

STATE OF NEW MEXICO

VILLAGE OF CIMARRON

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2005

(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, 2005

(with Auditor's Report Thereon)

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VILLAGE OF CIMARRON
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STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Official Roster
Year Ended June 30, 2005

Village Council

<u>Name</u>	<u>Title</u>
Ms. Josephine Duran	Mayor
Mr. Eloy Brazil	Mayor Pro-Tem
Ms. Judy LeDoux	Council Member
Mr. Richard O'Brien	Council Member
Ms. Sherry Gallegos	Council Member
Ms. Sherry Bennett	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, 2005, 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, 2005 as listed in the table of contents. We did not audit the financial statements of the discretely presented 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 discretely presented 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 discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Cimarron, as of June

30, 2005, 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, 2005 and the respective changes in financial position and cash flows, where applicable, 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.

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 March 11, 2008 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. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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.

March 11, 2008

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Statement of Net Assets
June 30, 2005

Statement 1

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing Authority
ASSETS				
Current Assets				
Cash	\$ 256,205	\$ 103,212	\$ 359,417	\$ 53,894
Accounts receivable (net)	35,635	25,933	61,568	3,228
Prepaid assets	-	-	-	2,122
Total current assets	291,840	129,145	420,985	59,244
Restricted Assets				
Cash	-	54,348	54,348	2,354
Total restricted assets	-	54,348	54,348	2,354
Capital Assets				
Land (non-depreciable)	117,880	58,000	175,880	18,600
Capital assets, net of depreciation	1,078,550	2,866,998	3,945,548	443,920
Total capital assets	1,196,430	2,924,998	4,121,428	462,520
Total assets	\$ 1,488,270	\$ 3,108,491	\$ 4,596,761	\$ 524,118
Current Liabilities				
Interest payable	\$ 6,194	\$ -	\$ 6,194	\$ -
Accounts payable	-	-	-	6,656
Deposits payable	-	31,475	31,475	1,819
NMFA Loan (current portion)	17,738	9,358	27,096	-
Capital lease payable (current portion)	13,143	17,696	30,839	-
Revenue bonds payable (current portion)	25,000	4,000	29,000	-
Deferred revenue	-	-	-	4,777
Total current liabilities	62,075	62,529	124,604	13,252
Non-Current Liabilities				
NMFA Loan (non-current portion)	151,623	136,790	288,413	-
Compensated absences payable	13,553	6,438	19,991	-
Revenue bonds payable	-	113,000	113,000	-
RUS bonds payable	-	188,125	188,125	-
Capital lease payable	30,547	47,640	78,187	-
Total non-current liabilities	195,723	491,993	687,716	-
Total liabilities	257,798	554,522	812,320	13,252
Net Assets				
Invested in capital assets, net of related debt	958,379	2,408,389	3,366,768	462,520
Unrestricted	272,093	145,580	417,673	48,346
Total net assets	1,230,472	2,553,969	3,784,441	510,866
Total liabilities and net assets	\$ 1,488,270	\$ 3,108,491	\$ 4,596,761	\$ 524,118

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Statement of Activities
Year Ended June 30, 2005

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	
Primary Government:								
Governmental activities:								
General government	\$ 203,002	\$ 11,722	\$ 36,228	\$ -	\$ (155,052)	\$ -	\$ (155,052)	\$ -
Highways and streets	34,705	-	-	-	(34,705)	-	(34,705)	-
Public safety	305,624	50,386	110,031	-	(145,207)	-	(145,207)	-
Culture and recreation	15,804	-	21,839	72,681	78,716	-	78,716	-
Health and welfare	12,650	1,195	-	-	(11,455)	-	(11,455)	-
Interest on long-term debt	-	-	-	-	-	-	-	-
Depreciation - unallocated	221,711	-	-	-	(221,711)	-	(221,711)	-
Total governmental activities	793,496	63,303	168,098	72,681	(489,414)	-	(489,414)	-
Business-type activities:								
Water/Sewer services	159,790	189,524	-	995,507	-	1,025,241	1,025,241	-
Solid waste services	99,347	104,323	-	-	-	4,976	4,976	-
Ambulance services	52,332	78,675	8,902	-	-	35,245	35,245	-
Interest on long-term debt	13,901	-	-	-	-	(13,901)	(13,901)	-
Depreciation - unallocated	229,596	-	-	-	-	(229,596)	(229,596)	-
Total business-type activities	554,966	372,522	8,902	995,507	-	821,965	821,965	-
Total all activities	\$ 1,348,462	\$ 435,825	\$ 177,000	\$ 1,068,188	(489,414)	821,965	332,551	-
Component Unit:								
Housing Authority	\$ 87,392	\$ 20,524	\$ 22,818	\$ -	-	-	-	(44,050)
General Revenues:								
Property taxes					43,916	-	43,916	-
Gross receipts taxes					230,888	3,781	234,669	-
Franchise taxes					13,393	-	13,393	-
Gas tax					15,538	-	15,538	-
Cigarette taxes					2,444	-	2,444	-
Lodgers taxes					13,735	-	13,735	-
State did not restrict to special purpose General					91,703	-	91,703	-
Investment earnings					816	2,389	3,205	1,639
Total general revenues and transfers					412,433	6,170	418,603	1,639
Change in net assets					(76,981)	828,135	751,154	(42,411)
Net assets - beginning of year					1,307,453	1,725,834	3,033,287	553,277
Net assets - end of year					\$ 1,230,472	\$ 2,553,969	\$ 3,784,441	\$ 510,866

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Balance Sheet
 Governmental Funds
 June 30, 2005

Statement 3

ASSETS	General	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
Cash on deposit	\$ 118,096	\$ 30,288	\$ 107,821	\$ 256,205
Accounts receivable	28,961	-	6,674	35,635
Total assets	<u>\$ 147,057</u>	<u>\$ 30,288</u>	<u>\$ 114,495</u>	<u>\$ 291,840</u>
FUND BALANCE				
Unreserved:				
Designated for subsequent years expenditures	-	-	62,880	62,880
Undesignated reported in:				
General fund	147,057	-	-	147,057
Special revenue funds	-	30,288	51,615	81,903
Capital project funds	-	-	-	-
Total fund balance	<u>\$ 147,057</u>	<u>\$ 30,288</u>	<u>\$ 114,495</u>	<u>\$ 291,840</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Assets
 June 30, 2005

Statement 4

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

Total fund balances - governmental funds		\$ 291,840
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds</p>		
The cost of capital assets	3,028,370	
Accumulated depreciation	<u>(1,831,940)</u>	
		1,196,430
<p>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:</p>		
Interest payable	(6,194)	
Capital lease payable	(43,690)	
NMFA loan payable	(169,361)	
Revenue bonds payable	(25,000)	
Compensated absences	<u>(13,553)</u>	
		<u>(257,798)</u>
Net assets of governmental activities		<u>\$ 1,230,472</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2005

Statement 5

	General Fund	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 43,916	\$ -	\$ 13,735	\$ 57,651
Franchise taxes	13,393	-	-	13,393
Gross receipts taxes	119,678	-	-	119,678
Charges for services	7,584	-	1,195	8,779
Licenses and permits	4,138	-	-	4,138
Fines and forfeitures	35,483	-	-	35,483
Local sources	36,228	3,787	14,903	50,386
State sources	113,542	76,316	-	40,015
Federal sources	8,128	-	21,800	211,658
State shared taxes	128,334	-	858	80,809
Earnings from investments	343	-	473	129,192
	<u>510,767</u>	<u>80,103</u>	<u>125,645</u>	<u>716,515</u>
Total revenues				
EXPENDITURES				
Current:				
General government	206,099	-	-	206,099
Highways and streets	46,475	-	-	46,475
Public safety	145,315	164,861	23,195	333,371
Health & welfare	-	-	12,650	12,650
Culture and recreation	31,403	-	1,264	32,667
Capital outlay	-	29,526	72,681	102,207
Bonds paid	-	-	23,000	23,000
Interest paid	-	-	3,073	3,073
	<u>429,292</u>	<u>194,387</u>	<u>135,863</u>	<u>759,542</u>
Total expenditures				
Excess (deficiency) revenues over expenditures	81,475	(114,284)	(10,218)	(43,027)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	44,441	44,441
Operating transfers (out)	(44,441)	-	-	(44,441)
	<u>(44,441)</u>	<u>-</u>	<u>44,441</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balances	37,034	(114,284)	34,223	(43,027)
Fund balance beginning of year	<u>110,023</u>	<u>144,572</u>	<u>80,272</u>	<u>334,867</u>
Fund balance end of year	<u>\$ 147,057</u>	<u>\$ 30,288</u>	<u>\$ 114,495</u>	<u>\$ 291,840</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, 2005

Net change in fund balances - total governmental funds \$ (43,027)

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
depreciation exceeds capital outlays in the period.

Depreciation expense	(220,761)
Capital outlays	<u>129,890</u>

Excess of capital outlay over depreciation expense (90,871)

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	4,956
Compensated absences payable	<u>1,214</u>

Repayment of capital leases payable, loans 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 50,747

Change in net assets of governmental activities \$ (76,981)

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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 43,916	\$ 43,916	\$ 43,916	\$ -
Franchise taxes	16,153	16,153	13,393	(2,760)
Gross receipts taxes	119,678	119,678	119,678	-
Charges for services	7,595	7,595	7,584	(11)
Licenses and permits	4,693	4,693	4,138	(555)
Fines and forfeitures	42,000	42,000	35,483	(6,517)
Local sources	47,129	47,129	36,228	(10,901)
State sources	131,965	131,965	113,542	(18,423)
Federal sources	17,982	17,982	7,908	(10,074)
State shared taxes	125,325	125,325	125,185	(140)
Earnings from investments	-	-	343	343
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 556,436</u>	<u>\$ 556,436</u>	<u>\$ 507,398</u>	<u>\$ (49,038)</u>
EXPENDITURES				
General government	\$ 204,782	\$ 204,782	\$ 206,099	\$ (1,317)
Highways and streets	68,707	68,707	46,475	22,232
Public safety	164,895	164,895	145,315	19,580
Culture and recreation	51,800	51,800	31,403	20,397
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 490,184</u>	<u>\$ 490,184</u>	<u>\$ 429,292</u>	<u>\$ 60,892</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(44,441)	(44,441)	(44,441)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u>\$ (44,441)</u>	<u>\$ (44,441)</u>	<u>\$ (44,441)</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 6,700	\$ 6,700	\$ 3,787	\$ (2,913)
State sources	<u>78,316</u>	<u>78,316</u>	<u>76,316</u>	<u>(2,000)</u>
Total revenues	<u>\$ 85,016</u>	<u>\$ 85,016</u>	<u>\$ 80,103</u>	<u>\$ (4,913)</u>
EXPENDITURES				
Public safety	\$ 223,287	\$ 223,287	\$ 194,387	\$ 28,900
Total expenditures	<u>\$ 223,287</u>	<u>\$ 223,287</u>	<u>\$ 194,387</u>	<u>\$ 28,900</u>
BUDGETED CASH BALANCE	<u>\$ 138,271</u>	<u>\$ 138,271</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Enterprise Funds
 Statement of Net Assets
 June 30, 2005

Statement 9

	Enterprise Fund
ASSETS	
Current Assets	
Cash on deposit	\$ 103,212
Accounts receivable (net)	25,933
Total Current Assets	129,145
Restricted Assets (Cash)	
Customer meter deposits	26,403
Debt service	27,945
Total Restricted Assets (Cash)	54,348
Property, Plant and Equipment	
Land	58,000
Equipment	383,398
Vehicles	237,376
Plant	4,841,625
Accumulated depreciation	(2,595,401)
Total Property, Plant and Equipment	2,924,998
Total Assets	\$ 3,108,491
LIABILITIES	
Current Liabilities	
Accounts payable	\$ -
Customer meter deposits payable from Restricted Assets	31,475
Revenue bonds payable	4,000
Loans payable	9,358
Capital lease payable	17,696
Total Current Liabilities	62,529
Long-Term Liabilities	
Compensated absences	6,438
Revenue bonds payable	113,000
RUS Bonds payable	188,125
Loan payable	136,790
Capital lease payable	47,640
Total Long-Term Liabilities	491,993
NET ASSETS	
Invested in Capital Assets	2,408,389
Unrestricted	145,580
Total Net Assets	2,553,969
Total Liabilities and Net Assets	\$ 3,108,491

See accompanying notes to financial statements.

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, 2005

	Enterprise Fund
OPERATING REVENUES	
Sales and services	\$ 372,522
Environmental gross receipts taxes	3,781
Intergovernmental	1,003,909
Miscellaneous	500
Total operating revenue	1,380,712
OPERATING EXPENSES	
Personal services	110,954
Maintenance and operations	200,515
Depreciation	229,596
Total operating expenses	541,065
Operating income (loss)	839,647
NON-OPERATING REVENUE (EXPENSE)	
Investment income	2,389
Investment expense	(13,901)
Total Non-Operating Revenue (Expense)	(11,512)
Income (loss) before transfers	828,135
Operating transfers in	-
Operating transfers out	-
Net transfers	-
Change in Net Assets	828,135
Total Net Assets, beginning of year	1,725,834
Total Net Assets, end of year	\$ 2,553,969

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, 2005

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 376,323
Cash received from state sources	37,146
Cash received from federal sources	970,507
Cash received from miscellaneous sources	500
Cash payments to employees and to suppliers for goods and services	<u>(312,378)</u>
Net cash provided by operating activities	<u>1,072,098</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(1,183,632)
Loan proceeds	188,125
Principal paid	(29,053)
Investment expense	<u>(13,901)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,038,461)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	2,389
Security deposits	<u>2,682</u>
Net cash provided by investing activities	<u>5,071</u>
Net increase (decrease) in cash	38,708
Cash, beginning of year	<u>118,852</u>
Cash, end of year	<u>\$ 157,560</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 839,647
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	229,596
Changes in assets and liabilities:	
(Increase) decrease in receivables	3,764
Increase (decrease) in accounts payable	-
Increase (decrease) in compensated absences	<u>(909)</u>
Total	<u>232,451</u>
Net cash provided (used) by operating activities	<u>\$ 1,072,098</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,316
Total Assets	<u>\$ 1,316</u>
LIABILITIES	
Due to bond holders	\$ 1,298
Due to other agencies	<u>18</u>
Total Liabilities	<u>\$ 1,316</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Notes to Financial Statements
Year Ended June 30, 2005

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 Village is able to 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.

Notes to Financial Statements (continued)

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.

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 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

Notes to Financial Statements (continued)

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.

The Village reports the following as Proprietary Funds.

Proprietary Funds - Enterprise Funds

Enterprise Fund - 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.

Enterprise Fund - Solid Waste Fund - To account for the operations of the (contracted) solid waste services.

Enterprise Fund - Ambulance Fund - To account for the operations of the emergency ambulance services.

Additionally, the Village reports the following fund types:

Fiduciary Funds - Agency Funds

Agency Funds - To account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the Village.

The Village also reports additional Government funds as non-major. They include:

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

Capital Project Funds - These funds are used to account for the acquisition of capital assets or construction of major capital projects.

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.

Notes to Financial Statements (continued)

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*.

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 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.

Notes to Financial Statements (continued)

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

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.

Net Assets

The governmental activities and business-type activities financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt - This category reflects the portion of net assets that are associates with capital assets less outstanding capital asset related debt.

Restricted net assets - This category reflects the portion of net assets that have third party limitation on their use.

Unrestricted net assets - This category reflects net assets of the Village not restricted for any project or other purposes.

Notes to Financial Statements (continued)

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. Fund equity was reserved or designated for:

Unreserved, designated for subsequent year's expenditures - This represents the amounts, other than carryover expenditures, which are designated for subsequent year's expenditures in accordance with grantor status.

Unreserved, undesignated - Amounts which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the Village.

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

Notes to Financial Statements (continued)

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 Colfax 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.

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.

Notes to Financial Statements (continued)

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

International State Bank	Checking-Debt Service Account	\$ 36,654
International State Bank	Checking-Bond Account (Enterprise)	18,822
International State Bank	Checking-Municipal Bond Account	1,298
International State Bank	Checking-Municipal Court Account	5,343
International State Bank	Checking-Water Meter Account	15,757
International State Bank	Checking-General Account	280,730
International State Bank	Checking-Solid Waste Account	12,005
International State Bank	Checking-Sewer Operating Account	1,893
International State Bank	Checking-Water Income Account	7,082
International State Bank	Checking-Payroll Account	15,433
International State Bank	Checking-EMT Account	3,712
International State Bank	Checking-State Highway Co-op	-
International State Bank	Checking-Senior Center CDBG	-
International State Bank	Checking-Water Transmission	-
International State Bank	Checking-RUS	-
International State Bank	Certificate of Deposit- Bond Reserve	9,123
International State Bank	Certificate of Deposit- Sales Tax Reserve	26,226
International State Bank	Certificate of Deposit- Water Meter	10,646
International State Bank	Certificate of Deposit- General Account	<u>18,916</u>
	Total	<u>\$ 463,640</u>
	Total amount on deposit	\$ 463,640
	Rounding	(1)
	Outstanding checks	<u>(48,558)</u>
	Total per financial statements	<u>\$ 415,081</u>

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, 2005	\$ 463,640
Less F.D.I.C.	<u>(164,911)</u>
Uninsured funds	298,729
50% Collateral requirement	<u>149,365</u>
Pledged collateral at June 30, 2005	302,582
Excess of pledged collateral	<u>\$ 153,217</u>

Notes to Financial Statements (continued)

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, 2005, \$298,729 of the Village's bank balance of \$463,640 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>298,729</u>
Total	\$	<u>298,729</u>

Pledged collateral of the International State Bank consists of the following at June 30, 2005:

<u>Federal Reserve Bank, Denver, Colorado</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FHLB #912027KBO	5-15-2006	\$ 102,953
FHLB #3133RBQ47	9-28-2007	73,980
FHLB #3133MJUR9	11-15-2006	<u>125,649</u>
		<u>\$ 302,582</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	\$ -	\$ 25,437
Less allowance for uncollectible accounts	<u>-</u>	<u>-</u>
Subtotal	-	25,437
Franchise taxes	4,072	-
Property taxes	983	-
Gas taxes	1,067	-
Cigarette tax	340	-
Gross receipts tax	21,600	-
Lodgers tax	1,796	-
Intergovernmental	<u>5,777</u>	<u>496</u>
Total	<u>\$ 35,635</u>	<u>\$ 25,933</u>

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, 2005, the following changes occurred in the liabilities reported in the Statement of Net Assets:

Notes to Financial Statements (continued)

	Balance 6-30-2004	Additions	Deletions	Balance 6-30-2005	Due Within One Year
Revenue Bonds	\$ 48,000	\$ -	\$ 23,000	\$ 25,000	\$ -
Compensated absences	14,768	500	1,715	13,553	-
NMFA Loan	184,501	-	15,140	169,361	17,738
Capital Lease	56,297	-	12,607	43,690	13,143
Total	\$303,566	\$ 500	\$ 52,462	\$ 251,604	\$ 30,881

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 1st through the year 2006. Interest is 7.75 - 8.375% per annum and is payable semi-annually each March 1st and September 1st. The annual principal maturities are as follows:

Year Ending June 30	Principal	Interest	Total
2006	\$ 25,000	\$ 1,294	\$ 26,294
	\$ 25,000	\$ 1,294	\$ 26,294

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
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
	\$ 169,361	\$ 17,691	\$ 187,052

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.

Year Ending June 30	Principal	Interest	Total
2006	\$ 13,143	\$ 1,857	\$ 15,000
2007	13,702	1,298	15,000
2008	16,845	716	17,561
	\$ 43,690	\$ 3,871	\$ 47,561

Notes to Financial Statements (continued)

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:

	Balance 6-30-2004	Additions	Deletions	Balance 6-30-2005	Due Within One Year
Water/Sewer Bonds	\$120,000	\$ -	\$ 3,000	\$ 117,000	\$ 4,000
Water Loan	155,233	-	9,085	146,148	9,358
Compensated absences	7,347	500	1,409	6,438	-
RUS Bonds	-	188,125	-	188,125	-
Capital lease	82,305	-	16,968	65,337	17,696
Total	<u>\$364,885</u>	<u>\$188,625</u>	<u>\$ 30,462</u>	<u>\$ 523,048</u>	<u>\$ 31,054</u>

1985 Water and Sewer Revenue Bonds

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

Year Ending June 30	Principal	Interest	Total
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>\$ 117,000</u>	<u>\$ 70,800</u>	<u>\$ 187,800</u>

Water System Loan

Year Ending June 30	Principal	Interest	Total
2006	\$ 9,358	\$ 4,384	\$ 13,742
2007	9,639	4,103	13,742
2008	9,928	3,815	13,743
2009	10,226	3,516	13,742
2010	10,532	3,210	13,742
2011	10,848	2,894	13,742
2012	11,174	2,569	13,743
2013	11,509	2,233	13,742
2014	11,854	1,888	13,742
2015	12,210	1,532	13,742
2016	12,576	1,167	13,743
2017	12,953	789	13,742
2018	13,341	401	13,742
	<u>\$ 146,148</u>	<u>\$ 32,501</u>	<u>\$ 178,649</u>

Notes to Financial Statements (continued)

2004 Water System Revenue Bonds (RUS)

Original amount \$188,125 payable in annual installments each September 28 through the year 2045. Interest is 4.375% 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>
2006	\$ 1,600	\$ 6,460	\$ 8,060
2007	1,700	8,860	10,560
2008	1,800	8,007	9,807
2009	1,900	7,924	9,824
2010-14	10,500	38,287	48,787
2015-19	13,400	35,618	49,018
2020-24	16,900	32,240	49,140
2025-29	21,500	27,962	49,462
2030-34	26,900	22,572	49,472
2035-39	34,000	15,777	49,777
2040-44	43,000	7,202	50,202
2045	14,925	-	14,925
	<u>\$ 188,125</u>	<u>\$ 210,909</u>	<u>\$ 399,034</u>

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 1st and April 1st through the year 2009. Interest is 4.25% 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>
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>\$ 65,336</u>	<u>\$ 5,672</u>	<u>\$ 71,008</u>

6. DEPOSITS HELD FOR OTHERS , ENTERPRISE FUND

Deposits in the Water and Wastewater Utility Enterprise Fund consist of the following:

Hydrant Meter deposits \$31,475

Water meter deposits are charged to new customers and consist of the following:

Residential properties \$ 60
Commercial properties \$ 120

Notes to Financial Statements (continued)

7. CAPITAL ASSETS

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

	Balances June 30, 2004	Additions	Adjustments	Deletions	Balances June 30, 2005
Land	\$ 117,880	\$ -	\$ -	\$ -	\$ 117,880
Total assets not depreciated	117,880	-	-	-	117,880
Buildings	877,518	119,070	-	-	996,588
Infrastructure	1,098,006	11,770	-	-	1,109,776
Vehicles	579,740	-	(950)	-	578,790
Equipment	225,336	-	-	-	225,336
Sub-total	2,780,600	130,840	(950)	-	2,910,490
Less: accumulated depreciation					
Buildings	465,350	27,486	-	-	492,836
Infrastructure	582,276	33,400	-	-	615,676
Vehicles	405,818	115,758	(950)	-	520,626
Equipment	157,735	45,067	-	-	202,802
Total	(1,611,179)	(221,711)	950	-	(1,831,940)
Net capital assets	\$ 1,287,301	\$ (90,871)	\$ -	\$ -	\$ 1,196,430

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

	Balances June 30, 2004	Additions	Adjustments	Deletions	Balances June 30, 2005
Land	\$ 58,000	\$ -	\$ -	\$ -	\$ 58,000
Total assets not depreciated	58,000	-	-	-	58,000
Equipment	383,398	-	20,653	-	404,051
Vehicles	237,376	-	(20,653)	-	216,723
Plant	3,657,993	1,183,632	-	-	4,841,625
Sub-total	4,278,767	1,183,632	-	-	5,462,399
Less: accumulated depreciation					
Equipment	278,309	75,214	16,197	-	369,720
Vehicles	147,652	31,753	(16,197)	-	163,208
Plant	1,939,844	122,629	-	-	2,062,473
Sub-total	(2,365,805)	(229,596)	-	-	(2,595,401)
Net capital assets	\$ 1,970,962	\$ 954,036	\$ -	\$ -	\$ 2,924,998

8. PROPERTY TAXES

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

Notes to Financial Statements (continued)

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

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

Notes to Financial Statements (continued)

9. TRANSFERS

The composition of interfund transfers is as follows:

\$44,441 Transferred from the General Fund to the Debt Service Fund to pay for the Revenue Bonds.

10. BUDGET TO GAAP RECONCILIATION

	General Fund	Fire Protection Fund	Non-Major Special Revenue Fund	Non-Major Capital Projects Fund	Non-Major Debt Service Fund
<u>Revenues</u>					
Modified accrual basis	\$510,767	\$ 80,103	\$ 52,491	\$ 72,681	\$ 473
Budgetary basis	507,398	80,103	47,377	72,681	473
Increase (decrease) in receivables	<u>\$ 3,369</u>	<u>\$ -</u>	<u>\$ 5,114</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Expenditures</u>					
Modified accrual basis	\$429,292	\$ 194,387	\$ 37,109	\$ 72,681	\$ 26,073
Budgetary basis	429,292	194,387	37,109	72,681	26,073
Increase (decrease) in payables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

11. BUDGET VIOLATIONS

The Special Revenue Cemetery Fund had a budget overrun in the amount of \$8.

12. 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 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, 2005, 2004, and 2003 were \$24,107, \$26,681 and \$27,118 respectively equal to the amount of the required contributions for the year.

Notes to Financial Statements (continued)

13. 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.

14. 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.

15. 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.

NON-MAJOR FUNDS

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Non-Major Governmental Funds
 Combining Balance Sheet - By Fund Type
 June 30, 2005

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
ASSETS				
Cash on deposit	\$ 44,941	\$ -	\$ 62,880	\$ 107,821
Accounts receivable	6,674	-	-	6,674
 Total assets	 <u>\$ 51,615</u>	 <u>\$ -</u>	 <u>\$ 62,880</u>	 <u>\$ 114,495</u>
FUND BALANCE				
Unreserved:				
Designated for subsequent years expenditures	\$ -	\$ -	\$ 62,880	\$ 62,880
Undesignated	51,615	-	-	51,615
 Total fund balance	 <u>\$ 51,615</u>	 <u>\$ -</u>	 <u>\$ 62,880</u>	 <u>\$ 114,495</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, 2005

Statement A-2

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
REVENUES				
Taxes	\$ 13,735	\$ -	\$ -	\$ 13,735
Charges for services	1,195	-	-	1,195
Fines and forfeitures	14,903	-	-	14,903
Local sources	-	-	-	-
State sources	21,800	-	-	21,800
Federal sources	-	72,681	-	72,681
State shared taxes	858	-	-	858
Earnings from investments	-	-	473	473
Total revenues	52,491	72,681	473	125,645
EXPENDITURES				
Current:				
Public safety	23,195	-	-	23,195
Culture and recreation	12,650	-	-	12,650
Health and welfare	1,264	-	-	1,264
Capital outlay	-	72,681	-	72,681
Bonds paid	-	-	23,000	23,000
Interest paid	-	-	3,073	3,073
Total expenditures	37,109	72,681	26,073	135,863
Excess (deficiency) of revenues over expenditures	15,382	-	(25,600)	(10,218)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	44,441	44,441
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	44,441	44,441
Net change in fund balance	15,382	-	18,841	34,223
Fund balance at beginning of year	36,233	-	44,039	80,272
Fund balance at end of year	<u>\$ 51,615</u>	<u>\$ -</u>	<u>\$ 62,880</u>	<u>\$ 114,495</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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 16,000	\$ 16,000	\$ 13,431	\$ (2,569)
Charges for services	1,195	1,195	1,195	-
Licenses and permits	500	500	-	(500)
Fines and forfeitures	7,000	7,000	10,138	3,138
Local sources	500	500	-	(500)
State sources	21,800	21,800	21,800	-
Federal sources	-	-	-	-
State shared taxes	813	813	813	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 47,808</u>	<u>\$ 47,808</u>	<u>\$ 47,377</u>	<u>\$ (431)</u>
EXPENDITURES				
Public safety	\$ 28,000	\$ 28,000	\$ 23,195	\$ -4,805
Culture and recreation	18,700	18,700	12,650	6,050
Health and welfare	1,256	1,256	1,264	(8)
Total expenditures	<u>\$ 47,956</u>	<u>\$ 47,956</u>	<u>\$ 37,109</u>	<u>\$ 10,847</u>
BUDGETED CASH BALANCE	<u>\$ 1,813</u>	<u>\$ 1,813</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
 Capital Projects Funds
 Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 500,000	\$ 500,000	\$ 72,681	\$ (427,319)
Total revenues	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 72,681</u>	<u>\$ (427,319)</u>
EXPENDITURES				
Capital outlay	\$ 500,000	\$ 500,000	\$ 72,681	\$ 427,319
Total expenditures	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 72,681</u>	<u>\$ 427,319</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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ 45	\$ 45	\$ 473	\$ 428
Total revenues	<u>\$ 45</u>	<u>\$ 45</u>	<u>\$ 473</u>	<u>\$ 428</u>
EXPENDITURES				
Bonds paid	\$ 23,000	\$ 23,000	\$ 23,000	\$ -
Coupons paid	<u>3,073</u>	<u>3,073</u>	<u>3,073</u>	<u>-</u>
Total expenditures	<u>\$ 26,073</u>	<u>\$ 26,073</u>	<u>\$ 26,073</u>	<u>\$ -</u>
OTHER FINANCING SOURCES				
Transfer in	<u>\$ 19,431</u>	<u>\$ 19,431</u>	<u>\$ 44,441</u>	<u>\$ 25,010</u>
BUDGETED CASH BALANCE	<u>\$ 6,597</u>	<u>\$ 6,597</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, 2005

	Law Enforcement Protection Fund	Recreation Fund	Cemetery Fund	Lodgers Tax Fund	Correction Fees Fund	Total
ASSETS						
Cash on deposit	\$ 442	\$ 3,661	\$ 2,774	\$ 7,333	\$ 30,731	\$ 44,941
Accounts receivable	-	113	-	1,796	4,765	6,674
Total assets	\$ 442	\$ 3,774	\$ 2,774	\$ 9,129	\$ 35,496	\$ 51,615
FUND BALANCE						
Unreserved:						
Undesignated for subsequent years expenditures	\$ 442	\$ 3,774	\$ 2,774	\$ 9,129	\$ 35,496	\$ 51,615
Total fund balance	\$ 442	\$ 3,774	\$ 2,774	\$ 9,129	\$ 35,496	\$ 51,615

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, 2005

	Law Enforcement Protection Fund	Recreation Fund	Cemetery Fund	Lodgers Tax Fund	Correction Fees Fund	Total
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 13,735	\$ -	\$ 13,735
Charges for services	-	-	1,195	-	-	1,195
Fines and forfeitures	-	-	-	-	14,903	14,903
Local sources	-	-	-	-	-	-
State sources	21,800	-	-	-	-	21,800
State shared taxes	-	858	-	-	-	858
Total revenues	21,800	858	1,195	13,735	14,903	52,491
EXPENDITURES						
Current:						
Public safety	21,430	-	-	-	1,765	23,195
Culture and recreation	-	74	-	12,576	-	12,650
Health and welfare	-	-	1,264	-	-	1,264
Total expenditures	21,430	74	1,264	12,576	1,765	37,109
Net change in fund balance	370	784	(69)	1,159	13,138	15,382
Fund balance, beginning of year	72	2,990	2,843	7,970	22,358	36,233
Fund balance, end of year	442	3,774	2,774	9,129	35,496	51,615

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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 21,800	\$ 21,800	\$ 21,800	\$ -
Total revenues	<u>\$ 21,800</u>	<u>\$ 21,800</u>	<u>\$ 21,800</u>	<u>\$ -</u>
EXPENDITURES				
Public safety	\$ 21,800	\$ 21,800	\$ 21,430	\$ 370
Total expenditures	<u>\$ 21,800</u>	<u>\$ 21,800</u>	<u>\$ 21,430</u>	<u>\$ 370</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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 500	\$ 500	\$ -	\$ (500)
State shared taxes	<u>813</u>	<u>813</u>	<u>813</u>	<u>-</u>
Total revenues	<u>\$ 1,313</u>	<u>\$ 1,313</u>	<u>\$ 813</u>	<u>\$ (500)</u>
EXPENDITURES				
Culture & recreation	\$ 1,100	\$ 1,100	\$ 74	\$ 1,026
Total expenditures	<u>\$ 1,100</u>	<u>\$ 1,100</u>	<u>\$ 74</u>	<u>\$ 1,026</u>
BUDGETED CASH BALANCE	<u>\$ 213</u>	<u>\$ 213</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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 1,195	\$ 1,195	\$ 1,195	\$ -
Licenses and permits	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Total revenues	<u>\$ 1,695</u>	<u>\$ 1,695</u>	<u>\$ 1,195</u>	<u>\$ (500)</u>
EXPENDITURES				
Health and welfare	\$ 1,256	\$ 1,256	\$ 1,264	\$ (8)
Total expenditures	<u>\$ 1,256</u>	<u>\$ 1,256</u>	<u>\$ 1,264</u>	<u>\$ (8)</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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 16,000	\$ 16,000	\$ 13,431	\$ (2,569)
Total revenues	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 13,431</u>	<u>\$ (2,569)</u>
EXPENDITURES				
Culture & recreation	\$ 17,600	\$ 17,600	\$ 12,576	\$ 5,024
Total expenditures	<u>\$ 17,600</u>	<u>\$ 17,600</u>	<u>\$ 12,576</u>	<u>\$ 5,024</u>
BUDGETED CASH BALANCE	<u>\$ 1,600</u>	<u>\$ 1,600</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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Fines and forfeitures	\$ 7,000	\$ 7,000	\$ 10,138	\$ 3,138
Total revenues	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 10,138</u>	<u>\$ 3,138</u>
EXPENDITURES				
Public safety	\$ 6,200	\$ 6,200	\$ 1,765	\$ 4,435
Total expenditures	<u>\$ 6,200</u>	<u>\$ 6,200</u>	<u>\$ 1,765</u>	<u>\$ 4,435</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, 2005

	Senior Citizen Center Fund
ASSETS	
Cash on deposit	\$ <u> -</u>
Total assets	\$ <u><u> -</u></u>
FUND BALANCE	
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, 2005

	Senior Citizen Center Fund
REVENUES	
Federal sources	\$ 72,681
Total revenues	72,681
EXPENDITURES	
Capital outlay	72,681
Total expenditures	72,681
Net change in fund balance	-
Fund balance, beginning of year	-
Fund balance, end of year	\$ -

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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 500,000	\$ 500,000	\$ 72,681	\$ (427,319)
Total revenues	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 72,681</u>	<u>\$ (427,319)</u>
EXPENDITURES				
Capital outlay	\$ 500,000	\$ 500,000	\$ 72,681	\$ 427,319
Total expenditures	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 72,681</u>	<u>\$ 427,319</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, 2005

	<u>Sales Tax Bond Fund</u>
ASSETS	
Cash on deposit	\$ <u>62,880</u>
Total assets	<u>\$ 62,880</u>
FUND BALANCE	
Reserved for debt service	\$ <u>62,880</u>
Total fund balance	<u>\$ 62,880</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, 2005

	Sales Tax Bond Fund
REVENUES	
Taxes	\$ -
Earnings from investments	473
Total revenues	473
EXPENDITURES	
Bonds	23,000
Interest	3,073
Total expenditures	26,073
Excess (deficiency) of revenues over expenditures	(25,600)
OTHER FINANCING SOURCES	
Transfer in	44,441
Net change in fund balance	18,841
Fund balance at beginning of year	44,039
Fund balance at end of year	\$ 62,880

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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ 45	\$ 45	\$ 473	\$ 428
Total revenues	<u>\$ 45</u>	<u>\$ 45</u>	<u>\$ 473</u>	<u>\$ 428</u>
EXPENDITURES				
Bonds paid	\$ 23,000	\$ 23,000	\$ 23,000	\$ -
Coupons paid	<u>3,073</u>	<u>3,073</u>	<u>3,073</u>	<u>-</u>
Total expenditures	<u>\$ 26,073</u>	<u>\$ 26,073</u>	<u>\$ 26,073</u>	<u>\$ -</u>
OTHER FINANCING SOURCES				
Transfer in	\$ 19,431	\$ 19,431	\$ 44,441	\$ 25,010
Total other financing sources	<u>\$ 19,431</u>	<u>\$ 19,431</u>	<u>\$ 44,441</u>	<u>\$ 25,010</u>
BUDGETED CASH BALANCE	<u>\$ 6,597</u>	<u>\$ 6,597</u>		

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, 2005

Statement E-1

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Total
ASSETS				
Current Assets				
Cash on deposit	\$ 7,303	\$ 11,408	\$ 84,501	\$ 103,212
Accounts receivable (net)	<u>16,172</u>	<u>9,761</u>	<u>-</u>	<u>25,933</u>
Total Current Assets	<u>23,475</u>	<u>21,169</u>	<u>84,501</u>	<u>129,145</u>
Restricted Assets (Cash)				
Customer meter deposits	26,403	-	-	26,403
Debt service	<u>27,945</u>	<u>-</u>	<u>-</u>	<u>27,945</u>
Total Restricted Assets (Cash)	<u>54,348</u>	<u>-</u>	<u>-</u>	<u>54,348</u>
Property, Plant and Equipment				
Land	58,000	-	-	58,000
Equipment	304,291	5,643	73,464	383,398
Vehicles	-	-	237,376	237,376
Plant	4,841,625	-	-	4,841,625
Accumulated depreciation	<u>(2,336,962)</u>	<u>(5,643)</u>	<u>(252,796)</u>	<u>(2,595,401)</u>
Total Property, Plant and Equipment	<u>2,866,954</u>	<u>-</u>	<u>58,044</u>	<u>2,924,998</u>
Total Assets	<u>\$ 2,944,777</u>	<u>\$ 21,169</u>	<u>\$ 142,545</u>	<u>\$ 3,108,491</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Customer meter deposits payable from Restricted Assets	31,475	-	-	31,475
Revenue bonds payable	4,000	-	-	4,000
Loans payable	9,358	-	-	9,358
Capital lease payable	<u>2,144</u>	<u>-</u>	<u>15,552</u>	<u>17,696</u>
Total Current Liabilities	<u>46,977</u>	<u>-</u>	<u>15,552</u>	<u>62,529</u>
Long-Term Liabilities				
Compensated absences	6,438	-	-	6,438
Revenue bonds payable	113,000	-	-	113,000
RUS bonds payable	188,125	-	-	188,125
Loan payable	136,790	-	-	136,790
Capital lease payable	<u>4,634</u>	<u>-</u>	<u>43,006</u>	<u>47,640</u>
Total Long-Term Liabilities	<u>448,987</u>	<u>-</u>	<u>43,006</u>	<u>491,993</u>
NET ASSETS				
Invested in Capital Assets	2,408,903	-	(514)	2,408,389
Unrestricted	<u>39,910</u>	<u>21,169</u>	<u>84,501</u>	<u>145,580</u>
Total Net Assets	<u>2,448,813</u>	<u>21,169</u>	<u>83,987</u>	<u>2,553,969</u>
Total Liabilities and Net Assets	<u>\$ 2,944,777</u>	<u>\$ 21,169</u>	<u>\$ 142,545</u>	<u>\$ 3,108,491</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, 2005

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Totals
OPERATING REVENUES				
Sales and services	\$ 189,524	\$ 104,323	\$ 78,675	\$ 372,522
Environmental gross receipts taxes	-	3,781	-	3,781
Intergovernmental	995,507	-	8,402	1,003,909
Miscellaneous	-	-	500	500
Total operating revenue	<u>1,185,031</u>	<u>108,104</u>	<u>87,577</u>	<u>1,380,712</u>
OPERATING EXPENSES				
Personal services	98,277	12,677	-	110,954
Maintenance and operations	61,513	86,670	52,332	200,515
Depreciation	183,327	-	46,269	229,596
Total operating expenses	<u>343,117</u>	<u>99,347</u>	<u>98,601</u>	<u>541,065</u>
Operating income (loss)	<u>841,914</u>	<u>8,757</u>	<u>(11,024)</u>	<u>839,647</u>
NON-OPERATING REVENUE (EXPENSE)				
Investment income	2,389	-	-	2,389
Investment expense	(10,677)	-	(3,224)	(13,901)
Total Non-Operating Revenue (Expense)	<u>(8,288)</u>	<u>-</u>	<u>(3,224)</u>	<u>(11,512)</u>
Income (loss) before transfers	<u>833,626</u>	<u>8,757</u>	<u>(14,248)</u>	<u>828,135</u>
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Net transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>833,626</u>	<u>8,757</u>	<u>(14,248)</u>	<u>828,135</u>
Total Net Assets, beginning of year	<u>1,615,187</u>	<u>12,412</u>	<u>98,235</u>	<u>1,725,834</u>
Total Net Assets, end of year	<u>\$ 2,448,813</u>	<u>\$ 21,169</u>	<u>\$ 83,987</u>	<u>\$ 2,553,969</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2005

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 192,798	\$ 104,850	\$ 78,675	\$ 376,323
Cash received from state sources	25,000	3,744	8,402	37,146
Cash received from federal sources	970,507	-	-	970,507
Cash received from miscellaneous sources	-	-	500	500
Cash payments to employees and to suppliers for goods and services	<u>(160,699)</u>	<u>(99,347)</u>	<u>(52,332)</u>	<u>(312,378)</u>
Net cash provided by operating activities	<u>1,027,606</u>	<u>9,247</u>	<u>35,245</u>	<u>1,072,098</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(1,183,632)	-	-	(1,183,632)
Loan proceeds	188,125	-	-	188,125
Principal paid	(14,230)	-	(14,823)	(29,053)
Investment expense	<u>(10,677)</u>	<u>-</u>	<u>(3,224)</u>	<u>(13,901)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,020,414)</u>	<u>-</u>	<u>(18,047)</u>	<u>(1,038,461)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	2,389	-	-	2,389
Security deposits	<u>2,682</u>	<u>-</u>	<u>-</u>	<u>2,682</u>
Net cash provided by investing activities	<u>5,071</u>	<u>-</u>	<u>-</u>	<u>5,071</u>
Net increase (decrease) in cash	12,263	9,247	17,198	38,708
Cash, beginning of year	<u>49,388</u>	<u>2,161</u>	<u>67,303</u>	<u>118,852</u>
Cash, end of year	<u>\$ 61,651</u>	<u>\$ 11,408</u>	<u>\$ 84,501</u>	<u>\$ 157,560</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 841,914	\$ 8,757	\$ (11,024)	\$ 839,647
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	183,327	-	46,269	229,596
Changes in assets and liabilities:				
(Increase) decrease in receivables	3,274	490	-	3,764
Increase (decrease) in accounts payable	-	-	-	-
Increase (decrease) in compensated absences	<u>(909)</u>	<u>-</u>	<u>-</u>	<u>(909)</u>
Total	<u>185,692</u>	<u>490</u>	<u>46,269</u>	<u>232,451</u>
Net cash provided (used) by operating activities	<u>\$ 1,027,606</u>	<u>\$ 9,247</u>	<u>\$ 35,245</u>	<u>\$ 1,072,098</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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and services	\$ 219,582	\$ 219,582	\$ 192,798	\$ (26,784)
State sources	25,000	25,000	25,000	-
Federal sources	1,582,000	1,582,000	970,507	(611,493)
Interest income	76	76	2,389	2,313
Total revenues	\$ 1,826,658	\$ 1,826,658	\$ 1,190,694	\$ (635,964)
EXPENDITURES				
Personal services	\$ 110,948	\$ 110,948	\$ 99,186	\$ 11,762
Maintenance and operations	75,000	75,000	61,513	13,487
Capital outlay	1,615,010	1,615,010	1,183,632	431,378
Revenue bonds principle	3,000	3,000	3,000	-
Loan principle	12,000	12,000	11,230	770
Interest expense	10,700	10,700	10,677	23
Total expenditures	\$ 1,826,658	\$ 1,826,658	\$ 1,369,238	\$ 457,420
BUDGETED CASH BALANCE	\$ -	\$ -		

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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and services	\$ 106,000	\$ 106,000	\$ 104,850	\$ (1,150)
Environmental gross receipts tax	5,870	5,870	3,744	(2,126)
Total revenues	\$ 111,870	\$ 111,870	\$ 108,594	\$ (3,276)
EXPENDITURES				
Personal services	\$ 12,801	\$ 12,801	\$ 12,677	\$ 124
Maintenance and operations	86,838	86,838	86,670	168
Total expenditures	\$ 99,639	\$ 99,639	\$ 99,347	\$ 292

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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and services	\$ 62,206	\$ 62,206	\$ 78,675	\$ 16,469
Local sources	500	500	500	-
State sources	<u>8,402</u>	<u>8,402</u>	<u>8,402</u>	<u>-</u>
Total revenues	<u>\$ 71,108</u>	<u>\$ 71,108</u>	<u>\$ 87,577</u>	<u>\$ 16,469</u>
EXPENDITURES				
Maintenance and operations	\$ 53,061	\$ 53,061	\$ 52,332	\$ 729
Principal bond	14,823	14,823	14,823	-
Investment expense	<u>3,224</u>	<u>3,224</u>	<u>3,224</u>	<u>-</u>
Total expenditures	<u>\$ 71,108</u>	<u>\$ 71,108</u>	<u>\$ 70,379</u>	<u>\$ 729</u>

See accompanying notes to financial statements.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Schedule of Changes in
Assets and Liabilities -
Agency Funds
Year Ended June 30, 2005

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
ASSETS				
Cash	\$ 2,092	\$ 60,480	\$ 61,256	\$ 1,316
Total assets	<u>\$ 2,092</u>	<u>\$ 60,480</u>	<u>\$ 61,256</u>	<u>\$ 1,316</u>
LIABILITIES				
Due to bond holders	\$ 1,898	\$ 3,600	\$ 4,200	\$ 1,298
Due to other agencies	<u>194</u>	<u>56,880</u>	<u>57,056</u>	<u>18</u>
Total liabilities	<u>\$ 2,092</u>	<u>\$ 60,480</u>	<u>\$ 61,256</u>	<u>\$ 1,316</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, 2005

	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 18,802
Cash payments to employees	(38,328)
Cash payments to suppliers for goods and services	<u>(28,434)</u>
Net cash provided by operating activities	(47,960)
CASH FLOWS FROM FINANCING ACTIVITIES	
Subsidy from federal grant	21,358
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	<u>1,781</u>
Net increase (decrease) in cash	(24,821)
Cash, beginning of year	<u>78,715</u>
Cash, end of year	<u><u>\$ 53,894</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ (65,548)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	22,608
Changes in assets and liabilities:	
Increase in accounts receivable	(419)
Increase in restricted cash	(23)
Increase in interest receivable	(12)
Decrease in prepaid items	99
Decrease in accounts payable	3,860
Increase in customer deposits	(512)
Increase in compensated absences	(5,390)
Increase in deferred revenue	<u>(2,623)</u>
Total	<u>17,588</u>
Net cash (used) by operating activities	<u><u>\$ (47,960)</u></u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2005

<u>Originating Funding Source and Program</u>	<u>Pass Through Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through New Mexico Department of Finance and Administration:			
Community Development Block Grant/ State's Program	03-C-RS-I-3-G-5	14.228	\$ 72,681
<u>U.S. Department of Agriculture</u>			
* Rural Utilities Service	N/A	10.760	564,375
<u>U.S. Department of Transportation</u>			
Passed through NM State Highway and Transportation Department:			
Click It or Ticket	05-OP-IG-020	20.600	1,000
ODWI	05-AL-64-020	20.601	1,408
ODWI	04-AL-64-020	20.601	2,112
OBD	05-OP-RF-020	20.602	1,908
OBD	04-OP-RF-020	20.602	<u>1,188</u>
Total Department of Transportation			<u>7,616</u>
<u>U.S. Department of the Treasury</u>			
Passed through New Mexico Department of Finance and Administration:			
Water Systems Improvement	03-T-003	21.999	<u>406,132</u>
Total Expenditures of Federal Awards			<u>\$ 644,672</u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Accounting

The Schedule of Expenditures of Federal Awards was prepared using the modified accrual method accounting. This is the same basis as was used to prepare the financial statements.

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Village of Cimarron and is presented on the cash basis of accounting, which is not the same basis as was used to prepare the financial statements. The financial statements were prepared using the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Non-Cash Assistance

The Village did not receive any federal awards in the form of non-cash assistance during the year.

3. Subrecipients

The Village did not provide any federal awards to subrecipients during the year.

*Treated as a Major Program

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, 2005, and have issued our report thereon dated March 11, 2008. 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, 2005. 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. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other 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 an opinion 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 Schedule of Findings and Responses as Comments 03-01, 03-03, 03-04, 03-05, 03-06, 04-01, 04-05, 05-01, 05-03 and 05-04.

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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is 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 Schedule of Findings and Responses as Comments 02-02, 03-01, 03-03, 04-01 and 05-02.

This report is intended solely for the information and use of the Councilors, management, federal awarding agencies, 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. We noted no matters involving the internal control over compliance and its operation that we consider to be a material weakness.

Reed & Associates, C.P.A.

March 11, 2008

Rice and Associates, C.P.A.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Village of Cimarron (Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2005. The Village's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures or the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, management, federal awarding agencies, the New Mexico Legislature, the Village Council, the Office of the State Auditor and the New Mexico Department of Finance and Administration - Local Government Division and is not intended to be and should not be used by anyone other than these specified parties.

Price & Associates, C.P.A.

March 11, 2008

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Part 1 - Summary of Auditor Results

1. Type of Report - Unqualified
2. Reportable Conditions - Immaterial instances 02-02, 03-01, 03-03, 03-04, 03-05, 03-06, 04-01, 04-05, 05-01, 05-02, 05-03 and 05-04
3. Non-Compliance - Immaterial instances 02-02, 03-01, 03-03, 04-01, 05-02 and 05-03
4. Reportable Conditions Over Major Programs - NONE
5. Type of Report Issued on Compliance with the Major Program
- Unqualified
6. Audit Findings - NONE
7. Major Programs - Water and Waste Disposal System for Rural Communities (RUS) CFDA 10.760
8. Dollar Threshold Used to Distinguish Type A and Type B Programs - \$300,000
9. The Village of Cimarron did qualify as a low-risk auditee.

Part 2 - Findings

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

Part 3 - Questioned Costs

NONE

SCHEDULE OF FINDINGS AND RESPONSES

Prior Year Audit Findings

1. Late Audit Report (02-02) - Repeated.
2. Sales Taxes Paid (03-01) - Repeated.
3. Budget Overruns (03-03) - Repeated.
4. Old Meter Deposits (03-04) - Repeated.
5. Water Meter Deposits (03-05) - Repeated.
6. Imprest Bank Account (03-06) - Repeated.
7. Depreciation Policy (04-01) - Repeated.
8. Depreciation of Capital Assets (04-02) - Resolved.
9. Procurement of Services (04-03) - Resolved.
10. Bank Account Authorizations (04-04) - Resolved.
11. Grant Balances (04-05) - Repeated.
12. Interim Budget Deadline (04-06) - Resolved.

Current Year Audit Findings

1. Voided Receipts (05-01)
2. CFDA Data Collection Form (05-02)
3. Rental Agreement (05-03)
4. User Rates (05-04)

Component Unit Audit Findings

Prior Year

1. Late Audit Report (04-01) - Repeated.
2. Budget Overruns (04-02) - Repeated

Current Year

NONE

Late Audit Report
(02-02)

CONDITION	The audit report was submitted to the State Auditor after the required deadline of December 1, 2005. The State Auditors Office received the audit report on July 29, 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 2004 audit report was late. This situation then forced the 2005 audit report to be late.
EFFECT	NMAC 2.2.2.9A(1)(d) was not followed.
RECOMMENDATION	The Village should work closely with the new State Auditor to ensure all future audits are prepared timely.
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 individual and entities that have paid sales tax on their water/sewer/solid waste usage, but not for exempt individuals or entities. Exempt entities include governmental agencies (7-9-13 NMSA 1978) and (7-9-54 NMSA 1978) and non-profit entities (7-9-29 NMSA 1978).
CAUSE	Prior management of the Village was unaware of this difference in exempt and non-exempt entities.
EFFECT	The Village is paying monies to Taxation and Revenue that is not required to do so.
RECOMMENDATION	The Village has new management at this time and they are aware of these statutes.
RESPONSE	We are now making every attempt to file our gross receipts correctly.

Budget Overruns
(03-03)

CONDITION	The Village had a budget overrun in the General Fund and the Cemetery Fund.
CRITERIA	According to Sections 6-6-6 through 6-6-11 NMSA 1978 Compilation "prohibits local governments from making expenditures in excess of the approved budget.
CAUSE	Budgetary adjustments did not occur to correct budget deficits.
EFFECT	The Village did not comply with the Section 6-6-6 through 6-6-11 NMSA 1978 Compilation.
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	Utility Ordinance #244 passed 12-7-2007, returns deposits after five years of good payment history. Deposits are now tracked on the Caselle Utility Module.

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 follow good accounting practices.
CAUSE	Management is aware of this situation but has not completed an accurate meter deposit list and reconciled it to the reconciled bank account on a monthly basis.
EFFECT	Available resources could not be budgeted for and used in the Water Fund.
RECOMMENDATION	Management should designate an employee to perform this duty each month, identify differences and resolve those differences.
RESPONSE	Deposits are now tracked on the new (software) Caselle Utility Module for each meter.

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 follow good accounting practices.
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 will be reconciled by June 2008 and then closed.

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.
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 Village approved Resolution 2008-21 "Depreciation Policy for Fixed Assets" on March 19, 2008.

Grant Balances
(04-05)

CONDITION	The Village did not receive the full amount of a grant from the State General Fund Laws of 2003 appropriated to the State Agency on Aging for rent payments at the temporary Cimarron Senior Center totaling \$50,000. The full \$50,000 was spent, however, only \$49,280 was requested and received from the State Agency on Aging.
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 \$720 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.

Voided Receipts
(05-01)

CONDITION	The Village issued 334 receipts during the year. However, twenty three of those receipts were not actually used. The receipts were not properly voided and could have been misused.
CRITERIA	Proper accounting practices suggest all unused receipts should be properly voided so they cannot be misused.
CAUSE	Prior management was not aware of this practice.
EFFECT	Errors or omissions could have taken place.
RECOMMENDATION	All receipts not used should be properly defaced and all copies attached to ensure they cannot be misused.
RESPONSE	The Village currently has a policy on properly voiding receipts.

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CFDA Data Collection Form
(05-02)

CONDITION The CFDA Data Collection Form was not submitted to the federal clearing house within nine months after the fiscal year end due to the audit not being completed within nine months after the fiscal year end.

CRITERIA The CFDA Data Collection Form is to be submitted to the federal clearing house within nine months after the fiscal year end according to OMB Circular A-133.320.

CAUSE The audit was not completed within the nine month period after the fiscal year end. The audit report must be submitted with the Data Collection Form. Thus, the Data Collection Form could not be submitted until the audit report was completed.

EFFECT The Village was unable to comply with OMB Circular A-133.

RECOMMENDATION The audit report should be completed within nine months after the fiscal year end.

RESPONSE The Village will strive to comply with the CFDA in the future and once all audits have been brought up to date will have their audit done within the nine month period.

Rental Agreement

(05-03)

CONDITION The Village leases office space to the Colfax County Magistrate Court. The rental agreement however, has not been updated since 1992.

CRITERIA All agreements should be updated each year so as to provide the Village with the option to increase rates, cancel the lease or change any existing conditions.

CAUSE Prior management was not concerned with this issue and did not look into requiring a valid, signed lease each year.

EFFECT The Village could be losing monies because the rate has not changed for several years.

RECOMMENDATION The new management should ensure that a new valid lease is obtained each year.

RESPONSE The Village rental agreement will be updated once every fiscal year.

User Rates
(05-04)

CONDITION	The Village water software did not calculate the charges correctly based on the new user rate ordinance.
CRITERIA	When user rate ordinances are changed, management should ensure they are properly changed in the system.
CAUSE	Prior management did not ensure this procedure occurred.
EFFECT	The Village lost approximately \$3,000 in user charges.
RECOMMENDATION	Management should ensure that the new billing software is calculating user charges based on the current ordinance.
RESPONSE	The problem was corrected during the installation of the new Caselle software.

COMPONENT UNIT FINDINGS

Failure to File Audit Report By Required Due Date
(04-01)

CONDITION	The filing date of the completed annual audit, April 28, 2006 is subsequent to the required due date on the Audit contract of March 1, 2006.
CRITERIA	According to the State of New Mexico, Office of the State Auditor publication 2. NMAC 2.2 Requirements for Contracting and Conducting Audits of Agencies, Section 9.1, the filing date for audit reports is December 1 st following the end of the fiscal year.
CAUSE	The late filing was due to accounting records not being finalized and ready to be audited.
EFFECT	According to the above stated source, "Failure to file the audit report by the due date set in Section 9.1 is considered non-compliance with 2 NMAC 2.2 and shall be a current year finding." Each entity shall submit a statement to the State Auditor's Office providing an explanation for the delay in submission.
RECOMMENDATION	The audit contract should be signed by the due date required by the State Auditor in the future.
RESPONSE	The audit contract will be signed and completed by the due date required by the State Auditor in the future.

Expenditures Were Paid in Excess of Budgeted Amount
(04-02)

CONDITION Expenditures were paid in excess of the final approved operating budget established.

Maintenance	390
Contract services	3,842
Utilities	1,080
Other operating expenses	3,847

CRITERIA As part of maintaining fiscal responsibility for the operations of the Housing Authority, management is responsible for following the guidelines set out for expenses in the budget submitted at the beginning of the year, as well as any "BARS" that have been approved.

CAUSE Lack of adequate monitoring of budget versus actual expenditures.

EFFECT Expenditures exceeded revenue for the year. Over-expenditures in some funds resulted in a negative budget variances and/or deficit cash balances in certain funds.

RECOMMENDATION Current policies and procedures provide for methods to change original approved budget expenses when necessary. Management should immediately implement and enforce internal controls to insure that no expenditures be charged against an item until proper approval, based on guidelines established by the New Mexico Department of Finance, have been received. When adherence to these policies is enforced, discipline then becomes established beginning at the requisition level.

RESPONSE Steps will be taken to routinely monitor budgeted versus actual expenditures beginning at the requisition level and process any BARS when necessary.

FINANCIAL STATEMENT PREPARATION

The combined financial statements of the Village of Cimarron as of, and for the year ended, June 30, 2005 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 by conference call on April 2, 2008, to discuss the current audit report and auditors' comments. In attendance were Ms. Mindy Cahill, Village Clerk/Administrator, Ms. Linda Pavletich, Mayor and Ms. Pamela A. Rice, CPA, Contract Auditor.