 28,466 | (31,534) | - | - | - | |
| Charges for services | 3,700 | 2,585 | (1,115) | - | - | - | |
| State shared taxes | 130,400 | 106,483 | (23,917) | 3,100 | 505 | (2,595) | |
| Earnings from investments | 2,900 | 3,983 | 1,083 | - | 2,578 | 2,578 | |
| Total revenues | \$ 474,450 | \$ 414,551 | \$ (59,899) | \$ 122,056 | \$ 139,403 | \$ 17,347 | |
| EXPENDITURES | | | | | | | |
| General government | \$ 202,371 | \$ 187,910 | \$ 14,461 | \$ - | \$ - | \$ - | - |
| Public safety | 176,267 | 140,151 | 36,116 | 87,721 | 55,061 | 32,660 | |
| Highways and streets | 55,577 | 49,169 | 6,408 | - | - | - | |
| Culture and recreation | 7,500 | 35,181 | (27,681) | 20,695 | 16,595 | 4,100 | |
| Health and welfare | - | - | - | 3,500 | 1,985 | 1,515 | |
| Public works | - | - | - | - | - | - | |
| Total expenditures | \$ 441,715 | \$ 412,411 | \$ 29,304 | \$ 111,916 | \$ 73,641 | \$ 38,275 | |
| Other financing sources (uses) | | | | | | | |
| Transfer in | - | - | - | - | - | - | - |
| Transfer out | (37,454) | (27,444) | 10,010 | - | - | - | |
| Total other financing sources | \$ (37,454) | \$ (27,444) | \$ 10,010 | \$ - | \$ - | \$ - | |
| BUDGETED CASH BALANCE | \$ - | \$ - | \$ 1,741 | \$ - | \$ - | \$ - | |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2003

| | Debt Service Funds | | |
|--------------------------------|--------------------|------------------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | |
| Taxes | \$ - | \$ - | \$ - |
| Earnings from investments | <u>75</u> | <u>541</u> | <u>466</u> |
| Total revenues | <u>\$ 75</u> | <u>\$ 541</u> | <u>\$ 466</u> |
| EXPENDITURES | | | |
| Bond principal | \$ 20,000 | \$ 20,000 | \$ - |
| Bond interest | <u>6,616</u> | <u>6,616</u> | <u>-</u> |
| Total expenditures | <u>\$ 26,616</u> | <u>\$ 26,616</u> | <u>\$ -</u> |
| OTHER FINANCING SOURCES | | | |
| Transfer in | <u>\$ 27,454</u> | <u>\$ 27,444</u> | <u>\$ (10)</u> |
| Total other financing sources | <u>\$ 27,454</u> | <u>\$ 27,444</u> | <u>\$ (10)</u> |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Enterprise Funds
 Statement of Revenues, Expenses and
 Changes in Retained Earnings
 For the Year Ended June 30, 2003

| | |
|--------------------------------------|----------------------------|
| OPERATING REVENUES | |
| Sales and services | \$ 298,423 |
| Environmental gross receipts taxes | 3,588 |
| Miscellaneous | <u>8,180</u> |
| Total operating revenues | <u>310,191</u> |
| OPERATING EXPENSES | |
| Personal services | 124,989 |
| Maintenance and operations | 254,168 |
| Depreciation | <u>70,677</u> |
| Total operating expenses | <u>449,834</u> |
| Operating income (loss) | <u>(139,643)</u> |
| NON-OPERATING REVENUE (EXPENSE) | |
| Interest income | 1,788 |
| Interest expense | <u>(23,973)</u> |
| Net Non-Operating Revenue (Expense) | <u>(22,185)</u> |
| Net Income (loss) | (161,828) |
| Retained earnings, beginning of year | <u>(449,491)</u> |
| Retained earnings, end of year | <u><u>\$ (611,319)</u></u> |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Enterprise Funds
Statement of Cash Flows
For the Year Ended June 30, 2003

| | |
|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from customers | \$ 302,223 |
| Cash received from state sources | 12,402 |
| Cash payments to employees and to suppliers for goods and services | <u>(328,480)</u> |
| Net cash provided by operating activities | <u>(13,855)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Principal paid | (19,869) |
| Investment expense | <u>(23,973)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(43,842)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Investment income | 1,788 |
| Security deposits | <u>1,700</u> |
| Net cash provided by investing activities | <u>3,488</u> |
| Net increase (decrease) in cash | (54,209) |
| Cash, beginning of year | <u>171,910</u> |
| Cash, end of year | <u>\$ 117,701</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Operating income (loss) | <u>\$ (139,643)</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 70,677 |
| Changes in assets and liabilities: | |
| (Increase) decrease in receivables | 4,434 |
| Increase (decrease) in accounts payable | 46,430 |
| Increase (decrease) in compensated absences | <u>4,247</u> |
| Total | <u>125,788</u> |
| Net cash provided (used) by operating activities | <u>\$ (13,855)</u> |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Component Unit
 Village of Cimarron Housing Authority
 Statement of Revenues, Expenses and
 Changes in Retained Earnings
 For the Year Ended June 30, 2003

| | |
|--------------------------------------|--------------------------|
| OPERATING REVENUES | |
| Charges for sales and services: | |
| Dwelling rent | \$ 23,878 |
| Miscellaneous | <u>20</u> |
| Total operating revenues | <u>23,898</u> |
| OPERATING EXPENSES | |
| Administration | 31,717 |
| Maintenance | 8,995 |
| Contract services | 5,305 |
| Utilities | 3,481 |
| Insurance | 1,337 |
| Other operating expenses | 3,644 |
| Depreciation | <u>21,170</u> |
| Total operating expenses | <u>75,649</u> |
| Operating income (loss) | <u>(51,751)</u> |
| NON-OPERATING REVENUE (EXPENSE) | |
| Intergovernmental | 62,409 |
| Investment earnings | 1,129 |
| Other revenues | <u>908</u> |
| Net Non-Operating Revenue (Expense) | <u>64,446</u> |
| Net Income (loss) | 12,695 |
| Retained earnings, beginning of year | <u>539,183</u> |
| Retained earnings, end of year | <u><u>\$ 551,878</u></u> |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Component Unit
Village of Cimarron Housing Authority
Statement of Cash Flows
For the Year Ended June 30, 2003

Exhibit 7

| | Enterprise Fund |
|--|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Receipts from customers and users | \$ 20,961 |
| Payments to employees | (33,784) |
| Payments to supplies and maintenance | <u>(19,169)</u> |
| Net cash provided by operating activities | <u>(31,992)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | |
| Subsidy from federal grant | <u>62,409</u> |
| Net cash flows from non-capital financing activities | <u>62,409</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Purchase of capital assets | <u>(10,001)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(10,001)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest and dividends received | <u>2,036</u> |
| Net cash provided by investing activities | <u>2,036</u> |
| Net increase (decrease) in cash | 22,452 |
| Cash, beginning of year | <u>49,845</u> |
| Cash, end of year | <u>\$ 72,297</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | |
| Operating income (loss) | \$ (51,750) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 21,169 |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (2,937) |
| (Increase) decrease in restricted cash | (288) |
| (Increase) decrease in interest receivables | (41) |
| (Increase) decrease in prepaid items | (1,871) |
| Increase (decrease) in accounts payable | 3,011 |
| Increase (decrease) in customer deposits | (563) |
| Increase (decrease) in compensated absences payable | (2,067) |
| Increase (decrease) in intergovernmental payables | <u>3,345</u> |
| Total | <u>19,758</u> |
| Net cash provided (used) by operating activities | <u>\$ (31,992)</u> |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Notes to Financial Statements
Year Ended June 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Cimarron was incorporated in 1980 as a municipality in the State of New Mexico under the provisions to amend 1608 compiled laws 1884, House Bill 88 approved February 10, 1981. The Village of Cimarron operates under the direction of a Mayor-Council form of government. The Village provides the following services as authorized by it's charter: public safety (police and fire), highways and streets, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include water and sewer services, solid waste disposal, ambulance and public housing.

The accounting and reporting policies of the Village of Cimarron relating to the funds and account groups included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Village has elected to apply to its proprietary activities Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. Following is a summary of more significant policies.

A. Reporting Entity

The Village of Cimarron general-purpose financial statements include the accounts of all Village operations. The criteria for including organizations within the Village's reporting entity include the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special

Notes to Financial Statements (continued)

financing arrangements, regardless of whether the Village is able to exercise oversight responsibilities.

Included within the reporting entity is the Housing Authority of the Village of Cimarron. All contract assistance between the Housing authority and the U.S. Department of Housing and Urban Development (HUD) requires the approval of the Village Council and the Authority by law cannot exist independent of the Village.

Village of Cimarron Housing Authority

The Village of Cimarron Housing Authority provides low income housing for families that cannot afford standard private housing. The Housing Authority is considered a component unit of the Village of Cimarron.

B. Fund Accounting

The accounts of the Village of Cimarron are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are created to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

Notes to Financial Statements (continued)

Fiduciary Funds Types

Agency Funds - Agency Funds are used to account for assets held by the Village in a trustee capacity. They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

General Fixed Assets Account Group - To account for all fixed assets of the Village, excluding those belonging to Proprietary Funds.

General Long-Term Debt Account Group - this account group is established for all long-term debt of the Village, except for those belonging to Proprietary Funds.

Proprietary Fund Types

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are exempt from federal income tax.

C. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Government fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

Notes to Financial Statements (continued)

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in governmental funds. These two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurements of results of operations.

D. Enterprise Funds

All enterprise (proprietary type) funds are accounted for on a cost of service or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operation statements present increases (revenue) and decreases (expenses, including depreciation) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows.

| | |
|---------------------|----------|
| Distribution System | 33 years |
| Equipment | 5 years |

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year.

All fixed assets are valued at historical cost or estimated cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation.

Interest expense of Long-Term Borrowings of Proprietary Fund-types is capitalized as part of construction in progress in accordance with SFAS No. 62. Interest on Borrowing for Governmental Fund Types is not capitalized under the Modified Accrual Basis of Accounting.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Notes to Financial Statements (continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Property tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The Village of Cimarron (except for the Housing Authority) records its day-to-day transactions on the cash basis of accounting to facilitate required quarterly reporting to the New Mexico Department of Finance and Administration. The Housing Authority's records are maintained on an accrual basis. Receivables, prepayments, payables, and accruals have been recorded at the end of the fiscal year resulting in annual financial statements presented on the appropriate basis of accounting as described above.

F. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Village offices to obtain taxpayer comments. The budget is legally enacted through passage of a resolution.
3. The Village Mayor and Clerk-Treasurer are authorized to transfer budget amounts between departments within any fund; however, the Local-Government Division of the State Department of Finance and Administration must approve any revisions that alter the total expenditures of any fund.
4. Formal budgetary integration is to be employed as a management control device during the year for all of the governmental fund types.
5. Encumbrances are not considered in budget preparation.

Notes to Financial Statements (continued)

6. The level of classifications detail in which expenditures may not legally exceed appropriations for each budget is in fund total. Appropriates lapse at year-end.
7. All budgets are adopted on a cash basis.
8. Budgets have been adopted for all funds of the Village, except for the Housing Authority. HUD controls the Budget of the Housing Authority.

G. Encumbrances

The Village does not utilize encumbrance accounting.

H. Cash and Cash Equivalents

Cash and cash investments include amounts in demand deposits as well as short-term investments. Short-term investments, consisting of certificates of deposits, are stated at cost.

Interest-bearing deposits with maturities of 90 days or less are considered to be cash (equivalents) in the statement of cash flows.

I. Short-Term Interfund Receivables/Payables

Short-term interfund loans are classified as "interfund receivables/payables".

J. Inventory

There are no amounts recorded for supplies inventory at year-end. Purchases for supplies are recorded as expenditures and are not recorded as an asset in the balance sheet. The amount are not significant in amount.

K. Accumulated Compensated Absences

Where applicable, amounts for accumulated, unpaid and vesting unused vacation and sick leave were accrued and reported in the financial statements.

The liabilities for these amounts are normally recorded when incurred in the proprietary funds and accounted for in the appropriate liability section of the balance sheet. Such amounts should be accrued in the governmental funds for the current portion and in the General Long-Term Debt Account Group for the non-current portion. At June 30, accrued compensated absences payable for accumulated annual leave totaled \$20,900.

L. Fund Equity

Reserves represent those portions of fund equity not available for appropriation or legally separated for a specific use. Portions of the fund balances have been reserved for subsequent year's expenditures. The reservation represents the amount of audited cash appropriated in the subsequent year's budget.

Notes to Financial Statements (continued)

2. DEPOSITORY COLLATERAL

New Mexico statutes provide that deposits of public monies in financial institutions must be secured by pledged collateral in an aggregate value equal to one-half of the amount of the public monies deposited after deducting the amount of Federal Deposit Insurance Corporation insurance coverage (for each financial institution).

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Village's Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

The following is the Cash on Deposit at each financial institution.

| | | |
|--------------------------|--|-------------------|
| International State Bank | Checking-Debt Service Account | \$ 22,511 |
| International State Bank | Checking-Bond Account | 13,727 |
| International State Bank | Checking-Municipal Bond Account | 1,148 |
| International State Bank | Checking-Municipal Court Account | 449 |
| International State Bank | Checking-Water Meter Account | 10,863 |
| International State Bank | Checking-General Account | 327,957 |
| International State Bank | Checking-Solid Waste Account | 3,192 |
| International State Bank | Checking-Sewer Operating Account | 9,847 |
| International State Bank | Checking-Water Income Account | 17,187 |
| International State Bank | Checking-Payroll Account | 5,764 |
| International State Bank | Certificate of Deposit- Bond Reserve | 9,123 |
| International State Bank | Certificate of Deposit- Sales Tax Reserve | 25,431 |
| International State Bank | Certificate of Deposit- Water Meter | 10,068 |
| International State Bank | Certificate of Deposit- General Account | <u>18,241</u> |
| | Total | <u>\$ 475,508</u> |
| | Total amount on deposit | \$ 475,508 |
| | Deposits in transit | 499 |
| | Outstanding checks | <u>(14,700)</u> |
| | Total per financial statements | <u>\$ 461,307</u> |

Notes to Financial Statements (continued)

The following schedule details the public money held by International State Bank and pledged collateral held by the Village follows:

| | |
|--|-------------------------------------|
| | <u>International State Bank</u> |
| Cash on deposit at June 30, 2003 | \$ 475,508 |
| Less F.D.I.C. | <u>(162,863)</u> |
| Uninsured funds | 312,645 |
| 50% Collateral requirement | <u>156,323</u> |
| Pledged collateral at June 30, 2003 | 341,991 |
| Excess of pledged collateral | <u>\$ 185,668</u> |

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2003, \$312,645 of the Village's bank balance of \$475,508 was exposed to custodial credit risk as follows:

| | |
|--|-------------------|
| A. Uninsured and Uncollateralized | \$ - |
| B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Villages name | <u>312,645</u> |
| Total | <u>\$ 312,645</u> |

Pledged collateral of the International State Bank consists of the following at June 30, 2003:

| <u>Federal Reserve Bank, Denver, Colorado</u> | <u>Maturity Date</u> | <u>Fair Market Value</u> |
|---|----------------------|------------------------------|
| FHLB #31339CPW4 | 11-28-2003 | \$ 101,926 |
| FHLB #3133M9ER9 | 8-13-2004 | 105,646 |
| FHLB #3133MJUR9 | 11-15-2006 | <u>134,419</u> |
| | | <u>\$ 341,991</u> |

3. ACCOUNTS RECEIVABLE

Receivables as of June 30, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>Governmental Funds</u> | <u>Enterprise Funds</u> |
|--|-------------------------------|-----------------------------|
| Receivables from customers | \$ - | \$ 31,930 |
| Less allowance for uncollectible accounts | <u>-</u> | <u>-</u> |
| Subtotal | - | 31,930 |
| Franchise taxes | 3,504 | - |
| Property taxes | 961 | - |
| Gas taxes | 1,690 | - |
| Cigarette tax | 268 | - |
| Gross receipts tax | 11,882 | - |
| Lodgers tax | 2,987 | - |
| Intergovernmental | <u>2,200</u> | <u>277</u> |
| Total | <u>\$ 23,492</u> | <u>\$ 32,207</u> |

Notes to Financial Statements (continued)

4. GENERAL LONG-TERM DEBT

The following is a summary of bond transactions of the Village for the year ended June 30:

1989 Sales Tax Revenue Bonds

| | |
|--------------------------------------|--------------------|
| Revenue bonds payable, June 30, 2002 | \$ 89,000 |
| Bonds paid | (20,000) |
| Bonds saved | <u> -</u> |
| Revenue bonds payable, June 30, 2003 | <u>\$ 69,000</u> |

Original Issue \$235,000, held by Norwest Bank, payable in annual installments each September 1st through the year 2006. Interest is 7.75 - 8.375% per annum and is payable semi-annually each March 1st and September 1st. The annual principal maturities are as follows:

| <u>Year Ending</u> <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|------------------|
| 2004 | \$ 21,000 | \$ 4,979 | \$ 25,979 |
| 2005 | 23,000 | 3,220 | 26,220 |
| 2006 | <u>25,000</u> | <u>1,294</u> | <u>26,294</u> |
| | <u>\$ 69,000</u> | <u>\$ 9,493</u> | <u>\$ 78,493</u> |

5. LONG-TERM DEBT OBLIGATIONS - ENTERPRISE FUNDS

The following is a summary of changes in long-term obligations for the enterprise Fund for the year ended June 30:

| | <u>Balances</u> <u>June 30, 2002</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balances</u> <u>June 30, 2003</u> |
|----------------------|---|------------------|------------------|---|
| Water/Sewer Bonds | \$ 126,000 | \$ - | \$ 3,000 | \$ 123,000 |
| Water Loan | 170,923 | - | 6,869 | 164,054 |
| Compensated absences | 9,733 | - | 2,039 | 7,694 |
| Capital lease | <u> -</u> | <u>64,220</u> | <u>17,790</u> | <u>46,430</u> |
| | <u>\$ 306,656</u> | <u>\$ 64,220</u> | <u>\$ 29,698</u> | <u>\$ 341,178</u> |

1985 Water and Sewer Revenue Bonds

Original amount \$140,000 payable in annual installments each January 1st through the year 2025. Interest if 5% per annum. The annual requirements to amortize the amounts outstanding are as follows.

Notes to Financial Statements (continued)

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-------------------|------------------|-------------------|
| 2004 | \$ 3,000 | \$ 6,150 | \$ 9,150 |
| 2005 | 3,000 | 6,000 | 9,000 |
| 2006 | 4,000 | 5,850 | 9,850 |
| 2007 | 4,000 | 5,650 | 9,650 |
| 2008 | 4,000 | 5,450 | 9,450 |
| 2009-13 | 22,000 | 24,200 | 46,200 |
| 2014-18 | 28,000 | 18,100 | 46,100 |
| 2019-23 | 37,000 | 10,200 | 47,200 |
| 2024-25 | 18,000 | 1,350 | 19,350 |
| | <u>\$ 123,000</u> | <u>\$ 82,950</u> | <u>\$ 205,950</u> |

Water System Loan

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-------------------|------------------|-------------------|
| 2004 | \$ 8,820 | \$ 4,922 | \$ 13,742 |
| 2005 | 9,085 | 4,657 | 13,742 |
| 2006 | 9,358 | 4,384 | 13,742 |
| 2007 | 9,639 | 4,103 | 13,742 |
| 2008 | 9,928 | 3,815 | 13,743 |
| 2009-13 | 54,289 | 14,423 | 68,712 |
| 2014-18 | 62,935 | 5,775 | 68,710 |
| | <u>\$ 164,054</u> | <u>\$ 42,079</u> | <u>\$ 206,133</u> |

Capital Lease - Ambulance

The Village of Cimarron entered into a capital lease in the amount of \$90,904 with semi-annual payments of \$8,895 due January 1st and July 1st through the year 2006. Interest is 9% per annum. The annual requirements to amortize the amounts outstanding are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|------------------|-----------------|------------------|
| 2004 | \$ 17,790 | \$ 7,043 | \$ 24,833 |
| 2005 | 17,790 | 2,769 | 20,559 |
| 2006 | 10,850 | - | 10,850 |
| | <u>\$ 46,430</u> | <u>\$ 9,812</u> | <u>\$ 56,242</u> |

6. RETAINED EARNINGS DEFICIT

The retained earnings deficit of the Enterprise Funds are the result of operating expenses including depreciation expense exceeding operating revenue in current as well as prior periods. Total equity including contributed capital is not in a deficit position.

Notes to Financial Statements (continued)

7. PROPERTY TAXES

The Village of Cimarron receives property taxes from the Sandoval County Treasurer for operational purposes. Property taxes are assessed on January 1st of each year, except on livestock, and are payable in two equal installments on November 10th of the year in which the tax bill is prepared and April 10th of the following year. In addition, tax levies are authorized by statute to service payments due on general obligation bonds which have been authorized pursuant to state law. The full faith and credit of the necessary to pay the interest and on the principal of the negotiable bonds as the interest and principal become due, without limitation as to rate or amount. The Village may pay the principal or interest on any general obligation bonds from any available revenues, and the levy or levies of taxes may be diminished to the extent such other revenues are available for the payment of such principal and interest.

Proceeds from the issuance of general obligation bonds are restricted in usage.

1. Erecting and operating natural or artificial gas works;
2. Erecting and operating electric works;
3. Constructing, purchasing, rehabilitating or remodeling, or any combination thereof, public buildings, including additions and improvements thereto;
4. Building, beautifying and improving public parks within or without the municipal boundary, but not beyond the planning and platting jurisdiction of the municipality;
5. Acquiring land or buildings for playgrounds, recreation centers, zoos, and other recreational purposes and the equipment thereof, or any combination thereof;
6. Providing proper means for protecting from fire including but not limited to purchasing apparatus for fire protection and providing, enlarging and improving fire equipment and facilities;
7. Laying off, opening, constructing, repairing, and otherwise improving municipal alleys, streets, public roads, and bridges or any combination thereof;
8. Providing apparatus for the collection and disposal of garbage and refuse; acquiring, constructing and maintaining garbage and refuse;
9. Constructing or purchasing a system for supplying water or constructing and purchasing such a system, for the municipality, including without limiting the generality of the foregoing, the enlargement, improvement, extension or acquisition of the system, and acquisition of water or water rights, necessary real estate or rights of way, bridges and easements, and necessary apparatus for a water system, or any combination of the foregoing;
10. Construction or purchasing a sewer system or the construction and purchase of a sewer system, including without limiting the generality of the foregoing, acquiring, enlarging, improving, or extending, or any combination of the foregoing, said system;
11. Flood control purposes are provided in Section 3-41-1 NMSA 1978;
12. Constructing, purchasing, rehabilitating or remodeling, or any combination thereof, hospital, including additions and improvements thereto;

Notes to Financial Statements (continued)

- 13. Purchasing, improving, or erecting public auditoriums or public buildings of a similar nature for a general civic purposes, or for authorizing the improvement of erection of public auditoriums or buildings of similar nature by agreement, with officers of the county in which the municipality is located; and
- 14. Acquiring, purchasing, constructing, improving, rehabilitating, or remodeling, or any combination thereof, of cemeteries or mausoleums.

8. TRANSFERS

The composition of interfund transfers is as follows:

\$27,444 transferred from the General Fund to the Debt Service Fund to pay for the Revenue Bonds.

9. BUDGET TO GAAP RECONCILIATION

| | <u>General Fund</u> | <u>Recreation Fund</u> | <u>Lodgers Tax Fund</u> | <u>Debt Service Fund</u> |
|---------------------------------------|-------------------------|----------------------------|---------------------------------|----------------------------------|
| <u>Revenues</u> | | | | |
| Exhibit 2 | \$402,880 | \$ 2,029 | \$20,822 | \$ 541 |
| Exhibit 3 | <u>414,551</u> | <u>1,940</u> | <u>17,835</u> | <u>541</u> |
| Increase (decrease) in receivables | <u>\$ (11,671)</u> | <u>\$ 89</u> | <u>\$ 2,987</u> | <u>\$ -</u> |
| <u>Expenditures</u> | | | | |
| Exhibit 2 | \$412,411 | \$ - | \$16,595 | \$26,616 |
| Exhibit 3 | <u>412,411</u> | <u>-</u> | <u>16,595</u> | <u>26,616</u> |
| Increase (decrease) in payables | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

10. BUDGET VIOLATIONS

The Village had a budget overrun in the General Fund in the Culture and Recreation line item in the amount of \$27,681. The overall budget was not overspent.

11. RETIREMENT PLAN

Plan Description. Substantially all of Village of Cimarron's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees

Notes to Financial Statements (continued)

Retirement Board (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy. Plan members are required to contribute 7% for policemen 9.15% for all other members (range from 4% to 16.3% depending upon the division, i.e., state general, state hazardous duty, state police, municipal general, municipal police, municipal fire) of their gross salary. The Village of Cimarron is required to contribute 10% for policemen and 9.15% for all other plan members (range from 7% to 25.72% depending upon the division) of the gross covered salary. The contribution requirements of plan members and the Village of Cimarron are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The Village of Cimarron's contributions to PERA for the years ending June 30, 2003, 2002, and 2001 were \$27,118, \$47,778 and \$48,738 respectively equal to the amount of the required contributions for the year.

12. RETIREE HEALTH CARE ACT

The Village has elected not to participate in the Retiree Health Care Act of New Mexico's retiree health care program.

13. RISK MANAGAEMENT

The Village is exposed to various risks for loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the Village carries insurance with the New Mexico Self Insurer's Fund for a shared premium cost. The Village established al limited risk management program for general and auto liability, workman's compensation, employer's liability, and property. Premiums are paid by the General, Fire and Enterprise Funds.

14. COMPONENT UNIT

The Village of Cimarron Housing Authority is a component unit of the Village. The Housing Authority issues a separate, publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Village of Cimarron Housing Authority, PO Box 654, Cimarron, NM 87714.

SPECIAL REVENUE FUNDS

FIRE PROTECTION FUND - To account for the operations and maintenance of the Fire Department. Financed by a specific allotment from the State Fire Marshall's Office. Authority is NMSA 59A-53-1.

LAW ENFORCEMENT PROTECTION FUND (LEPF) - To account for funds allotted by the Law Enforcement Protection Fund , Section 29-13-5, NMSA 1978, to "enhance the efficiency and effectiveness of law enforcement service."

RECREATION FUND - To account for the operation and maintenance of all Village-owned recreational facilities. Financing is provided by a specific annual cigarette tax levy. Authority is NMSA 7-12-1 and 7-12-15.

CEMETERY FUND - To account for the operations and maintenance of the cemetery. Financing is provided by the sale of burial permits. Authority is NMSA 3-45-1.

LODGER'S TAX FUND - To account for the operations of promoting tourism in the Village. Financing is provided by a special lodger's tax charged on transient lodging in the Village. Authority is NMSA 3-38-15.

CORRECTION FEES FUND - To account for fines collected by the Village Courts and designated to be used for the operation and maintenance of the Village jail. Authority is Section 35-14-11 NMSA.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Special Revenue Funds
 Combining Balance Sheet
 June 30, 2003

| | Fire Protection | | Law Enforcement Protection | | Recreation | | Cemetery | | Lodger's Tax | | Correction Fees | | Total | |
|---|-----------------|----------------|----------------------------|---------------|------------|--------------|----------|--------------|--------------|--------------|-----------------|---------------|-------|----------------|
| | Fund | | Fund | | Fund | | Fund | | Fund | | Fund | | | |
| ASSETS | | | | | | | | | | | | | | |
| Cash on deposit | \$ | 185,976 | \$ | 21,800 | \$ | 4,122 | \$ | 3,241 | \$ | 6,010 | \$ | 10,890 | \$ | 232,039 |
| Taxes receivable | | - | | - | | 89 | | - | | 2,887 | | - | | 3,076 |
| | \$ | <u>185,976</u> | \$ | <u>21,800</u> | \$ | <u>4,211</u> | \$ | <u>3,241</u> | \$ | <u>8,997</u> | \$ | <u>10,890</u> | \$ | <u>235,115</u> |
| FUND BALANCES | | | | | | | | | | | | | | |
| Unreserved: | | | | | | | | | | | | | | |
| Designated for subsequent year's expenditures | \$ | 185,976 | \$ | 21,800 | \$ | 4,211 | \$ | 3,241 | \$ | 8,997 | \$ | 10,890 | \$ | 235,115 |
| Total fund balances | \$ | <u>185,976</u> | \$ | <u>21,800</u> | \$ | <u>4,211</u> | \$ | <u>3,241</u> | \$ | <u>8,997</u> | \$ | <u>10,890</u> | \$ | <u>235,115</u> |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2003

| | Fire Protection | | Law Enforcement | | Recreation | Cemetery | Lodger's Tax | Correction | | Total |
|---|-------------------|------------------|------------------|-----------------|-----------------|-----------------|------------------|-------------------|-----------|---------|
| | Fire Fund | Protection Fund | Enforcement Fund | Protection Fund | | | | Fees Fund | Pees Fund | |
| REVENUES | | | | | | | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 365 | \$ - | \$ - | \$ - | \$ 365 |
| Lodgers taxes | - | - | - | - | - | - | 20,822 | - | - | 20,822 |
| Fines | - | - | - | - | - | - | - | 5,420 | - | 5,420 |
| Miscellaneous | 229 | - | - | - | 1,435 | - | - | - | - | 1,664 |
| Intergovernmental | 68,036 | - | 43,000 | - | - | - | - | - | - | 111,036 |
| State shared taxes | - | - | - | - | 594 | - | - | - | - | 594 |
| Earnings on investments | 2,578 | - | - | - | - | - | - | - | - | 2,578 |
| Total revenues | 70,843 | 43,000 | 43,000 | 2,029 | 365 | 20,822 | 5,420 | 142,479 | | |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Public safety | 32,429 | - | 21,241 | - | - | - | - | 1,391 | - | 55,061 |
| Culture and recreation | - | - | - | - | - | - | 16,595 | - | - | 16,595 |
| Health & welfare | - | - | - | - | - | 1,985 | - | - | - | 1,985 |
| Total expenditures | 32,429 | 21,241 | 21,241 | 1,985 | 1,985 | 16,595 | 1,391 | 73,641 | | |
| Excess (deficiency) of revenues over expenditures | 38,414 | 21,759 | 21,759 | 2,029 | (1,620) | 4,227 | 4,029 | 68,838 | | |
| Fund balance at beginning of year | 147,562 | 41 | 41 | 2,182 | 4,861 | 4,770 | 6,861 | 166,277 | | |
| Fund balance at end of year | \$ 185,976 | \$ 21,800 | \$ 21,800 | \$ 4,211 | \$ 3,241 | \$ 8,997 | \$ 10,890 | \$ 235,115 | | |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Special Revenue - Fire Protection Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2003

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|---------------------------|------------------|------------------|--|
| REVENUES | | | |
| Local sources | \$ 5,000 | \$ 229 | \$ (4,771) |
| State sources | 64,361 | 68,036 | 3,675 |
| Earnings from investments | <u>-</u> | <u>2,578</u> | <u>2,578</u> |
| Total revenues | <u>\$ 69,361</u> | <u>\$ 70,843</u> | <u>\$ 1,482</u> |
| EXPENDITURES | | | |
| Public safety | <u>\$ 61,730</u> | <u>\$ 32,429</u> | <u>\$ 29,301</u> |
| Total expenditures | <u>\$ 61,730</u> | <u>\$ 32,429</u> | <u>\$ 29,301</u> |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Special Revenue - Law Enforcement Protection Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2003

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|-----------------------|------------------|------------------|--|
| REVENUES | | | |
| State sources | \$ 21,200 | \$ 43,000 | \$ 21,800 |
| Total revenues | <u>\$ 21,200</u> | <u>\$ 43,000</u> | <u>\$ 21,800</u> |
| EXPENDITURES | | | |
| Public safety | \$ 21,241 | \$ 21,241 | \$ - |
| Total expenditures | <u>\$ 21,241</u> | <u>\$ 21,241</u> | <u>\$ -</u> |
| BUDGETED CASH BALANCE | <u>\$ 41</u> | | |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Special Revenue - Recreation Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2003

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|------------------------------|-----------------|-----------------|--|
| REVENUES | | | |
| Local sources | \$ - | \$ 1,435 | \$ 1,435 |
| State shared taxes | <u>3,100</u> | <u>505</u> | <u>(2,595)</u> |
| Total revenues | <u>\$ 3,100</u> | <u>\$ 1,940</u> | <u>\$ (1,160)</u> |
| EXPENDITURES | | | |
| Culture and recreation | <u>\$ 4,100</u> | <u>\$ -</u> | <u>\$ 4,100</u> |
| Total expenditures | <u>\$ 4,100</u> | <u>\$ -</u> | <u>\$ 4,100</u> |
| BUDGETED CASH BALANCE | <u>\$ 1,000</u> | | |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Special Revenue - Cemetery Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2003

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|-----------------------|-----------------|-----------------|--|
| REVENUES | | | |
| Local sources | \$ 2,800 | \$ 365 | \$ (2,435) |
| Total revenues | <u>\$ 2,800</u> | <u>\$ 365</u> | <u>\$ (2,435)</u> |
| EXPENDITURES | | | |
| Health and welfare | \$ 3,500 | \$ 1,985 | \$ 1,515 |
| Total expenditures | <u>\$ 3,500</u> | <u>\$ 1,985</u> | <u>\$ 1,515</u> |
| BUDGETED CASH BALANCE | <u>\$ 700</u> | | |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Special Revenue - Lodger's Tax Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2003

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|------------------------|------------------|------------------|--|
| REVENUES | | | |
| Local sources | \$ 16,595 | \$ 17,835 | \$ 1,240 |
| Total revenues | <u>\$ 16,595</u> | <u>\$ 17,835</u> | <u>\$ 1,240</u> |
| EXPENDITURES | | | |
| Culture and recreation | \$ 16,595 | \$ 16,595 | \$ - |
| Total expenditures | <u>\$ 16,595</u> | <u>\$ 16,595</u> | <u>\$ -</u> |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Special Revenue - Correction Fees Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2003

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--------------------|-----------------|-----------------|--|
| REVENUES | | | |
| Local sources | \$ 9,000 | \$ 5,420 | \$ (3,580) |
| Total revenues | <u>\$ 9,000</u> | <u>\$ 5,420</u> | <u>\$ (3,580)</u> |
| EXPENDITURES | | | |
| Public safety | \$ 4,750 | \$ 1,391 | \$ 3,359 |
| Total expenditures | <u>\$ 4,750</u> | <u>\$ 1,391</u> | <u>\$ 3,359</u> |

See accompanying notes to financial statements.

DEBT SERVICE FUND

To account for the payment of general long-term debt principal and interest.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Debt Service Fund
Balance Sheet
June 30, 2003

ASSETS

| | | |
|-----------------|----|---------------|
| Cash on deposit | \$ | <u>47,942</u> |
|-----------------|----|---------------|

| | | |
|--------------|----|----------------------|
| Total assets | \$ | <u><u>47,942</u></u> |
|--------------|----|----------------------|

FUND BALANCES

| | | |
|---------------------------|----|---------------|
| Reserved for Debt Service | \$ | <u>47,942</u> |
|---------------------------|----|---------------|

| | | |
|---------------------|----|----------------------|
| Total fund balances | \$ | <u><u>47,942</u></u> |
|---------------------|----|----------------------|

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Debt Service Fund
 Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Year Ended June 30, 2003

| | |
|---|-------------------------|
| REVENUES | |
| Taxes | \$ - |
| Earnings from investment | <u>541</u> |
| Total revenues | <u>541</u> |
| EXPENDITURES | |
| Bond principal | 20,000 |
| Bond interest | <u>6,616</u> |
| Total expenditures | <u>26,616</u> |
| Excess (deficiency) of revenues over expenditures | (26,075) |
| OTHER FINANCING SOURCES | |
| Transfer in | <u>27,444</u> |
| Total other financing sources | <u>27,444</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures | 1,369 |
| Fund balance at beginning of year | <u>46,573</u> |
| Fund balance at end of year | <u><u>\$ 47,942</u></u> |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Debt Service Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2003

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------|------------------|------------------|--|
| REVENUES | | | |
| Taxes | \$ - | \$ - | \$ - |
| Earnings from investments | <u>75</u> | <u>541</u> | <u>466</u> |
| Total revenues | <u>\$ 75</u> | <u>\$ 541</u> | <u>\$ 466</u> |
| EXPENDITURES | | | |
| Bond principal | \$ 20,000 | \$ 20,000 | \$ - |
| Bond interest | <u>6,616</u> | <u>6,616</u> | <u>-</u> |
| Total expenditures | <u>\$ 26,616</u> | <u>\$ 26,616</u> | <u>\$ -</u> |
| OTHER FINANCING SOURCES | | | |
| Transfer in | <u>\$ 27,454</u> | <u>\$ 27,444</u> | <u>\$ (10)</u> |
| Total other financing sources | <u>\$ 27,454</u> | <u>\$ 27,444</u> | <u>\$ (10)</u> |

See accompanying notes to financial statements.

TRUST AND AGENCY FUNDS

To account for those monies in which the Village acts as a Fiscal Agent.

MUNICIPAL COURT BOND FUND - To account for the collections of and disposition of municipal court bonds.

TRAFFIC TICKET FUND - To account for the collection and disposition of traffic ticket fees.

Statement C-1

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 FIDUCIARY FUND
 Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2003

| | Balances June 30, 2002 | Additions | Deletions | Balances June 30, 2003 |
|-----------------------|---------------------------|------------------|------------------|---------------------------|
| ASSETS | | | | |
| Cash (Bonds) | \$ 1,448 | \$ 2,600 | \$ 2,900 | \$ 1,148 |
| Cash (Tickets) | 13 | 39,020 | 39,014 | 19 |
| Total assets | <u>\$ 1,461</u> | <u>\$ 41,620</u> | <u>\$ 41,914</u> | <u>\$ 1,167</u> |
| LIABILITIES | | | | |
| Funds held for others | \$ 1,448 | \$ 2,600 | \$ 2,900 | \$ 1,148 |
| Due to other agencies | 13 | 39,020 | 39,014 | 19 |
| Total liabilities | <u>\$ 1,461</u> | <u>\$ 41,620</u> | <u>\$ 41,914</u> | <u>\$ 1,167</u> |

See accompanying notes to financial statements.

ACCOUNT GROUPS

Statement D-1

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Schedule of Changes in General Fixed Assets
 Year Ended June 30, 2003

| | Balances June 30, 2002 | Additions | Deletions | Balances June 30, 2003 |
|---|---------------------------|------------------|-------------|---------------------------|
| GENERAL FIXED ASSETS | | | | |
| Land | \$ 229,320 | - | - | \$ 229,320 |
| Building and improvements | 643,901 | - | - | 643,901 |
| Furniture, fixtures and equipment | 847,856 | - | - | 847,856 |
| Vehicles | 238,829 | 70,850 | - | 309,679 |
| Infrastructure | 2,080,539 | - | - | 2,080,539 |
| Total | \$ 4,040,445 | \$ 70,850 | \$ - | \$ 4,111,295 |
| INVESTED IN GENERAL FIXED ASSETS | | | | |
| General Fund | \$ 885,671 | - | - | \$ 885,671 |
| Special Revenue Funds | 633,497 | 70,850 | - | 704,347 |
| Capital Projects Funds | 2,521,277 | - | - | 2,521,277 |
| Total | \$ 4,040,445 | \$ 70,850 | \$ - | \$ 4,111,295 |

See accompanying notes to financial statements.

Statement D-2

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 General Long-Term Debt
 Statement of Changes in General Long-Term Debt
 Year Ended June 30, 2003

| | Balances June 30, 2002 | Additions | Deletions | Balances June 30, 2003 |
|--|---------------------------|------------------|------------------|---------------------------|
| ASSETS | | | | |
| Cash | \$ 46,573 | \$ 28,001 | \$ 26,632 | \$ 47,942 |
| Amount to be provided for retirement of general long-term debt | <u>56,012</u> | - | <u>14,054</u> | <u>41,958</u> |
| Total assets | <u>\$ 102,585</u> | <u>\$ 28,001</u> | <u>\$ 40,686</u> | <u>\$ 89,900</u> |
| LIABILITIES | | | | |
| Bonds payable | \$ 89,000 | - | \$ 20,000 | \$ 69,000 |
| Accrued compensated absences payable | <u>13,585</u> | <u>9,315</u> | <u>2,000</u> | <u>20,900</u> |
| Total liabilities | <u>\$ 102,585</u> | <u>\$ 9,315</u> | <u>\$ 22,000</u> | <u>\$ 89,900</u> |

See accompanying notes to financial statements.

ENTERPRISE FUNDS

WATER AND SEWER FUND - To account for the operations of the Village's Water and Sewer Department, for meter deposits and payment of Joint Utility Revenue Bonds.

SOLID WASTE FUND - To account for the operations of the (contracted) solid waste services.

AMBULANCE FUND - To account for the operations of the emergency ambulance services.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Enterprise Funds
Combining Balance Sheet
June 30, 2003

Statement E-1

| | Water/Sewer Fund | Solid Waste Fund | Ambulance Fund | Totals |
|--|---------------------|---------------------|-------------------|-------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash on deposit | \$ 25,718 | \$ 3,193 | \$ 45,009 | \$ 73,920 |
| Accounts receivable (net) | 23,050 | 9,157 | - | 32,207 |
| Total Current Assets | 48,768 | 12,350 | 45,009 | 106,127 |
| Restricted Assets (Cash) | | | | |
| Customer meter deposits | 20,931 | - | - | 20,931 |
| Debt service | 22,850 | - | - | 22,850 |
| Total Restricted Assets (Cash) | 43,781 | - | - | 43,781 |
| Property, Plant and Equipment | | | | |
| Land | - | - | - | - |
| Equipment | 286,188 | 5,643 | 24,834 | 316,665 |
| Vehicles | - | - | 148,864 | 148,864 |
| Plant | 1,048,327 | - | - | 1,048,327 |
| Accumulated depreciation | (725,055) | (5,643) | (154,784) | (885,482) |
| Total Property, Plant and Equipment | 609,460 | - | 18,914 | 628,374 |
| Total Assets | \$ 702,009 | \$ 12,350 | \$ 63,923 | \$ 778,282 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Customer meter deposits payable from Restricted Assets | 26,953 | - | - | 26,953 |
| Compensated absences | 7,189 | 505 | - | 7,694 |
| Revenue bonds payable | 3,000 | - | - | 3,000 |
| Loans payable | 8,821 | - | - | 8,821 |
| Capital lease payable | - | - | 17,790 | 17,790 |
| Total Current Liabilities | 45,963 | 505 | 17,790 | 64,258 |
| Long-Term Liabilities | | | | |
| Revenue bonds payable | 120,000 | - | - | 120,000 |
| Loan payable | 155,233 | - | - | 155,233 |
| Capital lease payable | - | - | 28,640 | 28,640 |
| Total Long-Term Liabilities | 275,233 | - | 28,640 | 303,873 |
| FUND EQUITY | | | | |
| Contributed capital | 934,876 | - | 86,594 | 1,021,470 |
| Retained earnings: | | | | |
| Reserved | 46,214 | - | - | 46,214 |
| Unreserved | (600,277) | 11,845 | (69,101) | (657,533) |
| Total Retained Earnings | (554,063) | 11,845 | (69,101) | (611,319) |
| Total Fund Equity | 380,813 | 11,845 | 17,493 | 410,151 |
| Total Liabilities and Fund Equity | \$ 702,009 | \$ 12,350 | \$ 63,923 | \$ 778,282 |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Enterprise Funds
Combining Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Year Ended June 30, 2003

| | Water/Sewer Fund | Solid Waste Fund | Ambulance Fund | Totals |
|--|---------------------|---------------------|--------------------|---------------------|
| OPERATING REVENUES | | | | |
| Sales and services | \$ 179,292 | \$ 92,539 | \$ 26,592 | \$ 298,423 |
| Environmental gross receipts taxes | - | 3,588 | - | 3,588 |
| Miscellaneous | - | - | 8,180 | 8,180 |
| Total operating revenue | <u>179,292</u> | <u>96,127</u> | <u>34,772</u> | <u>310,191</u> |
| OPERATING EXPENSES | | | | |
| Personal services | 106,768 | 18,221 | - | 124,989 |
| Maintenance and operations | 62,011 | 95,798 | 96,359 | 254,168 |
| Depreciation | 50,084 | - | 20,593 | 70,677 |
| Total operating expenses | <u>218,863</u> | <u>114,019</u> | <u>116,952</u> | <u>449,834</u> |
| Operating income (loss) | <u>(39,571)</u> | <u>(17,892)</u> | <u>(82,180)</u> | <u>(139,643)</u> |
| NON-OPERATING REVENUE (EXPENSE) | | | | |
| Investment income | 770 | - | 1,018 | 1,788 |
| Investment expense | (12,412) | - | (11,561) | (23,973) |
| Total Non-Operating Revenue (Expense) | <u>(11,642)</u> | <u>-</u> | <u>(10,543)</u> | <u>(22,185)</u> |
| Income (loss) before transfers | <u>(51,213)</u> | <u>(17,892)</u> | <u>(92,723)</u> | <u>(161,828)</u> |
| Operating transfers in | - | - | - | - |
| Operating transfers out | - | - | - | - |
| Net transfers | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Income (loss) | <u>(51,213)</u> | <u>(17,892)</u> | <u>(92,723)</u> | <u>(161,828)</u> |
| Retained earnings, beginning of year | <u>(502,850)</u> | <u>29,737</u> | <u>23,622</u> | <u>(449,491)</u> |
| Retained earnings, end of year | <u>\$ (554,063)</u> | <u>\$ 11,845</u> | <u>\$ (69,101)</u> | <u>\$ (611,319)</u> |

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2003

| | Water/Sewer Fund | Solid Waste Fund | Ambulance Fund | Totals |
|---|---------------------|---------------------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from customers | \$ 184,087 | \$ 91,544 | \$ 26,592 | \$ 302,223 |
| Cash received from state sources | - | 4,222 | 8,180 | 12,402 |
| Cash payments to employees and to suppliers for goods and services | <u>(165,037)</u> | <u>(113,514)</u> | <u>(49,929)</u> | <u>(328,480)</u> |
| Net cash provided by operating activities | <u>19,050</u> | <u>(17,748)</u> | <u>(15,157)</u> | <u>(13,855)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Principal paid | (19,869) | - | - | (19,869) |
| Investment expense | <u>(12,412)</u> | <u>-</u> | <u>(11,561)</u> | <u>(23,973)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(32,281)</u> | <u>-</u> | <u>(11,561)</u> | <u>(43,842)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Investment income | 770 | - | 1,018 | 1,788 |
| Security deposits | <u>1,700</u> | <u>-</u> | <u>-</u> | <u>1,700</u> |
| Net cash provided by investing activities | <u>2,470</u> | <u>-</u> | <u>1,018</u> | <u>3,488</u> |
| Net increase (decrease) in cash | (10,761) | (17,748) | (25,700) | (54,209) |
| Cash, beginning of year | <u>80,260</u> | <u>20,941</u> | <u>70,709</u> | <u>171,910</u> |
| Cash, end of year | <u>\$ 69,499</u> | <u>\$ 3,193</u> | <u>\$ 45,009</u> | <u>\$ 117,701</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ (39,571) | \$ (17,892) | \$ (82,180) | \$ (139,643) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 50,084 | - | 20,593 | 70,677 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in receivables | 4,795 | (361) | - | 4,434 |
| Increase (decrease) in accounts payable | - | - | 46,430 | 46,430 |
| Increase (decrease) in compensated absences | <u>3,742</u> | <u>505</u> | <u>-</u> | <u>4,247</u> |
| Total | <u>58,621</u> | <u>144</u> | <u>67,023</u> | <u>125,788</u> |
| Net cash provided (used) by operating activities | <u>\$ 19,050</u> | <u>\$ (17,748)</u> | <u>\$ (15,157)</u> | <u>\$ (13,855)</u> |

See accompanying notes to financial statements.

Rice and Associates, C.P.A.

AUDITING
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CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Mr. Hector H. Balderas
State Auditor and
Honorable Mayor and Village Council
Village of Cimarron
Cimarron, New Mexico

We have audited the financial statements of the Village of Cimarron, as of and for the year ended June 30, 2003, and have issued our report thereon dated May 10, 2007, in which we qualify the opinion due to a lack of detailed records for certain of the fixed assets of the General Fixed Assets Account Group, the lack of detailed records for certain of the fixed assets of the Enterprise Fund and corresponding depreciation schedules for the Enterprise Fund. Except for the preceding, 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.

Compliance

As part of obtaining reasonable assurance about whether the Village of Cimarron's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect of 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 tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, those comments are listed in the Status of Comments as Fixed Assets (02-01), Late Audit Report (02-02) Sales Taxes Paid (03-01), Per Diem Paid (03-02), and Budget Overruns (03-03).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we

consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Status of Comments as Fixed Assets (02-01), Sales Taxes Paid (03-02), Budget Overruns (03-03), Old Meter Deposits (03-04), Water Meter Deposits (03-05) and Imprest Bank Account (03-06).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following items to be material weaknesses: Fixed Assets (02-01).

This report is intended solely for the information and use of management, the New Mexico State Auditor and the Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

Reed & Associates, C.P.A.

May 10, 2007

STATUS OF COMMENTS

Prior Year Audit Findings

1. Fixed Assets (02-01) - Repeated.
2. Late Audit Report (02-02) - Repeated.

Current Year Audit Findings

1. Sales Taxes Paid (03-01)
2. Per Diem Paid (03-02)
3. Budget Overruns (03-03)
4. Old Meter Deposits (03-04)
5. Water Meter Deposits (03-05)
6. Imprest Bank Account (03-06)

Fixed Assets
(02-01)

| | |
|----------------|---|
| CONDITION | A complete fixed asset listing including current year additions and deletions was not available. |
| CRITERIA | A complete fixed asset listing including current year additions and deletions should be maintained at all times. This is to comply with 1 NMAC 1.2.1.8 and 12-6-10 NMSA 1978. |
| CAUSE | The current management has worked on compiling a listing, however, it is still not complete. |
| EFFECT | The fixed asset records could be overstated/understated. |
| RECOMMENDATION | The City should continue to reconcile all fixed assets to the prior years audit reports and bring it current. |
| RESPONSE | The Village is in the process of creating a system to track all fixed assets. This should be implemented within the next few months. |

Late Audit Report
(02-02)

| | |
|----------------|---|
| CONDITION | The audit report was submitted to the State Auditor after the required deadline of December 1, 2003. The State Auditors Office received the audit report on July 18, 2007. |
| CRITERIA | Village audits are required to be submitted to the State Auditor by December 1 as required by NMAC 2.2.2.9A(1)(d). |
| CAUSE | An auditing firm was obtained and prepared the report, however, it was never issued by the State Auditor's Office. Another accounting firm was obtained, however, an audit report was never completed. This contract was then abandoned. The Village then requested the State Auditor's Office to perform the services and they declined. Another auditing firm could not be obtained until 2007. |
| EFFECT | NMAC 2.2.2.9A(1)(d) was not followed. |
| RECOMMENDATION | The Village should work closely with the new State Auditor to ensure an accounting firm is obtained for future audits. |
| RESPONSE | The Village asked the State Auditor to perform the audit and they declined. The Village is currently getting an auditor with a 2-3 year contract so that all audits can be brought up to date. |

Sales Taxes Paid
(03-01)

| | |
|----------------|---|
| CONDITION | The Village is remitting sales taxes to Taxation and Revenue for entities that are exempt from paying sales taxes. These entities include departments of the Village (example: The Senior Center) the County of Mora/Colfax and certain non-profits. |
| CRITERIA | The Village should remit sales taxes for all individual and entities that have paid sales tax on their water/sewer/solid waste usage, but not for exempt individuals or entities. Exempt entities include governmental agencies (7-9-13 NMSA 1978) and (7-9-54 NMSA 1978) and non-profit entities (7-9-29 NMSA 1978). |
| CAUSE | Prior management of the Village was unaware of this difference in exempt and non-exempt entities. |
| EFFECT | The Village is paying monies to Taxation and Revenue that is not required to do so. |
| RECOMMENDATION | The Village has new management at this time and they are aware of these statutes. |
| RESPONSE | The Village has been informed that this was done improperly in the past and is making necessary corrections to the system. |

Per Diem Paid
(03-02)

| | |
|----------------|---|
| CONDITION | The full amount of per diem for two separate trips was paid to an employee (in the amount of \$666) up to six days before either trip was taken. |
| CRITERIA | According to Department of Finance Title 2, Chapter 42, Part 2 Regulations Governing the Per Diem and Mileage Act (NMAC 2.4.2.2.10A) up to 80% can be provided before the trip is taken and the balance paid after evidence is received by the Village that the trip was taken. |
| CAUSE | Prior management of the Village was unaware of these per diem procedures. |
| EFFECT | The Village may have paid for travel expenses that were not rendered as no evidence was attached to ensure these seminars were attended by the employee. |
| RECOMMENDATION | The Village has new management at this time and they are aware of DFA per diem regulations. |
| RESPONSE | The Village has been informed that this was being done incorrectly and has since corrected the system. The employees are now being paid after travel is completed. |

Budget Overruns

(03-03)

| | |
|----------------|---|
| CONDITION | The Village had a budget overrun in the General Fund. The Culture and Recreation function was overspent by \$27,681. |
| CRITERIA | According to Section 6-6-6, NMSA, 1978 prohibits an agency from making expenditures that are not authorized by an approved budget. |
| CAUSE | Budgetary adjustments did not occur to correct budget deficits. |
| EFFECT | Department of Finance and Administration regulations have not been adhered to. |
| RECOMMENDATION | Review financial statements periodically for possible overruns and request the appropriate budgetary increases before expenditures exceed budget. |
| RESPONSE | The Village has notified the new management that monthly reviews need to be done to avoid further overruns. |

Old Meter Deposits
(03-04)

| | |
|----------------|---|
| CONDITION | The Village has failed to create a policy providing guidance on when meter deposits could be returned after a designated time period. |
| CRITERIA | The Village may determine that meter deposits could be returned after a certain time period, instead of keeping them indefinitely. |
| CAUSE | Management was unaware they could prepare such a policy. |
| EFFECT | Staff time is wasted on keeping track of \$5 meter deposits that are over 10 years old. |
| RECOMMENDATION | The Village should prepare a policy as soon as possible and return these deposits. |
| RESPONSE | The Village will have a new ordinance in 2007-2008 that institutes a 5 year limit on deposits. |

Water Meter Deposits

(03-05)

| | |
|----------------|---|
| CONDITION | The Village is not reconciling their monthly water meter deposit to the restricted bank account each month. Also, these monthly listings are not created on the last day of each month. |
| CRITERIA | The monthly meter deposit list should be reconciled and agree to the reconciled bank account each month. |
| CAUSE | Management is aware of this situation but has not completed an accurate meter deposit list and reconciled it to the reconciled bank account on a monthly basis. |
| EFFECT | Available resources could not be budgeted for and used in the Water Fund. |
| RECOMMENDATION | Management should designate an employee to perform this duty each month, identify differences and resolve those differences. |
| RESPONSE | The Village is in the process of creating a list of all water meter deposits. |

Imprest Bank Account
(03-06)

| | |
|----------------|---|
| CONDITION | The Payroll imprest bank account is not being reconciled correctly. |
| CRITERIA | All imprest accounts should be reconciled correctly monthly, resulting in a zero balance. |
| CAUSE | Prior management was not reconciling this account at all. Current management understands that it should be reconciled and is trying diligently to do so. |
| EFFECT | The General Fund would have to cover any cash deficiencies that might occur. |
| RECOMMENDATION | Management has obtained guidance from outside sources on how to reconcile this account. However, management should continue to ensure this account is reconciled correctly. |
| RESPONSE | The Village will reconcile the account and then close the account. |

FINANCIAL STATEMENT PREPARATION

The combined financial statements of the Village of Cimarron as of, and for the year ended, June 30, 2003 were prepared by Rice & Associates, CPA, with the aid of responsible Village personnel. Official and responsible personnel agree that the presentations are made with their knowledge and agreement.

EXIT CONFERENCE

An exit conference was held at the Village on May 10, 2007, to discuss the current audit report and auditors' comments. In attendance were Ms. Sherry Wolf, Consultant, Ms. Mindy Cahill, Clerk Administrator and Ms. Pamela A. Rice, CPA, Contract Auditor.