

***STATE OF NEW MEXICO***

***VILLAGE OF CIMARRON***

***AUDIT REPORT***

***FOR THE YEAR ENDED JUNE 30, 2004***

***(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, 2004

(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
TABLE OF CONTENTS  
Year Ended June 30, 2004

	<u>Page</u>
Introduction Section	
Official Roster	i
Financial Section	
Independent Auditor's Report	1
<u>Exhibit</u>	
Statements - Overview:	
1    Statement of Net Assets	3
2    Statement of Activities	4
3    Balance Sheet - Governmental Funds	5
4    Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	6
5    Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances	7
6    Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	8
7    General Fund - Statement of Revenues and Expenditures - budget and Actual (Non-GAAP Budgetary Basis)	9
8    Fire Protection Fund - Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	10
9    Enterprise Funds - Statement of Net Assets	11
10   Enterprise Funds - Statement of Revenues, Expenses and Changes in Fund Net Assets	12
11   Enterprise Funds - Statement of Cash Flows	13
12   Statement of Fiduciary Net Assets and Liabilities	14

Table of Contents (continued)

	<u>Page</u>	
Notes to Financial Statements	15	
<u>Statement/Schedule</u>		
Financial Statements of Individual Funds:		
Non-Major Funds:		
Non-Major Governmental Funds:		
A-1	Combining Balance Sheet - By Fund Type	31
A-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - By Fund Type	32
A-3	Special Revenue Fund: Combined Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Governmental Fund Types - Non-Major	33
A-4	Capital Projects Fund: Combined Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Governmental Fund Types - Non-Major	34
A-5	Debt Service Funds: Combined Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Governmental Fund Types - Non-Major	35
Special Revenue Fund:		
B-1	Combining Balance Sheet	36
B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	37
B-3	Law Enforcement Protection Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	38
B-4	Recreation Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	39
B-5	Cemetery Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	40

Table of Contents (continued)

	<u>Page</u>
B-6 Lodgers Tax Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	41
B-7 Correction Fees Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	42
Capital Projects Fund:	
C-1 Balance Sheet	43
C-2 Statement of Revenues, Expenditures and Changes in Fund Balances	44
C-3 Senior Citizens Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	45
Debt Service Fund:	
D-1 Balance Sheet	46
D-2 Statement of Revenues, Expenditures and Changes in Fund Balances	47
D-3 Sales Tax Bond: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	48
Enterprise Funds:	
E-1 Combining Statement of Net Assets	49
E-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	50
E-3 Combining Statement of Cash Flows	51
E-4 Water/Sewer Funds: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	52
E-5 Solid Waste Funds: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	53
E-6 Ambulance Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	54

Table of Contents (continued)

	<u>Page</u>
Supplementary Information:	
Schedule of Changes in Assets and Liabilities - All Agency Funds	55
Component Unit - Housing Authority Statement of Cash Flows	56
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
Status of Comments	59
Financial Statement Preparation and Exit Conference	72

STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
Official Roster  
Year Ended June 30, 2004

Village Council

<u>Name</u>	<u>Title</u>
Ms. Mary Smith	Mayor
Mr. Henry Gonzales	Mayor Pro-Tem
Ms. Judy LeDoux	Council Member
Mr. Eloy Brazil	Council Member
Ms. Sherry Gallegos	Council Member
Ms. Katherine Behrendsen	Council Member

Village Administration

Ms. Susan Tripodi	Clerk
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Public Housing Administration

Ms. Rebecca Owensby	Executive Director
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# *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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Cimarron, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Village's non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2004 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 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 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 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 opinions.

In our opinion and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Cimarron, as of June 30, 2004, and the respective changes in financial position and cash



flows where applicable, thereof and the respective budgetary comparisons for the General Fund and the Fire Protection Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the Village of Cimarron, as of June 30, 2004 and the respective changes in financial position, thereof and the respective budgetary comparisons for the non-major governmental funds and the Enterprise Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of July 1, 2003.

The Village has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and the budget comparisons of the Village of Cimarron. The accompanying financial information listed as Component Unit - Statement of Cash Flows and Schedule of Changes in Assets and Liabilities - All Agency Funds are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.

*Rice & Associates, C.P.A.*

December 6, 2007

STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
Statement of Net Assets  
June 30, 2004

Statement 1

	Governmental Activities	Business-Type Activities	Housing Authority Component Unit
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 307,715	\$ 72,809	\$ 78,715
Accounts receivable (net)	27,153	29,697	2,797
Prepaid assets	-	-	2,221
Total current assets	<u>334,868</u>	<u>102,506</u>	<u>83,733</u>
<b>Restricted Assets</b>			
Cash	-	46,044	2,331
Total restricted assets	<u>-</u>	<u>46,044</u>	<u>2,331</u>
<b>Capital Assets</b>			
Land (non-depreciable)	117,880	58,000	18,600
Capital assets, net of depreciation	<u>1,169,421</u>	<u>1,912,962</u>	<u>466,529</u>
Total capital assets	<u>1,287,301</u>	<u>1,970,962</u>	<u>485,129</u>
Total assets	<u>\$ 1,622,169</u>	<u>\$ 2,119,512</u>	<u>\$ 571,193</u>
<b>Current Liabilities</b>			
Interest payable	\$ 11,150	\$ -	\$ -
Accounts payable	-	-	1,140
Deposits payable	-	28,793	2,331
NMFA Loan (current portion)	15,140	9,085	-
Capital lease payable (current portion)	12,607	16,968	-
Revenue bonds payable (current portion)	23,000	3,000	-
Deferred revenue	-	-	7,400
Total current liabilities	<u>61,897</u>	<u>57,846</u>	<u>10,871</u>
<b>Non-Current Liabilities</b>			
NMFA Loan (non-current portion)	169,361	146,148	-
Compensated absences payable	14,767	7,347	7,046
Revenue bonds payable	25,000	117,000	-
Capital lease payable	<u>43,690</u>	<u>65,337</u>	<u>-</u>
Total non-current liabilities	<u>252,818</u>	<u>335,832</u>	<u>7,046</u>
Total liabilities	<u>314,715</u>	<u>393,678</u>	<u>17,917</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	998,503	1,613,424	485,129
Unrestricted	<u>308,951</u>	<u>112,410</u>	<u>68,147</u>
Total net assets	<u>1,307,454</u>	<u>1,725,834</u>	<u>553,276</u>
Total liabilities and net assets	<u>\$ 1,622,169</u>	<u>\$ 2,119,512</u>	<u>\$ 571,193</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Statement of Activities  
 Year Ended June 30, 2004

Statement 2

Functions/Programs	Program Revenues					Net (Expenses) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-Type Activities	Total	
<b>Primary government:</b>									
<b>Governmental activities:</b>									
General government	\$ 230,004	\$ 64,847	\$ 201,531	\$ -	\$ -	\$ 36,374	\$ -	\$ 36,374	\$ -
Highways and streets	41,684	-	-	-	-	(41,684)	-	(41,684)	-
Public safety	233,839	16,070	59,029	-	-	(158,740)	-	(158,740)	-
Culture and recreation	44,922	-	-	16,862	-	(28,060)	-	(28,060)	-
Health and welfare	1,223	725	100	-	-	(398)	-	(398)	-
Interest on long-term debt	17,346	-	-	-	-	(17,346)	-	(17,346)	-
Depreciation - unallocated	288,480	-	-	-	-	(288,480)	-	(288,480)	-
<b>Total governmental activities</b>	<b>857,498</b>	<b>81,642</b>	<b>260,660</b>	<b>16,862</b>	<b>-</b>	<b>(498,334)</b>	<b>-</b>	<b>(498,334)</b>	<b>-</b>
<b>Business-type activities:</b>									
Water/Sewer services	194,038	180,876	18,800	-	-	-	5,638	5,638	-
Solid waste services	107,763	102,858	-	-	-	-	(4,905)	(4,905)	-
Ambulance services	15,994	50,295	80,079	-	-	-	114,380	114,380	-
Interest on long-term debt	17,432	-	-	-	-	-	(17,432)	(17,432)	-
Depreciation - unallocated	151,175	-	-	-	-	-	(151,175)	(151,175)	-
<b>Total business-type activities</b>	<b>486,402</b>	<b>334,029</b>	<b>98,879</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(53,494)</b>	<b>(53,494)</b>	<b>-</b>
<b>Total all activities</b>	<b>\$ 1,343,900</b>	<b>\$ 415,671</b>	<b>\$ 359,539</b>	<b>\$ 16,862</b>	<b>\$ -</b>	<b>(498,334)</b>	<b>(53,494)</b>	<b>(551,828)</b>	<b>-</b>
<b>Component Unit:</b>									
Housing Authority	\$ 87,950	\$ 23,938	\$ 64,571	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 559
<b>General Revenues:</b>									
Property taxes						41,712	-	41,712	-
Gross receipts taxes						228,575	5,474	234,049	-
Franchise taxes						20,226	-	20,226	-
Gas tax						14,646	-	14,646	-
Cigarette taxes						2,128	-	2,128	-
Lodgers taxes						12,266	-	12,266	-
Investment earnings						3,872	871	4,743	839
<b>Total general revenues and transfers</b>						<b>323,425</b>	<b>6,345</b>	<b>329,770</b>	<b>839</b>
<b>Change in net assets</b>						<b>(174,909)</b>	<b>(47,149)</b>	<b>(222,058)</b>	<b>1,398</b>
Net assets - beginning of year						1,482,363	410,151	1,892,514	551,878
Prior period adjustment						-	1,362,832	1,362,832	-
Net assets - beginning of year - restated						1,482,363	1,772,983	3,255,346	-
Net assets - end of year						<b>\$ 1,307,454</b>	<b>\$ 1,725,834</b>	<b>\$ 3,033,288</b>	<b>\$ 553,276</b>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Balance Sheet  
 Governmental Funds  
 June 30, 2004

Statement 3

	General	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash on deposit	\$ 84,431	\$ 144,572	\$ 78,712	\$ 307,715
Accounts receivable	<u>25,592</u>	<u>-</u>	<u>1,561</u>	<u>27,153</u>
Total assets	<u>\$ 110,023</u>	<u>\$ 144,572</u>	<u>\$ 80,273</u>	<u>\$ 334,868</u>
<b>FUND BALANCE</b>				
Unreserved:				
Designated for subsequent years expenditures	-	-	44,039	44,039
Undesignated reported in:				
General fund	110,023	-	-	110,023
Special revenue funds	-	144,572	36,234	180,806
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 110,023</u>	<u>\$ 144,572</u>	<u>\$ 80,273</u>	<u>\$ 334,868</u>

See accompanying notes to financial statements.

## VILLAGE OF CIMARRON

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2004

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

Total fund balances - governmental funds		\$	334,868
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	2,898,480		
Accumulated depreciation	<u>(1,611,179)</u>		
			1,287,301

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:

Interest payable	(11,150)		
Capital lease payable	(56,297)		
NMFA loan payable	(184,501)		
Revenue bonds payable	(48,000)		
Compensated absences	<u>(14,767)</u>		
			<u>(314,715)</u>

Net assets of governmental activities		\$	<u>1,307,454</u>
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See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
Governmental Funds

Statement 5

Statement of Revenues, Expenditures and Changes in Fund Balances  
For the year ended June 30, 2004

	General Fund	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 41,712	\$ -	\$ 12,266	\$ 53,978
Franchise taxes	20,226	-	-	20,226
Gross receipts taxes	117,812	-	-	117,812
Charges for services	11,066	-	725	11,791
Licenses and permits	3,758	-	-	3,758
Fines and forfeitures	50,023	-	16,070	66,093
Local sources	13,724	5,130	100	18,954
State sources	176,213	53,899	-	230,112
Federal sources	11,594	-	16,862	28,456
State shared taxes	126,833	-	704	127,537
Earnings from investments	3,466	-	406	3,872
Total revenues	<u>576,427</u>	<u>59,029</u>	<u>47,133</u>	<u>682,589</u>
<b>EXPENDITURES</b>				
Current:				
General government	177,618	-	-	177,618
Highways and streets	41,684	-	-	41,684
Public safety	170,041	52,469	26,329	248,839
Health & welfare	-	-	1,223	1,223
Culture and recreation	29,703	-	15,219	44,922
Capital outlay	108,643	47,965	16,862	173,470
Bonds paid	-	-	21,000	21,000
Interest paid	-	-	4,899	4,899
Total expenditures	<u>527,689</u>	<u>100,434</u>	<u>85,532</u>	<u>713,655</u>
Excess (deficiency) revenues over expenditures	48,738	(41,405)	(38,399)	(31,066)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	21,590	21,590
Operating transfers (out)	(21,590)	-	-	(21,590)
Total other financing sources (uses)	<u>(21,590)</u>	<u>-</u>	<u>21,590</u>	<u>-</u>
Net change in fund balances	27,148	(41,405)	(16,809)	(31,066)
Fund balance beginning of year	<u>82,875</u>	<u>185,977</u>	<u>97,082</u>	<u>365,934</u>
Fund balance end of year	<u>\$ 110,023</u>	<u>\$ 144,572</u>	<u>\$ 80,273</u>	<u>\$ 334,868</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CIMARRON

Statement 6

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (31,066)

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Capital outlays to purchase or build capital  
assets are reported in governmental funds as  
expenditures. However, for governmental  
activities those costs are shown in the statement  
of net assets and allocated over their estimated  
useful lives as annual depreciation expenses in the  
statement of activities. This is the amount by which  
capital outlays exceeds depreciation in the period.

Capital outlays	369,453
Depreciation expense	<u>(288,480)</u>

Excess of capital outlay over depreciation expense 80,973

In the Statement of Activities, certain operating  
expenses are measured by the amount incurred  
during the year. In the fund financial statements,  
however, expenditures are measured by the amount  
of financial resources used (essentially the amounts  
actually paid). The (increases) decreases in the  
liabilities for the year were:

Accrued interest payable	(11,150)
Compensated absences payable	6,132
Capital leases payable	(70,000)
NMFA loan payable	(184,501)

Repayment of capital leases payable and revenue bonds  
payable are expenditures in the governmental funds, but  
reduces long-term liabilities in the statement of net assets  
and does not affect the Statement of Activities

34,703

Change in net assets of governmental activities \$ (174,909)

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
General Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 38,250	\$ 38,250	\$ 38,121	\$ (129)
Franchise taxes	15,500	15,500	20,226	4,726
Gross receipts taxes	100,850	100,850	117,812	16,962
Charges for services	15,582	15,582	11,066	(4,516)
Licenses and permits	4,250	4,250	3,758	(492)
Fines and forfeitures	47,000	47,000	50,023	3,023
Local sources	12,500	12,500	13,724	1,224
State sources	136,500	136,500	176,213	39,713
Federal sources	19,300	19,300	13,002	(6,298)
State shared taxes	113,000	113,000	123,840	10,840
Earnings from investments	3,550	3,550	3,466	(84)
<b>Total revenues</b>	<b>\$ 506,282</b>	<b>\$ 506,282</b>	<b>\$ 571,251</b>	<b>\$ 64,969</b>
<b>EXPENDITURES</b>				
General government	\$ 170,397	\$ 170,397	\$ 177,618	\$ (7,221)
Highways and streets	82,530	82,530	106,701	(24,171)
Public safety	189,396	189,396	170,041	19,355
Culture and recreation	52,280	52,280	73,329	(21,049)
<b>Total expenditures</b>	<b>\$ 494,603</b>	<b>\$ 494,603</b>	<b>\$ 527,689</b>	<b>\$ (33,086)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(25,900)	(25,900)	(21,590)	4,310
<b>Total other financing sources (uses)</b>	<b>\$ (25,900)</b>	<b>\$ (25,900)</b>	<b>\$ (21,590)</b>	<b>\$ 4,310</b>
<b>BUDGETED CASH BALANCE</b>	<b>\$ 14,221</b>	<b>\$ 14,221</b>		

See accompanying notes to financial statements.



STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Fire Protection Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local sources	\$ 6,700	\$ 6,700	\$ 5,130	\$ (1,570)
State sources	<u>87,434</u>	<u>87,434</u>	<u>53,899</u>	<u>(33,535)</u>
Total revenues	<u>\$ 94,134</u>	<u>\$ 94,134</u>	<u>\$ 59,029</u>	<u>\$ (35,105)</u>
<b>EXPENDITURES</b>				
General government	\$ 135,330	\$ 135,330	\$ 100,434	\$ 34,896
Total expenditures	<u>\$ 135,330</u>	<u>\$ 135,330</u>	<u>\$ 100,434</u>	<u>\$ 34,896</u>
BUDGETED CASH BALANCE	<u>\$ 41,196</u>	<u>\$ 41,196</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
Enterprise Funds  
Statement of Net Assets  
June 30, 2004

Statement 9

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash on deposit	\$ 72,809
Accounts receivable (net)	<u>29,697</u>
Total Current Assets	<u>102,506</u>
Restricted Assets (Cash)	
Customer meter deposits	23,151
Debt service	<u>22,893</u>
Total Restricted Assets (Cash)	<u>46,044</u>
Property, Plant and Equipment	
Land	58,000
Equipment	383,398
Vehicles	237,376
Plant	3,657,993
Accumulated depreciation	<u>(2,365,805)</u>
Total Property, Plant and Equipment	<u>1,970,962</u>
Total Assets	<u>\$ 2,119,512</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ -
Customer meter deposits payable from Restricted Assets	28,793
Revenue bonds payable	3,000
Loans payable	9,085
Capital lease payable	<u>16,968</u>
Total Current Liabilities	<u>57,846</u>
Long-Term Liabilities	
Compensated absences	7,347
Revenue bonds payable	117,000
Loan payable	146,148
Capital lease payable	<u>65,337</u>
Total Long-Term Liabilities	<u>335,832</u>
<b>NET ASSETS</b>	
Invested in Capital Assets	1,613,424
Unrestricted	<u>112,410</u>
Total Net Assets	<u>1,725,834</u>
Total Liabilities and Net Assets	<u>\$ 2,119,512</u>

See accompanying notes to financial statements.

1.

STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
Enterprise Funds  
Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
For the Year Ended June 30, 2004

	Enterprise Fund
OPERATING REVENUES	
Sales and services	\$ 334,029
Environmental gross receipts taxes	5,474
Intergovernmental	86,642
Miscellaneous	<u>12,237</u>
Total operating revenue	<u>438,382</u>
OPERATING EXPENSES	
Personal services	135,417
Maintenance and operations	182,378
Depreciation	<u>151,175</u>
Total operating expenses	<u>468,970</u>
Operating income (loss)	<u>(30,588)</u>
NON-OPERATING REVENUE (EXPENSE)	
Investment income	871
Investment expense	<u>(17,432)</u>
Total Non-Operating Revenue (Expense)	<u>(16,561)</u>
Income (loss) before transfers	<u>(47,149)</u>
Operating transfers in	-
Operating transfers out	<u>-</u>
Net transfers	<u>-</u>
Change in Net Assets	(47,149)
Total Net Assets, beginning of year	410,150
Restatement	<u>1,362,833</u>
Total Net Assets, restated	<u>1,772,983</u>
Total Net Assets, end of year	<u>\$ 1,725,834</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, 2004

	Enterprise Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 336,721
Cash received from state sources	91,934
Cash received from miscellaneous sources	12,237
Cash payments to employees and to suppliers for goods and services	<u>(318,142)</u>
Net cash provided by operating activities	<u>122,750</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of capital assets	(130,930)
Loan proceeds	36,947
Principal paid	(12,893)
Investment expense	<u>(17,432)</u>
Net cash provided (used) by capital and related financing activities	<u>(124,308)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment income	871
Security deposits	<u>1,840</u>
Net cash provided by investing activities	<u>2,711</u>
Net increase (decrease) in cash	1,153
Cash, beginning of year	<u>117,700</u>
Cash, end of year	<u>\$ 118,853</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	<u>\$ (30,588)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	151,175
Changes in assets and liabilities:	
(Increase) decrease in receivables	2,510
Increase (decrease) in accounts payable	-
Increase (decrease) in compensated absences	<u>(347)</u>
Total	<u>153,338</u>
Net cash provided (used) by operating activities	<u>\$ 122,750</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
Statement of Fiduciary Assets and Liabilities  
June 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 2,092
Total Assets	<u>\$ 2,092</u>
LIABILITIES	
Due to bond holders	\$ 1,898
Due to other agencies	<u>194</u>
Total Liabilities	<u>\$ 2,092</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
Notes to Financial Statements  
Year Ended June 30, 2004

1. ORGANIZATION AND 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 its 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 summary of significant accounting policies of the Village of Cimarron is presented to assist in the understanding of the Village of Cimarron's financial statements. The financial statements and notes are the representation of the Village of Cimarron's management who is responsible for their integrity and objectivity. The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basis - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility 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.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the Village and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to

## Notes to Financial Statements (continued)

exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each component unit addressed in defining the governments reporting entity.

### Village of Cimarron Housing Authority

The Village of Cimarron Housing Authority is located in Cimarron, New Mexico. The primary goal of the Low Income Housing program is the provision of a decent home in a suitable living environment for families that cannot afford standard private housing.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which is normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### 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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues, net of estimated refunds and estimated uncollectible amounts, in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as

Notes to Financial Statements (continued)

well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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 Fund - Fire Protection Fund - To account for the operations and maintenance of the Department. Financing provided by a specific allotment from the State Fire Marshall's Office. Authority is NMSA 59A-53-1.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Taxes and other items not properly included among program revenue are reported instead as *general revenues*.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 wastewater, solid waste, and sewer funds are charges to customers for sales and services. The wastewater fund also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for 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 nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.



## Notes to Financial Statements (continued)

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

### D. Assets, Liabilities and Net Assets or Equity

#### Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the Statement of Cash Flows, the Village considers all highly liquid investments including restricted cash assets to be cash equivalents.

State statutes authorize the Village to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Village are reported at cost.

#### 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 either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as "internal balances".

Advances between funds, as reported in the fund financial statement, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are not recorded as revenue until received.

#### Inventories

Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are reported at cost, and expenditures are recorded at the time individual inventory items are purchased. Proprietary fund

Notes to Financial Statements (continued)

inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when purchased.

Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The Village does not capitalize computer software or software developed for internal use (if applicable) unless they exceed the \$1,000 threshold. Also, the Village does not capitalize library books unless they exceed the \$1,000 threshold.

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.

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

<u>Assets</u>	<u>Years</u>
Buildings	33
Building improvements	33
Public domain infrastructure	33
System infrastructure	33
Vehicles	3 to 5
Office equipment	3 to 10
Heavy equipment	3 to 10

## Notes to Financial Statements (continued)

### Deferred Revenues

Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues.

### Compensated Absences

Vested or accumulated vacation and compensation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

### Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### E. Budgetary Information

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 1<sup>st</sup>. 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.

Notes to Financial Statements (continued)

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.
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. The budgetary comparison for the Housing Authority appears in the Authority's separate audit report.

F. Property Taxes

Property taxes are collected by the County Treasurer and remitted to the Village monthly. Delinquent property taxes payable to the County Treasurer are not recognized until actually collected and remitted by the Guadalupe County Treasurer to the Village. Property taxes are payable to the County Treasurer in two equal installments, due on November 10th of each year in which the tax bill was prepared and mailed and on April 10th of the following year. Pursuant to Section 7-38-46, NMSA 1978, property taxes are delinquent if not paid within thirty days after the date on which they are due. Taxes on real property may be collected by selling the real property on which the taxes are delinquent.

G. Interfund Transactions

Transactions that constitute material reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

H. Risk Management

The City 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 City carries commercial insurance of these risks of loss, including workers' compensation and employee health and accident insurance.

Notes to Financial Statements (continued)

I. Encumbrances

The Village does not utilize encumbrance accounting.

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	\$	16,068
International State Bank	Checking-Bond Account (Enterprise)		11,245
International State Bank	Checking-Municipal Bond Account		1,898
International State Bank	Checking-Municipal Court Account		4,120
International State Bank	Checking-Water Meter Account		12,797
International State Bank	Checking-General Account		314,017
International State Bank	Checking-Solid Waste Account		2,336
International State Bank	Checking-Sewer Operating Account		1,634
International State Bank	Checking-Water Income Account		6,118
International State Bank	Checking-Payroll Account		22,397
International State Bank	Checking - EMT Account		3,212
International State Bank	Certificate of Deposit- Bond Reserve		9,123
International State Bank	Certificate of Deposit- Sales Tax Reserve		25,812
International State Bank	Certificate of Deposit- Water Meter		10,354
International State Bank	Certificate of Deposit- General Account		<u>18,572</u>
	Total	\$	<u>459,703</u>
Total amount on deposit		\$	459,703
Deposits in transit			8,181
Outstanding checks			<u>(39,224)</u>
Total per financial statements		\$	<u>428,660</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, 2004	\$ 459,703
Less F.D.I.C.	<u>(163,861)</u>
Uninsured funds	295,842
50% Collateral requirement	<u>147,921</u>
Pledged collateral at June 30, 2004	336,001
Excess of pledged collateral	<u>\$ 188,080</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, 2004, \$295,842 of the Village's bank balance of \$459,703 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>295,842</u>
Total	<u>\$ 295,842</u>

Pledged collateral of the International State Bank consists of the following at June 30, 2004:

<u>Federal Reserve Bank, Denver, Colorado</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FHLB #912027KBO	5-15-2006	\$ 107,926
FHLB #3133M9ER9	8-13-2004	100,467
FHLB #3133MJUR9	11-15-2006	<u>127,608</u>
		<u>\$ 336,001</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	\$ -	\$ 29,238
Less allowance for uncollectible accounts	<u>-</u>	<u>-</u>
Subtotal	-	29,238
Franchise taxes	2,545	-
Property taxes	1,110	-
Gas taxes	1,324	-
Cigarette tax	69	-
Gross receipts tax	19,821	-
Lodgers tax	1,492	-
Intergovernmental	<u>792</u>	<u>459</u>
Total	<u>\$ 27,153</u>	<u>\$ 29,697</u>

Notes to Financial Statements (continued)

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, 2004, the following changes occurred in the liabilities reported in the Statement of Net Assets:

	Balance 6-30-2003	Additions	Deletions	Balance 6-30-2004	Due Within One Year
Revenue Bonds	\$ 69,000	\$ -	\$ 21,000	\$ 48,000	\$ 23,000
Compensated absences	20,900	500	6,632	14,768	-
NMFA Loan	-	184,501	-	184,501	15,140
Capital Lease	-	70,000	13,703	56,297	12,607
<b>Total</b>	<b>\$ 89,900</b>	<b>\$255,001</b>	<b>\$ 41,335</b>	<b>\$ 303,566</b>	<b>\$ 50,747</b>

The General and Road Funds normally pay for all compensated absences.

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

Year Ending June 30	Principal	Interest	Total
2005	\$ 23,000	\$ 3,220	\$ 26,220
2006	25,000	1,294	26,294
	<b>\$ 48,000</b>	<b>\$ 4,514</b>	<b>\$ 52,514</b>

The Village entered into a loan agreement with the New Mexico Finance Authority (NMFA) to pay principal in the amount of \$184,501 and interest for the purpose of defraying the cost of acquiring a fire tanker for the Villages fire department. The yearly payments are to be redirected from the Villages share of the State Fire Fund revenues to the NMFA. The interest rate is 0.880% 3.49% plus 0.25% administrative fee. The maturity date is May 1, 2014.

Year Ending June 30	Principal	Interest	Total
2005	\$ 15,140	\$ 5,700	\$ 20,840
2006	17,738	3,043	20,781
2007	17,908	2,874	20,782
2008	18,114	2,668	20,782
2009	18,371	2,411	20,782
2010	18,673	2,110	20,783
2011	19,018	1,766	20,784
2012	19,407	1,378	20,785
2013	19,836	950	20,786
2014	20,296	491	20,787
	<b>\$ 184,501</b>	<b>\$ 23,391</b>	<b>\$ 207,892</b>

The Village entered into a capital lease agreement to help defray the cost of three police vehicles to be paid out of the General Fund. The total lease is for 5 years for a total principal amount of \$70,000. The interest rate is 4.25%. The maturity date is September 15, 2007.

Notes to Financial Statements (continued)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 12,607	\$ 2,393	\$ 15,000
2006	13,143	1,857	15,000
2007	13,702	1,298	15,000
2008	16,845	716	17,561
	<u>\$ 56,297</u>	<u>\$ 6,264</u>	<u>\$ 62,561</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>Balance 6-30-2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-2004</u>	<u>Due Within One Year</u>
Water/Sewer Bonds	\$123,000	\$ -	\$ 3,000	\$ 120,000	\$ 3,000
Water Loan Compensated absences	164,054	-	8,821	155,233	9,085
Capital lease	7,694	500	847	7,347	-
Capital lease	46,430	-	46,430	-	-
	-	90,935	8,630	82,305	16,968
<b>Total</b>	<b>\$341,178</b>	<b>\$ 91,435</b>	<b>\$ 67,728</b>	<b>\$ 364,885</b>	<b>\$ 29,053</b>

1985 Water and Sewer Revenue Bonds

Original amount \$140,000 payable in annual installments each January 1<sup>st</sup> through the year 2025. Interest if 5% 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>
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>\$ 120,000</u>	<u>\$ 76,800</u>	<u>\$ 196,800</u>

Water System Loan

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 155,234</u>	<u>\$ 37,157</u>	<u>\$ 192,391</u>



Notes to Financial Statements (continued)

Capital Lease - Ambulance

The Village of Cimarron entered into a capital lease in the amount of \$90,935 with semi-annual payments of \$10,144 due October 1<sup>st</sup> and April 1<sup>st</sup> through the year 2009. Interest is 4.25% per annum. The annual requirements to amortize the amounts outstanding are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 16,968	\$ 3,320	\$ 20,288
2006	17,696	2,592	20,288
2007	18,457	1,831	20,288
2008	19,250	1,038	20,288
2009	9,933	211	10,144
	<u>\$ 82,304</u>	<u>\$ 8,992</u>	<u>\$ 91,296</u>

6. CAPITAL ASSETS

The amount of property, plant and equipment in the **Governmental-Type Activities** consists of the following:

	<u>Balances</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2004</u>
Land	\$ 229,320	\$ -	\$ (111,440)	\$ -	\$ 117,880
Buildings	643,901	-	233,617	-	877,518
Infrastructure	2,080,539	135,867	(1,118,400)	-	1,098,006
Vehicles	309,679	208,095	61,966	-	579,740
Equipment	847,856	25,491	(648,011)	-	225,336
Sub-total	4,111,295	369,453	(1,582,268)	-	2,898,480
Less: accumulated depreciation	-	(288,480)	(1,322,699)	-	(1,611,179)
Net capital assets	<u>\$ 4,111,295</u>	<u>\$ 80,973</u>	<u>\$ (2,904,967)</u>	<u>\$ -</u>	<u>\$ 1,287,301</u>

The amount of property, plant and equipment in the **Business-Type Activities** consists of the following:

	<u>Balances</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2004</u>
Land	\$ -	\$ -	\$ 58,000	\$ -	\$ 58,000
Equipment	316,665	66,733	-	-	383,398
Vehicles	148,864	64,197	24,315	-	237,376
Plant	1,048,329	-	2,609,664	-	3,657,993
Sub-total	1,513,858	130,930	2,691,979	-	4,336,767
Less: accumulated depreciation	(885,482)	(151,175)	(1,329,148)	-	(2,365,805)
Net capital assets	<u>\$ 628,376</u>	<u>\$ (20,245)</u>	<u>\$ 1,362,831</u>	<u>\$ -</u>	<u>\$ 1,970,962</u>

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 1<sup>st</sup> of each year, except on livestock, and are payable in two equal installments on November 10<sup>th</sup> of the year in which the tax bill is prepared and April 10<sup>th</sup> 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 of 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;

Notes to Financial Statements (continued)

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;
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:

\$21,590 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>Fire Protection Fund</u>	<u>Non- Major Special Revenue Fund</u>	<u>Non- Major Capital Projects Fund</u>	<u>Non- Major Debt Service Fund</u>
<u>Revenues</u>					
Modified accrual basis	\$576,427	\$ 59,029	\$ 29,865	\$ 16,862	\$ 406
Budgetary basis	<u>571,251</u>	<u>59,029</u>	<u>31,381</u>	<u>16,862</u>	<u>406</u>
Increase (decrease) in receivables	<u>\$ 5,176</u>	<u>\$ -</u>	<u>\$ (1,516)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Expenditures</u>					
Modified accrual basis	\$527,689	\$ 100,434	\$ 42,771	\$ 16,862	\$ 25,899
Budgetary basis	<u>527,689</u>	<u>100,434</u>	<u>42,771</u>	<u>16,862</u>	<u>25,899</u>
Increase (decrease) in payables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

10. BUDGET VIOLATIONS

The Village had a budget overrun in the General Fund in the amount of \$33,086. The Special Revenue Correction Fees Fund had a budget overrun in the amount of \$2.

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 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

Notes to Financial Statements (continued)

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, 2004, 2003, and 2002 were \$26,681, \$27,118 and \$47,778 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 MANAGEMENT

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 a 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.

15. BEGINNING NET ASSETS - CHANGE IN ACCOUNTING PRINCIPLE

Before the implementation of GASB Statement No. 34, accounting principles generally accepted in the United States of America did not require governments to present government-wide financial statements. Accordingly, beginning net assets presented on the government-wide financial statements includes items such as capital assets used in governmental activities and debt related to governmental activities that were previously reported in the general fixed assets account group and general long-term debt account group. A reconciliation of the June 30, 2003 fund balances to the July 1, 2003 net assets follows:

Notes to Financial Statements (continued)

Fund balances, June 30, 2003	\$ 365,933
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	4,111,295
Adjustments to beginning capital assets as a result of converting to the new GASB Statement No. 34 reporting model.	(1,582,268)
Depreciation of capital assets is not a financial use and, therefore, not reported in the funds.	(1,322,699)
Long-term liabilities, including NMFA loans payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(89,899)
Net Assets, July 1, 2003	<u>\$ 1,482,362</u>

16. PRIOR PERIOD ADJUSTMENT

The Village is reporting a prior period adjustment. This adjustment is for capital assets in the amount of \$2,667,665 and corresponding accumulated depreciation of \$1,304,833 not reported in the previous year.

**NON-MAJOR FUNDS**

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Non-Major Governmental Funds  
 Combining Balance Sheet - By Fund Type  
 June 30, 2004

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
<b>ASSETS</b>				
Cash on deposit	\$ 34,673	\$ -	\$ 44,039	\$ 78,712
Accounts receivable	<u>1,561</u>	<u>-</u>	<u>-</u>	<u>1,561</u>
 Total assets	 <u>\$ 36,234</u>	 <u>\$ -</u>	 <u>\$ 44,039</u>	 <u>\$ 80,273</u>
 <b>FUND BALANCE</b>				
Unreserved:				
Designated for subsequent years expenditures	\$ -	\$ -	\$ 44,039	\$ 44,039
Undesignated	<u>36,234</u>	<u>-</u>	<u>-</u>	<u>36,234</u>
 Total fund balance	 <u>\$ 36,234</u>	 <u>\$ -</u>	 <u>\$ 44,039</u>	 <u>\$ 80,273</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
Non-Major Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes  
in Fund Balances - By Fund Type  
Year Ended June 30, 2004

Statement A-2

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
<b>REVENUES</b>				
Taxes	\$ 12,266	\$ -	\$ -	\$ 12,266
Charges for services	725	-	-	725
Fines and forfeitures	16,070	-	-	16,070
Local sources	100	-	-	100
Federal sources	-	16,862	-	16,862
State shared taxes	704	-	-	704
Earnings from investments	-	-	406	406
<b>Total revenues</b>	<u>29,865</u>	<u>16,862</u>	<u>406</u>	<u>47,133</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	26,329	-	-	26,329
Culture and recreation	15,219	-	-	15,219
Health and welfare	1,223	-	-	1,223
Capital outlay	-	16,862	-	16,862
Bonds paid	-	-	21,000	21,000
Interest paid	-	-	4,899	4,899
<b>Total expenditures</b>	<u>42,771</u>	<u>16,862</u>	<u>25,899</u>	<u>85,532</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(12,906)</b>	<b>-</b>	<b>(25,493)</b>	<b>(38,399)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	21,590	21,590
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>21,590</u>	<u>21,590</u>
<b>Net change in fund balance</b>	<b>(12,906)</b>	<b>-</b>	<b>(3,903)</b>	<b>(16,809)</b>
<b>Fund balance at beginning of year</b>	<u>49,140</u>	<u>-</u>	<u>47,942</u>	<u>97,082</u>
<b>Fund balance at end of year</b>	<u><b>\$ 36,234</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 44,039</b></u>	<u><b>\$ 80,273</b></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)  
 Governmental Fund Types - Non-Major  
 Special Revenue Funds  
 Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 18,500	\$ 18,500	\$ 13,762	\$ (4,738)
Charges for services	700	700	725	25
Licenses and permits	500	500	-	(500)
Fines and forfeitures	6,600	6,600	16,070	9,470
Local sources	-	-	100	100
State sources	21,800	21,800	-	(21,800)
Federal sources	-	-	-	-
State shared taxes	750	750	724	(26)
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 48,850</u></b>	<b><u>\$ 48,850</u></b>	<b><u>\$ 31,381</u></b>	<b><u>\$ (17,469)</u></b>
<b>EXPENDITURES</b>				
Public safety	\$ 26,400	\$ 26,400	\$ 26,329	\$ 71
Culture and recreation	21,600	21,600	15,219	6,381
Health and welfare	2,000	2,000	1,223	777
<b>Total expenditures</b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 42,771</u></b>	<b><u>\$ 7,229</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 3,150</u></b>	<b><u>\$ 3,150</u></b>		

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)  
 Governmental Fund Types - Non-Major  
 Capital Projects Funds  
 Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Licenses and permits	\$ 500,000	\$ 500,000	\$ 16,862	\$ (483,138)
Total revenues	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 16,862</u>	<u>\$ (483,138)</u>
<b>EXPENDITURES</b>				
Capital outlay	\$ 500,000	\$ 500,000	\$ 16,862	\$ 483,138
Total expenditures	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 16,862</u>	<u>\$ 483,138</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)  
 Governmental Fund Types - Non-Major  
 Debt Service Funds  
 Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Earnings from investments	\$ 45	\$ 45	\$ 406	\$ 361
Total revenues	<u>\$ 45</u>	<u>\$ 45</u>	<u>\$ 406</u>	<u>\$ 361</u>
<b>EXPENDITURES</b>				
Bonds paid	\$ 21,000	\$ 21,000	\$ 21,000	\$ -
Coupons paid	<u>4,899</u>	<u>4,899</u>	<u>4,899</u>	<u>-</u>
Total expenditures	<u>\$ 25,899</u>	<u>\$ 25,899</u>	<u>\$ 25,899</u>	<u>\$ -</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer in	<u>\$ 25,900</u>	<u>\$ 25,900</u>	<u>\$ 21,590</u>	<u>\$ -</u>

See accompanying notes to financial statements.

## NON-MAJOR SPECIAL REVENUE FUNDS

**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.

Statement B-1

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Non-Major Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2004

	Law Enforcement Protection Fund	Recreation Fund	Cemetery Fund	Lodgers Tax Fund	Correction Fees Fund	Total
<b>ASSETS</b>						
Cash on deposit	\$ 73	\$ 2,921	\$ 2,843	\$ 6,478	\$ 22,358	\$ 34,673
Accounts receivable	-	69	-	1,492	-	1,561
Total assets	\$ 73	\$ 2,990	\$ 2,843	\$ 7,970	\$ 22,358	\$ 36,234
<b>FUND BALANCE</b>						
Unreserved:						
Designated for subsequent years expenditures	\$ 73	\$ 2,990	\$ 2,843	\$ 7,970	\$ 22,358	\$ 36,234
Total fund balance	\$ 73	\$ 2,990	\$ 2,843	\$ 7,970	\$ 22,358	\$ 36,234

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2004

	Law Enforcement Protection Fund	Recreation Fund	Cemetery Fund	Lodgers Tax Fund	Correction Fees Fund	Total
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ 12,266	\$ -	\$ 12,266
Charges for services	-	-	725	-	-	725
Fines and forfeitures	-	-	-	-	16,070	16,070
Local sources	-	-	100	-	-	100
State shared taxes	-	704	-	-	-	704
<b>Total revenues</b>	-	704	825	12,266	16,070	29,865
<b>EXPENDITURES</b>						
Current:						
Public safety	21,727	-	-	-	4,602	26,329
Culture and recreation	-	1,926	-	13,293	-	15,219
Health and welfare	-	-	1,223	-	-	1,223
<b>Total expenditures</b>	21,727	1,926	1,223	13,293	4,602	42,771
<b>Net change in fund balance</b>	(21,727)	(1,222)	(398)	(1,027)	11,468	(12,906)
<b>Fund balance, beginning of year</b>	21,800	4,212	3,241	8,997	10,890	49,140
<b>Fund balance, end of year</b>	73	2,990	2,843	7,970	22,358	36,234

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Non-Major Special Revenue - Law Enforcement Protection Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ 21,800	\$ 21,800	\$ -	\$ (21,800)
Total revenues	<u>\$ 21,800</u>	<u>\$ 21,800</u>	<u>\$ -</u>	<u>\$ (21,800)</u>
<b>EXPENDITURES</b>				
Public safety	\$ 21,800	\$ 21,800	\$ 21,727	\$ 73
Total expenditures	<u>\$ 21,800</u>	<u>\$ 21,800</u>	<u>\$ 21,727</u>	<u>\$ 73</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Non-Major Special Revenue - Recreation Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State shared taxes	\$ 750	\$ 750	\$ 724	\$ (26)
Total revenues	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ 724</u>	<u>\$ (26)</u>
<b>EXPENDITURES</b>				
Culture & recreation	\$ 3,100	\$ 3,100	\$ 1,926	\$ 1,174
Total expenditures	<u>\$ 3,100</u>	<u>\$ 3,100</u>	<u>\$ 1,926</u>	<u>\$ 1,174</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 2,350</u>	<u>\$ 2,350</u>		

See accompanying notes to financial statements.



STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Non-Major Special Revenue - Cemetery Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 700	\$ 700	\$ 725	\$ 25
Licenses and permits	500	500	-	(500)
Local sources	-	-	100	100
Total revenues	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ 825</u>	<u>\$ (375)</u>
<b>EXPENDITURES</b>				
Health and welfare	\$ 2,000	\$ 2,000	\$ 1,223	\$ 777
Total expenditures	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 1,223</u>	<u>\$ 777</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 800</u>	<u>\$ 800</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Non-Major Special Revenue - Lodgers Tax Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 18,500	\$ 18,500	\$ 13,762	\$ (4,738)
Total revenues	<u>\$ 18,500</u>	<u>\$ 18,500</u>	<u>\$ 13,762</u>	<u>\$ (4,738)</u>
<b>EXPENDITURES</b>				
Culture & recreation	\$ 18,500	\$ 18,500	\$ 13,293	\$ 5,207
Total expenditures	<u>\$ 18,500</u>	<u>\$ 18,500</u>	<u>\$ 13,293</u>	<u>\$ 5,207</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Non-Major Special Revenue - Correction Fees Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Fines and forfeitures	\$ 6,600	\$ 6,600	\$ 16,070	\$ 9,470
Total revenues	<u>\$ 6,600</u>	<u>\$ 6,600</u>	<u>\$ 16,070</u>	<u>\$ 9,470</u>
<b>EXPENDITURES</b>				
Public safety	\$ 4,600	\$ 4,600	\$ 4,602	\$ (2)
Total expenditures	<u>\$ 4,600</u>	<u>\$ 4,600</u>	<u>\$ 4,602</u>	<u>\$ (2)</u>

See accompanying notes to financial statements.

NON-MAJOR CAPITAL PROJECTS FUND

Senior Citizen Center - To account for resources received from a CDBG Grant for the construction of a Senior Citizen Center. The building is to be built on the site of the previous Senior Center and in accordance with applicable codes and ADA requirements.

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Non-Major Capital Projects Fund  
 Balance Sheet  
 June 30, 2004

	Senior Citizen Center Fund
<b>ASSETS</b>	
Cash on deposit	\$ <u>          -</u>
Total assets	\$ <u><u>          -</u></u>
<b>FUND BALANCE</b>	
Unreserved:	
Designated for subsequent years expenditures	\$ <u>          -</u>
Total fund balance	\$ <u><u>          -</u></u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Non-Major Capital Projects Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2004

	<u>Senior Citizen Center Fund</u>
<b>REVENUES</b>	
Federal sources	\$ <u>16,862</u>
Total revenues	<u>16,862</u>
<b>EXPENDITURES</b>	
Capital outlay	<u>16,862</u>
Total expenditures	<u>16,862</u>
Net change in fund balance	-
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Non-Major Capital Projects Fund - Senior Citizens Center Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Federal sources	\$ 500,000	\$ 500,000	\$ 16,862	\$ (483,138)
Total revenues	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 16,862</u>	<u>\$ (483,138)</u>
<b>EXPENDITURES</b>				
Capital outlay	\$ 500,000	\$ 500,000	\$ 16,862	\$ 483,138
Total expenditures	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 16,862</u>	<u>\$ 483,138</u>

See accompanying notes to financial statements.

NON-MAJOR DEBT SERVICE FUND

Sales Tax Bond Fund - To account for the payment of general long-term debt principal and interest.



STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
Non-Major Debt Service Fund  
Balance Sheet  
June 30, 2004

	<u>Sales Tax Bond Fund</u>
<b>ASSETS</b>	
Cash on deposit	\$ <u>44,039</u>
Total assets	<u>\$ 44,039</u>
<b>FUND BALANCE</b>	
Reserved for debt service	\$ <u>44,039</u>
Total fund balance	<u>\$ 44,039</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Non-Major Debt Service Fund  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 Year Ended June 30, 2004

	<u>Sales Tax Bond Fund</u>
REVENUES	
Taxes	\$ -
Earnings from investments	<u>406</u>
Total revenues	<u>406</u>
EXPENDITURES	
Bonds	21,000
Interest	<u>4,899</u>
Total expenditures	<u>25,899</u>
Excess (deficiency) of revenues over expenditures	<u>(25,493)</u>
OTHER FINANCING SOURCES	
Transfer in	<u>21,590</u>
Net change in fund balance	(3,903)
Fund balance at beginning of year	<u>47,942</u>
Fund balance at end of year	<u><u>\$ 44,039</u></u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Non-Major Debt Service Fund - Sales Tax Bond  
 Statement of Revenues and Expenditures  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Earnings from investments	\$ 45	\$ 45	\$ 406	\$ 361
Total revenues	<u>\$ 45</u>	<u>\$ 45</u>	<u>\$ 406</u>	<u>\$ 361</u>
<b>EXPENDITURES</b>				
Bonds paid	\$ 21,000	\$ 21,000	\$ 21,000	\$ -
Coupons paid	<u>4,899</u>	<u>4,899</u>	<u>4,899</u>	<u>-</u>
Total expenditures	<u>\$ 25,899</u>	<u>\$ 25,899</u>	<u>\$ 25,899</u>	<u>\$ -</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer in	\$ 25,900	\$ 25,900	\$ 21,590	\$ (4,310)
Total other financing sources	<u>\$ 25,900</u>	<u>\$ 25,900</u>	<u>\$ 21,590</u>	<u>\$ (4,310)</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 Statement of Net Assets  
June 30, 2004

Statement E-1

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash on deposit	\$ 3,344	\$ 2,162	\$ 67,303	\$ 72,809
Accounts receivable (net)	19,446	10,251	-	29,697
<b>Total Current Assets</b>	<u>22,790</u>	<u>12,413</u>	<u>67,303</u>	<u>102,506</u>
<b>Restricted Assets (Cash)</b>				
Customer meter deposits	23,151	-	-	23,151
Debt service	22,893	-	-	22,893
<b>Total Restricted Assets (Cash)</b>	<u>46,044</u>	<u>-</u>	<u>-</u>	<u>46,044</u>
<b>Property, Plant and Equipment</b>				
Land	58,000	-	-	58,000
Equipment	304,291	5,643	73,464	383,398
Vehicles	-	-	237,376	237,376
Plant	3,657,993	-	-	3,657,993
Accumulated depreciation	(2,153,635)	(5,643)	(206,527)	(2,365,805)
<b>Total Property, Plant and Equipment</b>	<u>1,866,649</u>	<u>-</u>	<u>104,313</u>	<u>1,970,962</u>
<b>Total Assets</b>	<u>\$ 1,935,483</u>	<u>\$ 12,413</u>	<u>\$ 171,616</u>	<u>\$ 2,119,512</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Customer meter deposits payable from Restricted Assets	28,793	-	-	28,793
Revenue bonds payable	3,000	-	-	3,000
Loans payable	9,085	-	-	9,085
Capital lease payable	2,145	-	14,823	16,968
<b>Total Current Liabilities</b>	<u>43,023</u>	<u>-</u>	<u>14,823</u>	<u>57,846</u>
<b>Long-Term Liabilities</b>				
Compensated absences	7,347	-	-	7,347
Revenue bonds payable	117,000	-	-	117,000
Loan payable	146,148	-	-	146,148
Capital lease payable	6,778	-	58,559	65,337
<b>Total Long-Term Liabilities</b>	<u>277,273</u>	<u>-</u>	<u>58,559</u>	<u>335,832</u>
<b>NET ASSETS</b>				
Invested in Capital Assets	1,582,493	-	30,931	1,613,424
Unrestricted	32,694	12,413	67,303	112,410
<b>Total Net Assets</b>	<u>1,615,187</u>	<u>12,413</u>	<u>98,234</u>	<u>1,725,834</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,935,483</u>	<u>\$ 12,413</u>	<u>\$ 171,616</u>	<u>\$ 2,119,512</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Enterprise Funds  
 Combining Statement of Revenues, Expenses and  
 Changes in Fund Net Assets  
 For the Year Ended June 30, 2004

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Totals
<b>OPERATING REVENUES</b>				
Sales and services	\$ 180,876	\$ 102,858	\$ 50,295	\$ 334,029
Environmental gross receipts taxes	-	5,474	-	5,474
Intergovernmental	18,800	-	67,842	86,642
Miscellaneous	-	-	12,237	12,237
<b>Total operating revenue</b>	<b>199,676</b>	<b>108,332</b>	<b>130,374</b>	<b>438,382</b>
<b>OPERATING EXPENSES</b>				
Personal services	119,440	15,977	-	135,417
Maintenance and operations	74,598	91,786	15,994	182,378
Depreciation	123,747	-	27,428	151,175
<b>Total operating expenses</b>	<b>317,785</b>	<b>107,763</b>	<b>43,422</b>	<b>468,970</b>
Operating income (loss)	(118,109)	569	86,952	(30,588)
<b>NON-OPERATING REVENUE (EXPENSE)</b>				
Investment income	871	-	-	871
Investment expense	(11,221)	-	(6,211)	(17,432)
<b>Total Non-Operating Revenue (Expense)</b>	<b>(10,350)</b>	<b>-</b>	<b>(6,211)</b>	<b>(16,561)</b>
Income (loss) before transfers	(128,459)	569	80,741	(47,149)
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<b>Net transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Change in Net Assets	(128,459)	569	80,741	(47,149)
Total Net Assets, beginning of year	380,813	11,844	17,493	410,150
Restatement	1,362,833	-	-	1,362,833
<b>Total Net Assets, restated</b>	<b>1,743,646</b>	<b>11,844</b>	<b>17,493</b>	<b>1,772,983</b>
<b>Total Net Assets, end of year</b>	<b>\$ 1,615,187</b>	<b>\$ 12,413</b>	<b>\$ 98,234</b>	<b>\$ 1,725,834</b>

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, 2004

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 184,480	\$ 101,946	\$ 50,295	\$ 336,721
Cash received from state sources	18,800	5,292	67,842	91,934
Cash received from miscellaneous sources	-	-	12,237	12,237
Cash payments to employees and to suppliers for goods and services	<u>(193,880)</u>	<u>(108,268)</u>	<u>(15,994)</u>	<u>(318,142)</u>
Net cash provided by operating activities	<u>9,400</u>	<u>(1,030)</u>	<u>114,380</u>	<u>122,750</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition of capital assets	(18,103)	-	(112,827)	(130,930)
Loan proceeds	9,995	-	26,952	36,947
Principal paid	(12,893)	-	-	(12,893)
Investment expense	<u>(11,221)</u>	<u>-</u>	<u>(6,211)</u>	<u>(17,432)</u>
Net cash provided (used) by capital and related financing activities	<u>(32,222)</u>	<u>-</u>	<u>(92,086)</u>	<u>(124,308)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income	871	-	-	871
Security deposits	<u>1,840</u>	<u>-</u>	<u>-</u>	<u>1,840</u>
Net cash provided by investing activities	<u>2,711</u>	<u>-</u>	<u>-</u>	<u>2,711</u>
Net increase (decrease) in cash	(20,111)	(1,030)	22,294	1,153
Cash, beginning of year	<u>69,499</u>	<u>3,192</u>	<u>45,009</u>	<u>117,700</u>
Cash, end of year	<u>\$ 49,388</u>	<u>\$ 2,162</u>	<u>\$ 67,303</u>	<u>\$ 118,853</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (118,109)	\$ 569	\$ 86,952	\$ (30,588)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	123,747	-	27,428	151,175
Changes in assets and liabilities:				
(Increase) decrease in receivables	3,604	(1,094)	-	2,510
Increase (decrease) in accounts payable	-	-	-	-
Increase (decrease) in compensated absences	<u>158</u>	<u>(505)</u>	<u>-</u>	<u>(347)</u>
Total	<u>127,509</u>	<u>(1,599)</u>	<u>27,428</u>	<u>153,338</u>
Net cash provided (used) by operating activities	<u>\$ 9,400</u>	<u>\$ (1,030)</u>	<u>\$ 114,380</u>	<u>\$ 122,750</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Proprietary Funds  
 Water/Sewer Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and services	\$ 196,100	\$ 196,100	\$ 184,480	\$ (11,620)
State sources	-	-	18,800	18,800
Interest income	-	-	871	871
<b>Total revenues</b>	<b><u>\$ 196,100</u></b>	<b><u>\$ 196,100</u></b>	<b><u>\$ 204,151</u></b>	<b><u>\$ 8,051</u></b>
<b>EXPENDITURES</b>				
Personal services	\$ 116,925	\$ 116,925	\$ 119,282	\$ (2,357)
Maintenance and operations	56,315	56,315	72,758	(16,443)
Capital outlay	2,000	2,000	18,103	(16,103)
Revenue bonds principle	3,000	3,000	3,000	-
Loan principle	12,979	12,979	9,893	3,086
Interest expense	14,310	14,310	11,221	3,089
<b>Total expenditures</b>	<b><u>\$ 205,529</u></b>	<b><u>\$ 205,529</u></b>	<b><u>\$ 234,257</u></b>	<b><u>\$ (28,728)</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 9,429</u></b>	<b><u>\$ 9,429</u></b>		

See accompanying notes to financial statements.



STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Proprietary Funds  
 Solid Waste Funds  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and services	\$ 105,000	\$ 105,000	\$ 101,946	\$ (3,054)
Environmental gross receipts tax	5,400	5,400	5,292	(108)
<b>Total revenues</b>	<b><u>\$ 110,400</u></b>	<b><u>\$ 110,400</u></b>	<b><u>\$ 107,238</u></b>	<b><u>\$ (3,162)</u></b>
<b>EXPENDITURES</b>				
Personal services	\$ 16,482	\$ 16,482	\$ 16,482	\$ -
Maintenance and operations	97,141	97,141	91,786	5,355
<b>Total expenditures</b>	<b><u>\$ 113,623</u></b>	<b><u>\$ 113,623</u></b>	<b><u>\$ 108,268</u></b>	<b><u>\$ 5,355</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 3,223</u></b>	<b><u>\$ 3,223</u></b>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON  
 Proprietary Funds  
 Ambulance Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and services	\$ 35,250	\$ 35,250	\$ 50,295	\$ 15,045
Local sources	-	-	12,237	12,237
State sources	<u>62,914</u>	<u>62,914</u>	<u>67,842</u>	<u>4,928</u>
Total revenues	<u>\$ 98,164</u>	<u>\$ 98,164</u>	<u>\$ 130,374</u>	<u>\$ 32,210</u>
<b>EXPENDITURES</b>				
Maintenance and operations	\$ 36,923	\$ 36,923	\$ 15,994	\$ 20,929
Capital outlay	80,000	80,000	112,827	(32,827)
Investment expense	<u>-</u>	<u>-</u>	<u>6,211</u>	<u>(6,211)</u>
Total expenditures	<u>\$ 116,923</u>	<u>\$ 116,923</u>	<u>\$ 135,032</u>	<u>\$ (18,109)</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 18,759</u>	<u>\$ 18,759</u>		

See accompanying notes to financial statements.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO  
 VILLAGE OF CIMARRON.  
 Schedule of Changes in  
 Assets and Liabilities -  
 All Agency Funds  
 Year Ended June 30, 2004

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
<b>ASSETS</b>				
Cash	\$ 1,167	\$ 79,814	\$ 78,889	\$ 2,092
Total assets	<u>\$ 1,167</u>	<u>\$ 79,814</u>	<u>\$ 78,889</u>	<u>\$ 2,092</u>
<b>LIABILITIES</b>				
Due to bond holders	\$ 1,148	\$ 5,260	\$ 4,510	\$ 1,898
Due to other agencies	<u>19</u>	<u>74,554</u>	<u>74,379</u>	<u>194</u>
Total liabilities	<u>\$ 1,167</u>	<u>\$ 79,814</u>	<u>\$ 78,889</u>	<u>\$ 2,092</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CIMARRON  
Component Unit  
Housing Authority  
Statement of Cash Flows  
For the Year Ended June 30, 2004

	Component Unit
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 28,379
Cash payments to employees	(34,305)
Cash payments to suppliers for goods and services	(29,620)
Net cash provided by operating activities	(35,546)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Subsidy from federal grant	64,527
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of capital assets	(23,446)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	883
Net increase (decrease) in cash	6,418
Cash, beginning of year	72,297
Cash, end of year	<b>\$ 78,715</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ (64,012)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	22,553
Changes in assets and liabilities:	
Decrease in accounts receivable	400
Decrease in restricted cash	642
Increase in prepaid items	(350)
Decrease in accounts payable	(1,870)
Increase in customer deposits	209
Increase in compensated absences	2,827
Increase in deferred revenue	4,055
Total	28,466
Net cash (used) by operating activities	<b>\$ (35,546)</b>

See accompanying notes to financial statements.

*Rice and Associates, C.P.A.*

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**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**

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 governmental activities, the business-type activities, each major fund, the general fund and major special revenue fund budgetary comparison and the aggregate remaining fund information of the Village of Cimarron as of and for the year ended June 30, 2004, and have issued our report thereon dated December 6, 2007. We also have audited the financial statements of each of the Village's non-major governmental funds and budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2004. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the component unit proprietary fund, as described in our report on the Village's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 Comments 03-01, 03-03, 03-04, 03-05, 03-06, 04-01, 04-02, 04-03, 04-04, 04-05 and 04-06.

A material weakness is a reportable 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. We noted no matters involving the internal control over compliance and its operation that we consider to be a material weakness.

#### Compliance and Other Matters

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 grant agreements, 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*. They are listed in the accompanying Status of Comments as Comments 02-02, 03-01, 03-03, 04-01, 04-02, 04-03, 04-04 and 04-06.

This report is intended solely for the information and use of the Councilors, management, the New Mexico Legislature, the Office of the 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.

*Rico & Associates, C.P.A.*

December 6, 2007

## STATUS OF COMMENTS

### Prior Year Audit Findings

1. Fixed Assets (02-01) - Resolved.
2. Late Audit Report (02-02) - Repeated.
3. Sales Taxes Paid (03-01) - Repeated.
4. Per Diem Paid (03-02) - Resolved.
5. Budget Overruns (03-03) - Repeated.
6. Old Meter Deposits (03-04) - Repeated.
7. Water Meter Deposits (03-05) - Repeated.
8. Imprest Bank Account (03-06) - Repeated.

### Current Year Audit Findings

1. Depreciation Policy (04-01)
2. Depreciation of Capital Assets (04-02)
3. Procurement of Services (04-03)
4. Bank Account Authorizations (04-04)
5. Grant Balances (04-05)
6. Interim Budget Deadline (04-06)



Late Audit Report  
(02-02)

CONDITION	The audit report was submitted to the State Auditor after the required deadline of December 1, 2004. The State Auditors Office received the audit report on February 21, 2008.
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	The 2003 audit report was late. It was not released until August, 2007. This situation then forced the 2004 audit report to be late.
EFFECT	NMAC 2.2.2.9A(1)(d) was not followed. Future audit reports will not be submitted timely. Also, late audit reports could have an adverse effect on obtaining state and federal funding.
RECOMMENDATION	The Village of Cimarron must ensure that all future audit reports are filed in a timely manner.
RESPONSE	Once our audits are caught up our audits will be conducted in a timely manner.

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 individuals 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 the New Mexico Taxation and Revenue that is not required to do so.
RECOMMENDATION	The Village of Cimarron must create policy and procedures which are followed to ensure proper collection of taxes and remittance of these taxes to the State.
RESPONSE	We are now making every attempt to file our gross receipts correctly.

Budget Overruns

(03-03)

CONDITION                    The Village had an overall budget overrun in the General Fund in the amount of \$33,086. The Village also had an overall budget overrun in the Corrections Fund in the amount of \$2.

CRITERIA                    According to Sections 6-6-6 through 6-6-11 NMSA Compilation prohibits local governments from making expenditures in excess of the approved budgets.

CAUSE                        It is unknown why the previous management did not prepare and file Budget adjustment requests.

EFFECT                      Department of Finance and Administration regulations have not been adhered to. Also, this could effect receiving future state funding.

RECOMMENDATION            Review financial statements periodically for possible overruns and request the appropriate budgetary increases before expenditures exceed budget.

RESPONSE                    We are now requesting budget adjustments along with a resolution with the Village Council and filing them with the DFA.

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	A new policy will be on the agenda for approval at the January 2008 Council meeting.

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. This is to comply with 6-6-3 NMSA 1978.
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	It is unknown how much and to whom the water deposits are owed.
RECOMMENDATION	Management should designate an employee to perform this duty each month, identify differences and resolve those differences.
RESPONSE	The reconciliation will be completed in the next few months and will be maintained monthly.

Imprest Bank Account

(03-06)

CONDITION	The Payroll imprest bank account is not being reconciled correctly. The monthly reconciled balance is not the same each month.
CRITERIA	All imprest accounts should be reconciled correctly monthly, resulting in a zero balance. This is to comply with 6-6-3 NMSA 1978.
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	This account is now reconciled and (will be) closed and merged with the General Account.

Depreciation Policy

(04-01)

CONDITION	The Village has not approved a depreciation policy so depreciation can be charged to capital assets.
CRITERIA	The Village needs a depreciation policy so capital assets can be depreciated correctly. This is due to the implementation of GASB 34, Paragraph 117.
CAUSE	The Village Board has not approved a policy for management to follow.
EFFECT	Depreciation may be charged incorrectly because no set policy is in place.
RECOMMENDATION	The Village Board should approve a policy as soon as possible. Management should then implement that policy as soon as possible.
RESPONSE	The depreciation policy will be on the agenda to be approved by the Village Council at the January 2008 Council meeting.

Depreciation of Capital Assets  
(04-02)

CONDITION	The Village has not successfully managed to depreciate their capital assets.
CRITERIA	In accordance with GASB 34 all capital assets must be depreciated in accordance with the entity's policy approved by the Village Board.
CAUSE	The Village did not have an accurate depreciation schedule until the audit process.
EFFECT	The financial statements could be misstated.
RECOMMENDATION	The Village needs to approve a depreciation policy so Management can accurately implement that policy.
RESPONSE	Once the depreciation policy is approved (see 04-01) depreciation will be calculated and booked. The depreciation policy has been approved and we are currently depreciating our assets according to that policy.



Procurement of Services  
(04-03)

CONDITION	Management of the Village paid for engineering services in the amount of \$30,000 without obtaining three written bids for this service.
CRITERIA	Three written quotations should be received and kept on file for all small purchases exceeding \$5,000, but not exceeding \$20,000, according to 1.4.1.51 NMAC.
CAUSE	Prior management circumvented procurement procedures when this service was obtained.
EFFECT	The Village may have not received the best value for dollars spent on this contract.
RECOMMENDATION	Current management should ensure that policies are in place so the procurement procedure cannot be circumvented.
RESPONSE	Current management believes that bids were obtained but the bids submitted for contracts not awarded were not retained. We will retain all submitted bids for future contracts.

Bank Account Authorizations

(04-04)

CONDITION	Management of the Village closed one bank account and opened another without approval from the Board.
CRITERIA	Board approval should be obtained before any bank accounts are opened or closed.
CAUSE	Management was unaware of this requirement.
EFFECT	Assets may not be properly safeguarded.
RECOMMENDATION	Management should obtain Board approval before opening or closing any bank accounts.
RESPONSE	We will obtain Board approval before opening or closing any bank accounts.

Grant Balances  
(04-05)

CONDITION	The Village received only \$17,509 from a State Grant (House Bill 9, Chapter 103, Laws of 1992) for help with the Senior Center that was originally for \$50,000. The balance of \$32,491 however was never requested or received.
CRITERIA	All grants should be reviewed periodically to ensure the full amount is received and spent.
CAUSE	A change over in Management occurred resulting in this grant not being completed.
EFFECT	State resources of \$32,491 was not received and spent to the Villages benefit.
RECOMMENDATION	All grants should be monitored periodically to ensure all monies are received and spent correctly.
RESPONSE	Current management will monitor all grants to ensure all monies are received and spent correctly.

Interim Budget Deadline  
(04-06)

CONDITION	An interim budget request was submitted to the Local Government Division but not by the statutory deadline of June 1 <sup>st</sup> .
CRITERIA	As required by Section 6-6-2A NMSA 1978, local governments must submit an interim budget request by June 1 <sup>st</sup> , the statutory deadline.
CAUSE	It is not known why the previous management did not file the interim budget request on time.
EFFECT	There was minimal actual effect since the interim budget request was filed, but the statute was not adhered to.
RECOMMENDATION	The Village should implement procedures to ensure the statute is adhered to.
RESPONSE	Current management will implement procedures to ensure the statute is adhered to.

## FINANCIAL STATEMENT PREPARATION

The combined financial statements of the Village of Cimarron as of, and for the year ended, June 30, 2004 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 December 6, 2007, to discuss the current audit report and auditors' comments. In attendance were Ms. Sherry Wolf, Consultant, Ms. Teresita Gruver, Financial Officer/Deputy Clerk, Ms. Linda Pavletich, Mayor and Ms. Pamela A. Rice, CPA, Contract Auditor.