

STATE OF NEW MEXICO

VILLAGE OF CIMARRON

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2007

(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, 2007

(with Auditor's Report Thereon)

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
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STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Official Roster
Year Ended June 30, 2007

Village Council

| <u>Name</u> | <u>Title</u> |
|-----------------------------|----------------|
| Ms. Linda Pavletich | Mayor |
| Mr. Eloy Brazil | Mayor Pro-Tem |
| Ms. Judy LeDoux | Council Member |
| Ms. Mary Alice Tracey-Boyce | Council Member |
| Mr. William Blankenhorn | Council Member |
| Ms. Sherry Bennett | Council Member |
| Mr. Harl Rogers | Council Member |

Village Administration

| | |
|---------------------|--------------|
| Ms. Mindy Cahill | Clerk |
| Ms. Teresita Gruver | Deputy Clerk |

Public Housing Administration

| | |
|-------------------|--------------------|
| Ms. Julie Sanchez | Executive Director |
|-------------------|--------------------|

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying 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, 2007, 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 and enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007 as listed in the table of contents. We did not audit the financial statements of the component unit-proprietary fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the component unit-proprietary fund, is based on the report of the other auditors. These financial statements are the responsibility of the Village of Cimarron's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Cimarron, as of June 30, 2007, 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 and non-major enterprise fund of the Village of Cimarron, as of June 30, 2007 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 non-major enterprise funds 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 February 26, 2009 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 supplemental information in the table of contents as Component Unit - Statement of Cash Flows and Schedule of Changes in Assets and Liabilities - All Agency Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.

Reed & Associates, C.P.A.

February 26, 2009

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Statement of Net Assets
June 30, 2007

Statement 1

| | Governmental Activities | Business-Type Activities | Housing Authority Component Unit |
|--|----------------------------|-----------------------------|---|
| ASSETS | | | |
| Current Assets | | | |
| Cash | \$ 451,768 | \$ 140,770 | \$ 25,482 |
| Accounts receivable (net) | 65,738 | 28,170 | 11,540 |
| Prepaid assets | - | - | 1,784 |
| Inventory | 24,542 | - | 88 |
| Due from other funds | - | 5,326 | - |
| Total current assets | <u>542,048</u> | <u>174,266</u> | <u>38,894</u> |
| Restricted Assets | | | |
| Cash | - | 52,359 | 1,857 |
| Total restricted assets | <u>-</u> | <u>52,359</u> | <u>1,857</u> |
| Capital Assets | | | |
| Land (non-depreciable) | 117,880 | 58,000 | 18,600 |
| Capital assets, net of depreciation | <u>1,605,064</u> | <u>2,801,819</u> | <u>465,015</u> |
| Total capital assets | <u>1,722,944</u> | <u>2,859,819</u> | <u>483,615</u> |
| Total assets | <u>\$ 2,264,992</u> | <u>\$ 3,086,444</u> | <u>\$ 524,366</u> |
| Current Liabilities | | | |
| Interst payable | \$ 3,384 | \$ - | \$ - |
| Accounts payable | - | - | 1,367 |
| Deposits payable | - | 37,503 | 1,762 |
| NMFA Loan (current portion) | 18,114 | 9,928 | - |
| Capital lease payable (current portion) | 16,845 | 19,250 | - |
| Revenue bonds payable (current portion) | - | 4,000 | - |
| RUS bonds payable | - | 1,800 | - |
| Due to other funds | 5,326 | 24,542 | - |
| Total current liabilities | <u>43,669</u> | <u>97,023</u> | <u>3,129</u> |
| Non-Current Liabilities | | | |
| NMFA Loan (non-current portion) | 15,601 | 117,224 | - |
| Compensated absences payable | 8,736 | 7,302 | 727 |
| Revenue bonds payable | - | 105,000 | - |
| RUS bonds payable | - | 183,025 | - |
| Capital lease payable | - | 9,933 | - |
| Total non-current liabilities | <u>24,337</u> | <u>422,484</u> | <u>727</u> |
| Total liabilities | <u>68,006</u> | <u>519,507</u> | <u>3,856</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 1,672,384 | 2,409,660 | 483,615 |
| Unrestricted | <u>524,602</u> | <u>157,277</u> | <u>36,895</u> |
| Total net assets | <u>2,196,986</u> | <u>2,566,937</u> | <u>520,510</u> |
| Total liabilities and net assets | <u>\$ 2,264,992</u> | <u>\$ 3,086,444</u> | <u>\$ 524,366</u> |

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Statement of Activities
Year Ended June 30, 2007

| 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 | \$ 194,076 | \$ 14,324 | \$ 542 | \$ - | \$ (179,210) | \$ - | \$ (179,210) | \$ - |
| Highways and streets | 70,404 | - | 1,553 | - | (68,851) | - | (68,851) | - |
| Public safety | 239,738 | 68,064 | 58,160 | - | (113,514) | - | (113,514) | - |
| Culture and recreation | 31,409 | - | 59 | - | (31,350) | - | (31,350) | - |
| Health and welfare | 355 | 1,802 | - | - | 1,447 | - | 1,447 | - |
| Interest on long-term debt | 3,384 | - | - | - | (3,384) | - | (3,384) | - |
| Depreciation - unallocated | 95,326 | - | - | - | (95,326) | - | (95,326) | - |
| Total governmental activities | 634,692 | 84,190 | 60,314 | - | (490,188) | - | (490,188) | - |
| Business-type activities: | | | | | | | | |
| Water/Sewer services | 203,367 | 192,059 | 154 | 30,000 | - | 18,846 | 18,846 | - |
| Solid waste services | 96,214 | 119,741 | - | - | - | 23,527 | 23,527 | - |
| Ambulance services | 56,441 | 75,998 | 21,826 | - | - | 41,383 | 41,383 | - |
| Interest on long-term debt | 20,281 | - | - | - | - | (20,281) | (20,281) | - |
| Depreciation - unallocated | 180,549 | - | - | - | - | (180,549) | (180,549) | - |
| Total business-type activities | 556,852 | 387,798 | 21,980 | 30,000 | - | (117,074) | (117,074) | - |
| Total all activities | \$ 1,191,544 | \$ 471,988 | \$ 82,294 | \$ 30,000 | (490,188) | (117,074) | (607,262) | - |
| Component Unit: | | | | | | | | |
| Housing Authority | \$ 83,409 | \$ 30,429 | \$ 88,674 | \$ - | - | - | - | 35,694 |
| General Revenues: | | | | | | | | |
| Property taxes | | | | | 52,213 | - | 52,213 | - |
| Gross receipts taxes | | | | | 226,856 | 5,078 | 231,934 | - |
| Franchise taxes | | | | | 1,980 | - | 1,980 | - |
| Gas tax | | | | | 32,441 | - | 32,441 | - |
| MVD fees | | | | | 23,458 | - | 23,458 | - |
| Cigarette taxes | | | | | 1,982 | - | 1,982 | - |
| Lodgers taxes | | | | | 16,385 | - | 16,385 | - |
| State aid not restricted to special purpose | | | | | 120,075 | - | 120,075 | - |
| General | | | | | 25,784 | 3,554 | 29,338 | 1,639 |
| Investment earnings | | | | | 501,174 | 8,632 | 509,806 | 1,639 |
| Total general revenues and transfers | | | | | 10,986 | (108,442) | (97,456) | 37,333 |
| Change in net assets | | | | | 2,186,000 | 2,675,379 | 4,861,379 | 483,177 |
| Net assets - beginning of year | | | | | 2,196,986 | 2,566,937 | 4,763,923 | 520,510 |
| Net assets - end of year | | | | | \$ 4,382,986 | \$ 5,233,316 | \$ 9,617,246 | \$ 1,003,687 |

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Balance Sheet
Governmental Funds
June 30, 2007

Statement 3

| | General | Fire Protection Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------------|----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash on deposit | \$ 299,249 | \$ 39,189 | \$ 113,330 | \$ 451,768 |
| Accounts receivable | 60,527 | - | 5,211 | 65,738 |
| Due from other funds | 24,542 | - | - | 24,542 |
| Total assets | <u>\$ 384,318</u> | <u>\$ 39,189</u> | <u>\$ 118,541</u> | <u>\$ 542,048</u> |
| LIABILITIES | | | | |
| Due to other funds | \$ 5,326 | - | - | \$ 5,326 |
| Total liabilities | <u>5,326</u> | <u>-</u> | <u>-</u> | <u>5,326</u> |
| FUND BALANCE | | | | |
| Unreserved: | | | | |
| Designated for subsequent years expenditures | - | - | 37,359 | 37,359 |
| Undesignated reported in: | | | | |
| General fund | 378,992 | - | - | 378,992 |
| Special revenue funds | - | 39,189 | 81,182 | 120,371 |
| Capital project funds | - | - | - | - |
| Total fund balance | <u>378,992</u> | <u>39,189</u> | <u>118,541</u> | <u>536,722</u> |
| Total liabilities and fund balance | <u>\$ 384,318</u> | <u>\$ 39,189</u> | <u>\$ 118,541</u> | <u>\$ 542,048</u> |

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2007

Statement 4

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

| | | |
|--|--|------------|
| Total fund balances - governmental funds | | \$ 536,722 |
|--|--|------------|

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

| | | |
|----------------------------|--------------------|-----------|
| The cost of capital assets | 3,768,458 | |
| Accumulated depreciation | <u>(2,045,514)</u> | |
| | | 1,722,944 |

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

| | | |
|-----------------------|----------------|-----------------|
| Interest payable | (3,384) | |
| Capital lease payable | (16,845) | |
| NMFA loan payable | (33,715) | |
| Compensated absences | <u>(8,736)</u> | |
| | | <u>(62,680)</u> |

| | | |
|---------------------------------------|--|---------------------|
| Net assets of governmental activities | | <u>\$ 2,196,986</u> |
|---------------------------------------|--|---------------------|

The accompanying notes are an integral part of these 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, 2007

| | General Fund | Fire Protection Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|----------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ 52,213 | \$ - | \$ 16,385 | \$ 68,598 |
| Franchise taxes | 32,441 | - | - | 32,441 |
| Gross receipts taxes | 127,574 | - | - | 127,574 |
| Gas tax | 8,279 | - | - | 8,279 |
| Rent | 9,518 | - | - | 9,518 |
| MVD fees | 1,980 | - | - | 1,980 |
| Charges for services | 310 | - | 1,802 | 2,112 |
| Licenses and permits | 4,496 | - | - | 4,496 |
| Fines and forfeitures | 51,890 | - | 16,174 | 68,064 |
| Local sources | 542 | 100 | 59 | 701 |
| State sources | 121,628 | 26,992 | 22,400 | 171,020 |
| Federal sources | 8,668 | - | - | 8,668 |
| State shared taxes | 115,676 | - | 767 | 116,443 |
| Earnings from investments | 25,653 | - | 131 | 25,784 |
| Total revenues | 560,868 | 27,092 | 57,718 | 645,678 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 195,113 | - | - | 195,113 |
| Highways and streets | 70,404 | - | - | 70,404 |
| Public safety | 181,730 | 72,899 | 20,891 | 275,520 |
| Health & welfare | - | - | 355 | 355 |
| Culture and recreation | 11,184 | - | 20,225 | 31,409 |
| Capital outlay | 8,407 | - | - | 8,407 |
| Debt service: | | | | |
| Bonds paid | - | - | - | - |
| Interest paid | - | - | - | - |
| Total expenditures | 466,838 | 72,899 | 41,471 | 581,208 |
| Excess (deficiency) revenues over expenditures | 94,030 | (45,807) | 16,247 | 64,470 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers (out) | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances | 94,030 | (45,807) | 16,247 | 64,470 |
| Fund balance beginning of year | 284,962 | 84,996 | 102,294 | 472,252 |
| Fund balance end of year | \$ 378,992 | \$ 39,189 | \$ 118,541 | \$ 536,722 |

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

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 64,470

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 | (95,326) | |
| Capital outlays | <u>8,407</u> | |

Excess of capital outlay over depreciation expense (86,919)

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 | 788 | |
| Compensated absences payable | <u>1,037</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 | | <u>31,610</u> |
|--|--|---------------|

| | | |
|---|--|------------------|
| Change in net assets of governmental activities | | <u>\$ 10,986</u> |
|---|--|------------------|

The accompanying notes are an integral part of these 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, 2007

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|--------------------|-------------------|-------------------|--|
| REVENUES | | | | |
| Taxes | \$ 43,513 | \$ 43,513 | \$ 52,229 | \$ 8,716 |
| Franchise taxes | 16,847 | 16,847 | 28,515 | 11,668 |
| Gross receipts taxes | 143,069 | 143,069 | 127,395 | (15,674) |
| Gas tax | 16,968 | 16,968 | - | (16,968) |
| Rent | 8,832 | 8,832 | 9,518 | 686 |
| MVD fees | 2,500 | 2,500 | 1,848 | (652) |
| Charges for services | 60 | 60 | 310 | 250 |
| Licenses and permits | 4,425 | 4,425 | 4,496 | 71 |
| Fines and forfeitures | 45,379 | 45,379 | 51,890 | 6,511 |
| Local sources | 20,150 | 20,150 | 5,263 | (14,887) |
| State sources | 92,802 | 92,802 | 121,628 | 28,826 |
| Federal sources | 17,982 | 17,982 | 9,020 | (8,962) |
| State shared taxes | 130,539 | 130,539 | 115,676 | (14,863) |
| Earnings from investments | 15,495 | 15,495 | 25,653 | 10,158 |
| Total revenues | \$ 558,561 | \$ 558,561 | \$ 553,441 | \$ (5,120) |
| EXPENDITURES | | | | |
| General government | \$ 241,771 | \$ 241,771 | \$ 195,113 | \$ 46,658 |
| Highways and streets | 67,654 | 67,654 | 78,811 | (11,157) |
| Public safety | 193,466 | 193,466 | 181,730 | 11,736 |
| Culture and recreation | 11,500 | 11,500 | 11,184 | 316 |
| Total expenditures | \$ 514,391 | \$ 514,391 | \$ 466,838 | \$ 47,553 |
| BUDGETED CASH BALANCE | \$ - | \$ - | | |

The accompanying notes are an integral part of these 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, 2007

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|--------------------|-------------------|------------------|--|
| REVENUES | | | | |
| Local sources | \$ 6,000 | \$ 6,000 | \$ 100 | \$ (5,900) |
| State sources | <u>61,667</u> | <u>61,667</u> | <u>26,992</u> | <u>(34,675)</u> |
| Total revenues | <u>\$ 67,667</u> | <u>\$ 67,667</u> | <u>\$ 27,092</u> | <u>\$ (40,575)</u> |
| EXPENDITURES | | | | |
| Public safety | \$ 106,366 | \$ 106,366 | \$ 72,899 | \$ 33,467 |
| Total expenditures | <u>\$ 106,366</u> | <u>\$ 106,366</u> | <u>\$ 72,899</u> | <u>\$ 33,467</u> |
| BUDGETED CASH BALANCE | <u>\$ 38,699</u> | <u>\$ 38,699</u> | | |

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

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Enterprise Funds
 Statement of Net Assets
 June 30, 2007

Statement 9

| | Enterprise Fund |
|---|--------------------|
| ASSETS | |
| Current Assets | |
| Cash on deposit | \$ 140,770 |
| Accounts receivable (net) | 28,170 |
| Due from other funds | 5,326 |
| Total Current Assets | 174,266 |
| Restricted Assets (Cash) | |
| Customer meter deposits | 35,036 |
| Debt service | 17,323 |
| Total Restricted Assets (Cash) | 52,359 |
| Property, Plant and Equipment | |
| Land | 58,000 |
| Equipment | 448,303 |
| Vehicles | 216,723 |
| Plant | 5,122,753 |
| Accumulated depreciation | (2,985,960) |
| Total Property, Plant and Equipment | 2,859,819 |
| Total Assets | \$ 3,086,444 |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | \$ - |
| Due to other funds | 24,542 |
| Customer meter deposits payable from Restricted Assets | 37,503 |
| Revenue bonds payable | 4,000 |
| RUS Bonds payable | 9,928 |
| Loans payable | 1,800 |
| Capital lease payable | 19,250 |
| Total Current Liabilities | 97,023 |
| Long-Term Liabilities | |
| Compensated absences | 7,302 |
| Revenue bonds payable | 105,000 |
| RUS Bonds payable | 183,025 |
| Loan payable | 117,224 |
| Capital lease payable | 9,933 |
| Total Long-Term Liabilities | 422,484 |
| NET ASSETS | |
| Invested in Capital Assets, net of related debt | 2,409,660 |
| Restricted for debt service | 17,323 |
| Unrestricted | 139,954 |
| Total Net Assets | 2,566,937 |
| Total Liabilities and Net Assets | \$ 3,086,444 |

The accompanying notes are an integral part of these 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, 2007

| | Enterprise Fund |
|--|--------------------|
| OPERATING REVENUES | |
| Sales and services | \$ 387,798 |
| Environmental gross receipts taxes | 5,078 |
| Intergovernmental | 42,662 |
| Miscellaneous | 9,318 |
| Total operating revenue | 444,856 |
| OPERATING EXPENSES | |
| Personal services | 108,617 |
| Maintenance and operations | 247,405 |
| Depreciation | 180,549 |
| Total operating expenses | 536,571 |
| Operating income (loss) | (91,715) |
| NON-OPERATING REVENUE (EXPENSE) | |
| Investment income | 3,554 |
| Investment expense | (20,281) |
| Total Non-Operating Revenue (Expense) | (16,727) |
| Income (loss) before transfers | (108,442) |
| Operating transfers in | - |
| Operating transfers out | - |
| Net transfers | - |
| Change in Net Assets | (108,442) |
| Total Net Assets, beginning of year | 2,675,379 |
| Total Net Assets, end of year | \$ 2,566,937 |

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Enterprise Funds'
Statement of Cash Flows
For the Year Ended June 30, 2007

| | Enterprise Fund |
|---|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from customers | \$ 386,889 |
| Cash received from state sources | 42,662 |
| Cash received from miscellaneous sources | 9,318 |
| Cash payments to employees and to suppliers for goods and services | <u>(352,303)</u> |
| Net cash provided by operating activities | <u>86,566</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Acquisition of capital assets | (44,252) |
| Principal paid | (33,793) |
| Investment expense | (20,281) |
| Borrowed from other funds | <u>24,542</u> |
| Net cash provided (used) by capital and related financing activities | <u>(73,784)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Investment income | 3,554 |
| Security deposits | <u>2,550</u> |
| Net cash provided by investing activities | <u>6,104</u> |
| Net increase (decrease) in cash | 18,886 |
| Cash, beginning of year | <u>174,243</u> |
| Cash, end of year | <u>\$ 193,129</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Operating income (loss) | <u>\$ (91,715)</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 180,549 |
| Changes in assets and liabilities: | |
| (Increase) decrease in receivables | (5,987) |
| Increase (decrease) in accounts payable | - |
| Increase (decrease) in compensated absences | <u>3,719</u> |
| Total | <u>178,281</u> |
| Net cash provided (used) by operating activities | <u>\$ 86,566</u> |

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2007

| | <u>Agency Funds</u> |
|-----------------------|-------------------------|
| ASSETS | |
| Cash | \$ <u>1,135</u> |
| Total Assets | <u>\$ 1,135</u> |
| LIABILITIES | |
| Due to bond holders | \$ 1,699 |
| Due to other agencies | <u>(564)</u> |
| Total Liabilities | <u>\$ 1,135</u> |

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Notes to Financial Statements
Year Ended June 30, 2007

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*.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the wastewater, solid waste, and sewer funds are charges to customers for sales and services. The wastewater fund also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Village reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Village does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

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

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

Notes to Financial Statements (continued)

Investments for the Village are reported at cost.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as "internal balances". Advances between funds, as reported in the fund financial statement, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are reported at cost, and expenditures are recorded at the time individual inventory items are purchased. Proprietary fund 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 \$5,000 (amount not rounded) per Section 12-6-10 NMSA 1978 and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. 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

Notes to Financial Statements (continued)

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 \$5,000 threshold. Also, the Village does not capitalize library books unless they exceed the \$5,000 threshold.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

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.

Notes to Financial Statements (continued)

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.

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.

Notes to Financial Statements (continued)

3. The Village Mayor and Clerk-Treasurer are authorized to transfer budget amounts between departments within any fund; however, the Local-Government Division of the State Department of Finance and Administration must approve any revisions that alter the total expenditures of any fund.
4. Formal budgetary integration is to be employed as a management control device during the year for all of the governmental fund types.
5. Encumbrances are not considered in budget preparation.
6. The level of classifications detail in which expenditures may not legally exceed appropriations for each budget is in fund total. Appropriates lapse at year-end.
7. All budgets are adopted on a cash basis.
8. Budgets have been adopted for all funds of the Village, except for the Housing Authority. HUD controls the Budget of the Housing Authority. The budgetary comparison for the Housing Authority appears in the Authority's separate audit report.

F. Property Taxes

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

G. Interfund Transactions

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

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

H. Risk Management

The City is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance of these risks of loss, including workers' compensation and employee health and accident insurance.

Notes to Financial Statements (continued)

I. Encumbrances

The Village does not utilize encumbrance accounting.

2. DEPOSITORY COLLATERAL

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

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

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

| | | | |
|--------------------------|--|-----------|-----------------------|
| International State Bank | Checking-Debt Service Account | \$ | 37,359 |
| International State Bank | Checking-Bond Account (Enterprise) | | 8,152 |
| International State Bank | Checking-Municipal Bond Account | | 2,017 |
| International State Bank | Checking-Municipal Court Account | | 2,708 |
| International State Bank | Checking-Water Meter Account | | 24,326 |
| International State Bank | Checking-General Account | | 489,301 |
| International State Bank | Checking-Solid Waste Account | | 28,402 |
| International State Bank | Checking-Sewer Operating Account | | 2,366 |
| International State Bank | Checking-Water Income Account | | 6,457 |
| International State Bank | Checking-Payroll Account | | 10,169 |
| International State Bank | Checking-EMS Account | | 12,404 |
| International State Bank | Checking-Water Transmission | | - |
| International State Bank | Checking-RUS | | 48 |
| International State Bank | Certificate of Deposit- Bond Reserve | | 9,123 |
| International State Bank | Certificate of Deposit- Water Meter | | 11,439 |
| International State Bank | Certificate of Deposit- General Account | | 20,231 |
| | Total | \$ | <u>664,502</u> |
| | Total amount on deposit | \$ | 664,502 |
| | Rounding | | 1 |
| | Outstanding checks | | (29,723) |
| | Deposits in transit | | <u>11,252</u> |
| | Total per financial statements | \$ | <u>646,032</u> |

Notes to Financial Statements (continued)

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

| | <u>International State Bank</u> |
|--|-------------------------------------|
| Cash on deposit at June 30, 2007 | \$ 664,502 |
| Less F.D.I.C. | <u>(140,793)</u> |
| Uninsured funds | 523,709 |
| 50% Collateral requirement | <u>261,855</u> |
| Pledged collateral at June 30, 2007 | 346,258 |
| Excess of pledged collateral | <u>\$ 84,403</u> |

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$523,709 of the Village's bank balance of \$664,502 was exposed to custodial credit risk as follows:

| | |
|--|-------------------|
| A. Uninsured and Uncollateralized | \$ 177,451 |
| B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Villages name | <u>346,258</u> |
| Total | <u>\$ 523,709</u> |

Pledged collateral of the International State Bank consists of the following at June 30, 2007:

| <u>Federal Reserve Bank, Denver, Colorado</u> | <u>Maturity Date</u> | <u>Fair Market Value</u> |
|---|----------------------|------------------------------|
| FHLB #3133X8Q47 | 9-28-2007 | \$ 49,771 |
| FHLB #3133X8Q47 | 9-28-2007 | 74,657 |
| FHLB #3133MUGP4 | 11-13-2009 | 48,870 |
| FHLB #3133MUGP4 | 11-13-2009 | 24,415 |
| Fnnnt #3136F73D7 | 10-11-2011 | <u>148,545</u> |
| | | <u>\$ 346,258</u> |

Notes to Financial Statements (continued)

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 | \$ - | \$ 28,052 |
| Less allowance for uncollectible accounts | <u>-</u> | <u>-</u> |
| Subtotal | - | 28,052 |
| Franchise taxes | 4,703 | - |
| Property taxes | 632 | - |
| Gas taxes | 8,278 | - |
| Cigarette tax | 304 | - |
| Gross receipts tax | 16,375 | - |
| Lodgers tax | 2,420 | - |
| MVD fees | 336 | - |
| Fines & forfeitures | 2,690 | - |
| Intergovernmental | <u>30,000</u> | <u>118</u> |
| Total | <u>\$ 65,738</u> | <u>\$ 28,170</u> |

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, 2007, the following changes occurred in the liabilities reported in the Statement of Net Assets:

| | <u>Balance 6-30-2006</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6-30-2007</u> | <u>Due Within One Year</u> |
|----------------------|------------------------------|------------------|------------------|------------------------------|--------------------------------|
| Compensated absences | \$ 9,773 | \$ - | \$ 1,038 | \$ 8,735 | \$ - |
| NMFA Loan | 51,623 | - | 17,908 | 33,715 | 18,114 |
| Capital Lease | <u>30,547</u> | <u>-</u> | <u>13,702</u> | <u>16,845</u> | <u>16,845</u> |
| Total | <u>\$ 91,943</u> | <u>\$ -</u> | <u>\$ 32,648</u> | <u>\$ 59,295</u> | <u>\$ 34,959</u> |

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

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, 2009.

Notes to Financial Statements (continued)

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|------------------|-----------------|------------------|
| 2008 | \$ 18,114 | \$ 2,668 | \$ 20,782 |
| 2009 | 15,601 | 2,411 | 18,012 |
| | <u>\$ 33,715</u> | <u>\$ 5,079</u> | <u>\$ 38,794</u> |

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.

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|------------------|-----------------|------------------|
| 2008 | <u>\$ 16,845</u> | <u>\$ 716</u> | <u>\$ 17,561</u> |

5. LONG-TERM DEBT OBLIGATIONS - ENTERPRISE FUNDS

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

| | <u>Balance 6-30-2006</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6-30-2007</u> | <u>Due Within One Year</u> |
|----------------------|------------------------------|------------------|------------------|------------------------------|--------------------------------|
| Water/Sewer Bonds | \$113,000 | \$ - | \$ 4,000 | \$ 109,000 | \$ 4,000 |
| Water Loan | 136,790 | - | 9,928 | 126,862 | 9,928 |
| Compensated absences | 3,583 | 4,219 | 500 | 7,302 | - |
| RUS Bonds | 186,525 | - | 1,700 | 184,825 | 1,800 |
| Capital lease | 47,641 | - | 18,458 | 29,183 | 19,250 |
| Total | <u>\$487,539</u> | <u>\$ 4,219</u> | <u>\$ 34,586</u> | <u>\$ 457,172</u> | <u>\$ 31,978</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.

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-------------------|------------------|-------------------|
| 2008 | \$ 4,000 | \$ 5,450 | \$ 9,450 |
| 2009 | 4,000 | 5,250 | 9,250 |
| 2010 | 4,000 | 5,050 | 9,050 |
| 2011 | 4,000 | 4,850 | 8,850 |
| 2012 | 5,000 | 4,650 | 9,650 |
| 2013-2017 | 27,000 | 19,450 | 46,450 |
| 2018-2022 | 35,000 | 11,950 | 46,950 |
| 2023-2025 | 26,000 | 2,650 | 28,650 |
| | <u>\$ 109,000</u> | <u>\$ 59,300</u> | <u>\$ 168,300</u> |

Notes to Financial Statements (continued)

Water System Loan

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|--------------------------|-------------------------|--------------------------|
| 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>\$ 127,151</u> | <u>\$ 24,014</u> | <u>\$ 151,165</u> |

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> |
|--------------------------------|--------------------------|--------------------------|--------------------------|
| 2008 | \$ 1,800 | \$ 8,007 | \$ 9,807 |
| 2009 | 1,900 | 7,924 | 9,824 |
| 2010 | 1,900 | 7,841 | 9,741 |
| 2011 | 2,000 | 7,754 | 9,754 |
| 2012 | 2,100 | 7,662 | 9,762 |
| 2013-17 | 12,200 | 36,764 | 48,964 |
| 2018-22 | 15,400 | 33,684 | 49,084 |
| 2023-27 | 19,500 | 29,799 | 49,299 |
| 2028-32 | 24,600 | 24,873 | 49,473 |
| 2033-37 | 31,000 | 18,687 | 49,687 |
| 2038-42 | 39,100 | 10,877 | 49,977 |
| 2043-45 | 33,325 | 1,717 | 35,042 |
| | <u>\$ 184,825</u> | <u>\$ 195,589</u> | <u>\$ 380,414</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> |
|--------------------------------|-------------------------|------------------------|-------------------------|
| 2008 | \$ 19,250 | \$ 1,038 | \$ 20,288 |
| 2009 | 9,933 | 211 | 10,144 |
| | <u>\$ 29,183</u> | <u>\$ 1,249</u> | <u>\$ 30,432</u> |

Notes to Financial Statements (continued)

6. DEPOSITS HELD FOR OTHERS , ENTERPRISE FUND

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

Hydrant Meter deposits \$37,503

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

Residential properties \$ 60
Commercial properties \$ 120

7. CAPITAL ASSETS

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

| | Balances June 30, 2006 | Additions | Deletions | Balances June 30, 2007 |
|--------------------------------|---------------------------|--------------------|-------------|---------------------------|
| Land | \$ 117,880 | \$ - | \$ - | \$ 117,880 |
| Buildings | 1,685,139 | - | - | 1,685,139 |
| Infrastructure | 1,182,197 | - | - | 1,182,197 |
| Vehicles | 565,270 | - | - | 565,270 |
| Equipment | 229,126 | 8,407 | (19,561) | 217,972 |
| Sub-total | 3,779,612 | 8,407 | (19,561) | 3,768,458 |
| Less: accumulated depreciation | (1,969,749) | (95,326) | 19,561 | (2,045,514) |
| Net capital assets | <u>\$ 1,809,863</u> | <u>\$ (86,919)</u> | <u>\$ -</u> | <u>\$ 1,722,944</u> |

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

| | Balances June 30, 2006 | Additions | Deletions | Balances June 30, 2007 |
|--------------------------------|---------------------------|---------------------|-------------|---------------------------|
| Land | \$ 58,000 | \$ - | \$ - | \$ 58,000 |
| Equipment | 404,051 | 44,252 | - | 448,303 |
| Vehicles | 216,723 | - | - | 216,723 |
| Plant | 5,122,753 | - | - | 5,122,753 |
| Sub-total | 5,801,527 | 44,252 | - | 5,845,779 |
| Less: accumulated depreciation | (2,805,410) | (180,549) | - | (2,985,959) |
| Net capital assets | <u>\$ 2,996,117</u> | <u>\$ (136,297)</u> | <u>\$ -</u> | <u>\$ 2,859,820</u> |

8. PROPERTY TAXES

The Village of Cimarron receives property taxes from the Sandoval County Treasurer for operational purposes. Property taxes are assessed on January 1st of each year, except on livestock, and are payable in two equal installments on November 10th of the year in which the tax bill is prepared and April 10th of the following year.

Notes to Financial Statements (continued)

In addition, tax levies are authorized by statute to service payments due on general obligation bonds which have been authorized pursuant to state law. The full faith and credit of the necessary to pay the interest and on the principal of the negotiable bonds as the interest and principal become due, without limitation as to rate or amount. The Village may pay the principal or interest on any general obligation bonds from any available revenues, and the levy or levies of taxes may be diminished to the extent such other revenues are available for the payment of such principal and interest.

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

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

Notes to Financial Statements (continued)

9. BUDGET TO GAAP RECONCILIATION

| | <u>General Fund</u> | <u>Fire Protection Fund</u> | <u>Non- Major Special Revenue Fund</u> | <u>Non- Major Debt Service Fund</u> |
|------------------------------------|-------------------------|-------------------------------------|--|---|
| <u>Revenues</u> | | | | |
| Modified accrual basis | \$560,868 | \$ 27,092 | \$ 57,587 | \$ 131 |
| Budgetary basis | <u>553,441</u> | <u>27,092</u> | <u>59,202</u> | <u>131</u> |
| Increase (decrease) in receivables | <u>\$ 7,427</u> | <u>\$ -</u> | <u>\$ (1,615)</u> | <u>\$ -</u> |
| <u>Expenditures</u> | | | | |
| Modified accrual basis | \$466,838 | \$ 72,899 | \$ 41,471 | \$ - |
| Budgetary basis | <u>466,838</u> | <u>72,899</u> | <u>41,471</u> | <u>-</u> |
| Increase (decrease) in payables | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

10. BUDGET VIOLATIONS

The Special Revenue Lodgers Tax Fund had a budget overrun in the amount of \$2,568.

11. RETIREMENT PLAN

Plan Description. Substantially all of Village of Cimarron's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Board (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that 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, 2007, 2006, and 2005 were \$20,603, \$21,921 and \$24,107 respectively equal to the amount of the required contributions for the year.

Notes to Financial Statements (continued)

12. RETIREE HEALTH CARE ACT

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

13. RISK MANAGEMENT

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

14. COMPONENT UNIT

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

NON-MAJOR FUNDS

STATE OF NEW MEXICO
 VILLAGE OF CIMARRON
 Non-Major Governmental Funds
 Combining Balance Sheet - By Fund Type
 June 30, 2007

| | Special Revenue Funds | Debt Service Funds | Total |
|--|-----------------------------|--------------------------|-----------------------|
| ASSETS | | | |
| Cash on deposit | \$ 75,971 | \$ 37,359 | \$ 113,330 |
| Accounts receivable | <u>5,211</u> | <u>-</u> | <u>5,211</u> |
| Total assets | <u>\$ 81,182</u> | <u>\$ 37,359</u> | <u>\$ 118,541</u> |
| FUND BALANCE | | | |
| Unreserved: | | | |
| Designated for subsequent years expenditures | \$ - | \$ 37,359 | \$ 37,359 |
| Undesignated | <u>81,182</u> | <u>-</u> | <u>81,182</u> |
| Total fund balance | <u>\$ 81,182</u> | <u>\$ 37,359</u> | <u>\$ 118,541</u> |

The accompanying notes are an integral part of these 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, 2007

Statement A-2

| | Special Revenue Funds | Debt Service Funds | Total |
|--|-----------------------------|--------------------------|-------------------|
| REVENUES | | | |
| Taxes | \$ 16,385 | \$ - | \$ 16,385 |
| Charges for services | 1,802 | - | 1,802 |
| Fines and forfeitures | 16,174 | - | 16,174 |
| Local sources | 59 | - | 59 |
| State sources | 22,400 | - | 22,400 |
| State shared taxes | 767 | - | 767 |
| Earnings from investments | - | 131 | 131 |
| | <u>57,587</u> | <u>131</u> | <u>57,718</u> |
| Total revenues | | | |
| EXPENDITURES | | | |
| Current: | | | |
| Public safety | 20,891 | - | 20,891 |
| Culture and recreation | 20,225 | - | 20,225 |
| Health and welfare | 355 | - | 355 |
| Capital outlay | - | - | - |
| Bonds paid | - | - | - |
| Interest paid | - | - | - |
| | <u>41,471</u> | <u>-</u> | <u>41,471</u> |
| Total expenditures | | | |
| Excess (deficiency) of revenues over expenditures | 16,116 | 131 | 16,247 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | | | |
| Net change in fund balance | 16,116 | 131 | 16,247 |
| Fund balance at beginning of year | <u>65,066</u> | <u>37,228</u> | <u>102,294</u> |
| Fund balance at end of year | <u>\$ 81,182</u> | <u>\$ 37,359</u> | <u>\$ 118,541</u> |

The accompanying notes are an integral part of these 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, 2007

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|-------------------------|-------------------------|-------------------------|--|
| REVENUES | | | | |
| Taxes | \$ 16,000 | \$ 16,000 | \$ 16,336 | \$ 336 |
| Charges for services | 2,000 | 2,000 | 1,802 | (198) |
| Licenses and permits | 500 | 500 | - | (500) |
| Fines and forfeitures | 7,000 | 7,000 | 17,857 | 10,857 |
| Local sources | 500 | - | 59 | 59 |
| State sources | 21,800 | 21,800 | 22,400 | 600 |
| Federal sources | - | - | - | - |
| State shared taxes | 800 | 1,300 | 748 | (552) |
| Earnings from investments | - | - | - | - |
| Total revenues | <u>\$ 48,600</u> | <u>\$ 48,600</u> | <u>\$ 59,202</u> | <u>\$ 10,602</u> |
| EXPENDITURES | | | | |
| Public safety | \$ 27,800 | \$ 27,800 | \$ 20,891 | \$ 6,909 |
| Culture and recreation | 18,700 | 18,700 | 20,225 | (1,525) |
| Health and welfare | 1,500 | 1,500 | 355 | 1,145 |
| Total expenditures | <u>\$ 48,000</u> | <u>\$ 48,000</u> | <u>\$ 41,471</u> | <u>\$ 6,529</u> |
| BUDGETED CASH BALANCE | <u>\$ 1,600</u> | <u>\$ 1,600</u> | | |

The accompanying notes are an integral part of these 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, 2007

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|--------------------|-----------------|---------------|--|
| REVENUES | | | | |
| Earnings from investments | \$ 100 | \$ 100 | \$ 131 | \$ 31 |
| Total revenues | <u>\$ 100</u> | <u>\$ 100</u> | <u>\$ 131</u> | <u>\$ 31</u> |
| EXPENDITURES | | | | |
| Bonds paid | \$ - | \$ - | \$ - | \$ - |
| Coupons paid | - | - | - | - |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| BUDGETED CASH BALANCE | <u>\$ -</u> | <u>\$ -</u> | | |

The accompanying notes are an integral part of these 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, 2007

| | Law Enforcement Protection Fund | Recreation Fund | Cemetery Fund | Lodgers Tax Fund | Correction Fees Fund | Total |
|---|--|--------------------|------------------|------------------------|----------------------------|-----------|
| ASSETS | | | | | | |
| Cash on deposit | \$ 4,390 | \$ 4,172 | \$ 7,523 | \$ 426 | \$ 59,460 | \$ 75,971 |
| Accounts receivable | - | 101 | - | 2,420 | 2,690 | 5,211 |
| Total assets | \$ 4,390 | \$ 4,273 | \$ 7,523 | \$ 2,846 | \$ 62,150 | \$ 81,182 |
| FUND BALANCE | | | | | | |
| Unreserved: | | | | | | |
| Undesignated for subsequent years expenditures | \$ 4,390 | \$ 4,273 | \$ 7,523 | \$ 2,846 | \$ 62,150 | \$ 81,182 |
| Total fund balance | \$ 4,390 | \$ 4,273 | \$ 7,523 | \$ 2,846 | \$ 62,150 | \$ 81,182 |

The accompanying notes are an integral part of these 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, 2007

| | Law Enforcement Protection Fund | Recreation Fund | Cemetery Fund | Lodgers Tax Fund | Correction Fees Fund | Total |
|--|--|--------------------|------------------|------------------------|----------------------------|------------------|
| REVENUES | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 16,385 | \$ - | \$ 16,385 |
| Charges for services | - | - | 1,802 | - | - | 1,802 |
| Fines and forfeitures | - | - | - | - | 16,174 | 16,174 |
| Local sources | - | 59 | - | - | - | 59 |
| State sources | 22,400 | - | - | - | - | 22,400 |
| State shared taxes | - | 767 | - | - | - | 767 |
| Total revenues | <u>22,400</u> | <u>826</u> | <u>1,802</u> | <u>16,385</u> | <u>16,174</u> | <u>57,587</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public safety | 20,192 | - | - | - | 699 | 20,891 |
| Culture and recreation | - | 57 | - | 20,168 | - | 20,225 |
| Health and welfare | - | - | 355 | - | - | 355 |
| Total expenditures | <u>20,192</u> | <u>57</u> | <u>355</u> | <u>20,168</u> | <u>699</u> | <u>41,471</u> |
| Net change in fund balance | <u>2,208</u> | <u>769</u> | <u>1,447</u> | <u>(3,783)</u> | <u>15,475</u> | <u>16,116</u> |
| Fund balance, beginning of year | <u>2,182</u> | <u>3,504</u> | <u>6,076</u> | <u>6,629</u> | <u>46,675</u> | <u>65,066</u> |
| Fund balance, end of year | <u>\$ 4,390</u> | <u>\$ 4,273</u> | <u>\$ 7,523</u> | <u>\$ 2,846</u> | <u>\$ 62,150</u> | <u>\$ 81,182</u> |

The accompanying notes are an integral part of these 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, 2007

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| State sources | \$ 21,800 | \$ 21,800 | \$ 22,400 | \$ 600 |
| Total revenues | <u>\$ 21,800</u> | <u>\$ 21,800</u> | <u>\$ 22,400</u> | <u>\$ 600</u> |
| EXPENDITURES | | | | |
| Public safety | \$ 21,800 | \$ 21,800 | \$ 20,192 | \$ 1,608 |
| Total expenditures | <u>\$ 21,800</u> | <u>\$ 21,800</u> | <u>\$ 20,192</u> | <u>\$ 1,608</u> |

The accompanying notes are an integral part of these 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, 2007

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------|--------------------|-----------------|---------------|--|
| REVENUES | | | | |
| Local sources | \$ - | \$ - | \$ 59 | \$ 59 |
| State shared taxes | <u>1,300</u> | <u>1,300</u> | <u>748</u> | <u>(552)</u> |
| Total revenues | <u>\$ 1,300</u> | <u>\$ 1,300</u> | <u>\$ 807</u> | <u>\$ (493)</u> |
| EXPENDITURES | | | | |
| Culture & recreation | \$ 1,100 | \$ 1,100 | \$ 57 | \$ 1,043 |
| Total expenditures | <u>\$ 1,100</u> | <u>\$ 1,100</u> | <u>\$ 57</u> | <u>\$ 1,043</u> |

The accompanying notes are an integral part of these 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, 2007

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|------------------------|------------------------|------------------------|--|
| REVENUES | | | | |
| Charges for services | \$ 2,000 | \$ 2,000 | \$ 1,802 | \$ (198) |
| Licenses and permits | <u>500</u> | <u>500</u> | <u>-</u> | <u>(500)</u> |
| Total revenues | <u>\$ 2,500</u> | <u>\$ 2,500</u> | <u>\$ 1,802</u> | <u>\$ (698)</u> |
| EXPENDITURES | | | | |
| Health and welfare | \$ 1,500 | \$ 1,500 | \$ 355 | \$ 1,145 |
| Total expenditures | <u>\$ 1,500</u> | <u>\$ 1,500</u> | <u>\$ 355</u> | <u>\$ 1,145</u> |

The accompanying notes are an integral part of these 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, 2007

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Taxes | \$ 16,000 | \$ 16,000 | \$ 16,336 | \$ 336 |
| Total revenues | <u>\$ 16,000</u> | <u>\$ 16,000</u> | <u>\$ 16,336</u> | <u>\$ 336</u> |
| EXPENDITURES | | | | |
| Culture & recreation | \$ 17,600 | \$ 17,600 | \$ 20,168 | \$ (2,568) |
| Total expenditures | <u>\$ 17,600</u> | <u>\$ 17,600</u> | <u>\$ 20,168</u> | <u>\$ (2,568)</u> |
| BUDGETED CASH BALANCE | <u>\$ 1,600</u> | <u>\$ 1,600</u> | | |

The accompanying notes are an integral part of these 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, 2007

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|-----------------|------------------|--|
| REVENUES | | | | |
| Fines and forfeitures | \$ 7,000 | \$ 7,000 | \$ 17,857 | \$ 10,857 |
| Total revenues | <u>\$ 7,000</u> | <u>\$ 7,000</u> | <u>\$ 17,857</u> | <u>\$ 10,857</u> |
| EXPENDITURES | | | | |
| Public safety | \$ 6,000 | \$ 6,000 | \$ 699 | \$ 5,301 |
| Total expenditures | <u>\$ 6,000</u> | <u>\$ 6,000</u> | <u>\$ 699</u> | <u>\$ 5,301</u> |

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

NON-MAJOR DEBT SERVICE FUND

Sales Tax Bond Fund - To account for the payment of general long-term debt principal and interest. (This particular bond was paid off in fiscal year 2005.)

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Non-Major Debt Service Fund
Balance Sheet
June 30, 2007

| | <u>Sales Tax Bond Fund</u> |
|---------------------------|--------------------------------|
| ASSETS | |
| Cash on deposit | \$ <u>37,359</u> |
| Total assets | \$ <u><u>37,359</u></u> |
| FUND BALANCE | |
| Reserved for debt service | \$ <u>37,359</u> |
| Total fund balance | \$ <u><u>37,359</u></u> |

The accompanying notes are an integral part of these 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, 2007

| | Sales Tax Bond Fund |
|--|------------------------|
| REVENUES | |
| Taxes | \$ - |
| Earnings from investments | 131 |
| Total revenues | 131 |
| EXPENDITURES | |
| Bonds | - |
| Interest | - |
| Total expenditures | - |
| Excess (deficiency) of revenues over expenditures | 131 |
| OTHER FINANCING SOURCES | |
| Transfer in | - |
| Net change in fund balance | 131 |
| Fund balance at beginning of year | 37,228 |
| Fund balance at end of year | \$ 37,359 |

The accompanying notes are an integral part of these 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, 2007

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|--------------------|-----------------|---------------|--|
| REVENUES | | | | |
| Earnings from investments | \$ 100 | \$ 100 | \$ 131 | \$ 31 |
| Total revenues | <u>\$ 100</u> | <u>\$ 100</u> | <u>\$ 131</u> | <u>\$ 31</u> |
| EXPENDITURES | | | | |
| Bonds paid | \$ - | \$ - | \$ - | \$ - |
| Coupons paid | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| BUDGETED CASH BALANCE | <u>\$ -</u> | <u>\$ -</u> | | |

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

ENTERPRISE FUNDS

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

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

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Enterprise Funds
Combining Statement of Net Assets
June 30, 2007

Statement D-1

| | Water/Sewer Fund | Solid Waste Fund | Ambulance Fund | Total |
|--|---------------------|---------------------|-------------------|---------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash on deposit | \$ 6,387 | \$ 28,482 | \$ 105,901 | \$ 140,770 |
| Accounts receivable (net) | 18,165 | 10,005 | - | 28,170 |
| Due from other funds | - | 5,326 | - | 5,326 |
| Total Current Assets | 24,552 | 43,813 | 105,901 | 174,266 |
| Restricted Assets (Cash) | | | | |
| Customer meter deposits | 35,036 | - | - | 35,036 |
| Debt service | 17,323 | - | - | 17,323 |
| Total Restricted Assets (Cash) | 52,359 | - | - | 52,359 |
| Property, Plant and Equipment | | | | |
| Land | 58,000 | - | - | 58,000 |
| Equipment | 338,246 | 5,643 | 104,414 | 448,303 |
| Vehicles | - | - | 216,723 | 216,723 |
| Plant | 5,122,753 | - | - | 5,122,753 |
| Accumulated depreciation | (2,691,384) | (5,643) | (288,933) | (2,985,960) |
| Total Property, Plant and Equipment | 2,827,615 | - | 32,204 | 2,859,819 |
| Total Assets | \$ 2,904,526 | \$ 43,813 | \$ 138,105 | \$ 3,086,444 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | 24,542 | - | - | 24,542 |
| Customer meter deposits payable from Restricted Assets | 37,503 | - | - | 37,503 |
| Revenue bonds payable | 4,000 | - | - | 4,000 |
| RUS bonds payable | 1,800 | - | - | 1,800 |
| Loans payable | 9,928 | - | - | 9,928 |
| Capital lease payable | 2,176 | - | 17,074 | 19,250 |
| Total Current Liabilities | 79,949 | - | 17,074 | 97,023 |
| Long-Term Liabilities | | | | |
| Compensated absences | 7,302 | - | - | 7,302 |
| Revenue bonds payable | 105,000 | - | - | 105,000 |
| RUS bonds payable | 183,025 | - | - | 183,025 |
| Loan payable | 117,224 | - | - | 117,224 |
| Capital lease payable | 282 | - | 9,651 | 9,933 |
| Total Long-Term Liabilities | 412,833 | - | 9,651 | 422,484 |
| NET ASSETS | | | | |
| Invested in Capital Assets | 2,404,181 | - | 5,479 | 2,409,660 |
| Restricted for debt service | 17,323 | - | - | 17,323 |
| Unrestricted | (9,760) | 43,813 | 105,901 | 139,954 |
| Total Net Assets | 2,411,744 | 43,813 | 111,380 | 2,566,937 |
| Total Liabilities and Net Assets | \$ 2,904,526 | \$ 43,813 | \$ 138,105 | \$ 3,086,444 |

The accompanying notes are an integral part of these 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, 2007

| | Water/Sewer Fund | Solid Waste Fund | Ambulance Fund | Totals |
|--|---------------------|---------------------|-------------------|---------------------|
| OPERATING REVENUES | | | | |
| Sales and services | \$ 192,059 | \$ 119,741 | \$ 75,998 | \$ 387,798 |
| Environmental gross receipts taxes | - | 5,078 | - | 5,078 |
| Intergovernmental | 30,000 | - | 12,662 | 42,662 |
| Miscellaneous | 154 | - | 9,164 | 9,318 |
| Total operating revenue | 222,213 | 124,819 | 97,824 | 444,856 |
| OPERATING EXPENSES | | | | |
| Personal services | 106,548 | 2,069 | - | 108,617 |
| Maintenance and operations | 96,819 | 94,145 | 56,441 | 247,405 |
| Depreciation | 164,229 | - | 16,320 | 180,549 |
| Total operating expenses | 367,596 | 96,214 | 72,761 | 536,571 |
| Operating income (loss) | (145,383) | 28,605 | 25,063 | (91,715) |
| NON-OPERATING REVENUE (EXPENSE) | | | | |
| Investment income | 3,554 | - | - | 3,554 |
| Investment expense | (18,514) | - | (1,767) | (20,281) |
| Total Non-Operating Revenue (Expense) | (14,960) | - | (1,767) | (16,727) |
| Income (loss) before transfers | (160,343) | 28,605 | 23,296 | (108,442) |
| Operating transfers in | - | - | - | - |
| Operating transfers out | - | - | - | - |
| Net transfers | - | - | - | - |
| Change in Net Assets | (160,343) | 28,605 | 23,296 | (108,442) |
| Total Net Assets, beginning of year | 2,572,087 | 15,208 | 88,084 | 2,675,379 |
| Total Net Assets, end of year | \$ 2,411,744 | \$ 43,813 | \$ 111,380 | \$ 2,566,937 |

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2007

| | Water/Sewer Fund | Solid Waste Fund | Ambulance Fund | Totals |
|---|---------------------|---------------------|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from customers | \$ 191,589 | \$ 119,302 | \$ 75,998 | \$ 386,889 |
| Cash received from state sources | 30,000 | - | 12,662 | 42,662 |
| Cash received from miscellaneous sources | 154 | - | 9,164 | 9,318 |
| Cash payments to employees and to suppliers for goods and services | <u>(199,648)</u> | <u>(96,214)</u> | <u>(56,441)</u> | <u>(352,303)</u> |
| Net cash provided by operating activities | <u>22,095</u> | <u>23,088</u> | <u>41,383</u> | <u>86,566</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition of capital assets | (33,955) | - | (10,297) | (44,252) |
| Principal paid | (17,512) | - | (16,281) | (33,793) |
| Investment expense | (18,514) | - | (1,767) | (20,281) |
| Borrowed from other funds | <u>24,542</u> | <u>-</u> | <u>-</u> | <u>24,542</u> |
| Net cash provided (used) by capital and related financing activities | <u>(45,439)</u> | <u>-</u> | <u>(28,345)</u> | <u>(73,784)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Investment income | 3,554 | - | - | 3,554 |
| Security deposits | <u>2,550</u> | <u>-</u> | <u>-</u> | <u>2,550</u> |
| Net cash provided by investing activities | <u>6,104</u> | <u>-</u> | <u>-</u> | <u>6,104</u> |
| Net increase (decrease) in cash | (17,240) | 23,088 | 13,038 | 18,886 |
| Cash, beginning of year | <u>75,986</u> | <u>5,394</u> | <u>92,863</u> | <u>174,243</u> |
| Cash, end of year | <u>\$ 58,746</u> | <u>\$ 28,482</u> | <u>\$ 105,901</u> | <u>\$ 193,129</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ (145,383) | \$ 28,605 | \$ 25,063 | \$ (91,715) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 164,229 | - | 16,320 | 180,549 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in receivables | (470) | (5,517) | - | (5,987) |
| Increase (decrease) in accounts payable | - | - | - | - |
| Increase (decrease) in compensated absences | <u>3,719</u> | <u>-</u> | <u>-</u> | <u>3,719</u> |
| Total | <u>167,478</u> | <u>(5,517)</u> | <u>16,320</u> | <u>178,281</u> |
| Net cash provided (used) by operating activities | <u>\$ 22,095</u> | <u>\$ 23,088</u> | <u>\$ 41,383</u> | <u>\$ 86,566</u> |

The accompanying notes are an integral part of these 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, 2007

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|--------------------|-------------------|-------------------|--|
| REVENUES | | | | |
| Sales and services | \$ 186,417 | \$ 186,417 | \$ 191,589 | \$ 5,172 |
| Local sources | 100 | 100 | 154 | 54 |
| State sources | - | - | 30,000 | 30,000 |
| Interest income | 100 | 100 | 3,554 | 3,454 |
| Total revenues | \$ 186,617 | \$ 186,617 | \$ 225,297 | \$ 38,680 |
| EXPENDITURES | | | | |
| Personal services | \$ 109,131 | \$ 109,131 | \$ 102,829 | \$ 6,302 |
| Maintenance and operations | 46,690 | 46,690 | 96,819 | (50,129) |
| Capital outlay | - | - | 33,955 | (33,955) |
| Revenue bonds principle | 5,700 | 5,700 | 5,700 | - |
| Loan principle | 3,000 | 3,000 | 17,512 | (14,512) |
| Interest expense | - | - | 18,514 | (18,514) |
| Total expenditures | \$ 164,521 | \$ 164,521 | \$ 275,329 | \$ (110,808) |
| BUDGETED CASH BALANCE | \$ - | \$ - | | |

The accompanying notes are an integral part of these 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, 2007

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------------------|--------------------------|--------------------------|--------------------------|--|
| REVENUES | | | | |
| Sales and services | \$ 139,023 | \$ 139,023 | \$ 119,302 | \$ (19,721) |
| Environmental gross receipts tax | 6,000 | 6,000 | - | (6,000) |
| Total revenues | <u>\$ 145,023</u> | <u>\$ 145,023</u> | <u>\$ 119,302</u> | <u>\$ (25,721)</u> |
| EXPENDITURES | | | | |
| Personal services | \$ 24,370 | \$ 24,370 | \$ 2,069 | \$ 22,301 |
| Maintenance and operations | 108,340 | 108,340 | 94,145 | 14,195 |
| Total expenditures | <u>\$ 132,710</u> | <u>\$ 132,710</u> | <u>\$ 96,214</u> | <u>\$ 36,496</u> |

The accompanying notes are an integral part of these 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, 2007

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Sales and services | \$ 67,000 | \$ 67,000 | \$ 75,998 | \$ 8,998 |
| Local sources | - | - | 9,164 | 9,164 |
| State sources | 7,600 | 7,600 | 12,662 | 5,062 |
| Total revenues | \$ 74,600 | \$ 74,600 | \$ 97,824 | \$ 23,224 |
| EXPENDITURES | | | | |
| Maintenance and operations | \$ 65,598 | \$ 65,598 | \$ 56,441 | \$ 9,157 |
| Principal bond | 16,281 | 16,281 | 16,281 | - |
| Investment expense | 1,767 | 1,767 | 1,767 | - |
| Total expenditures | \$ 83,646 | \$ 83,646 | \$ 74,489 | \$ 9,157 |
| BUDGETED CASH BALANCE | \$ 9,046 | \$ 9,046 | | |

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

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Schedule of Changes in
Assets and Liabilities -
Agency Funds
Year Ended June 30, 2007

| | Balance June 30, 2006 | Additions | Deletions | Balance June 30, 2007 |
|--------------------------|--------------------------|-------------------------|-------------------------|--------------------------|
| ASSETS | | | | |
| Cash | \$ 1,463 | \$ 78,808 | \$ 79,136 | \$ 1,135 |
| Total assets | <u>\$ 1,463</u> | <u>\$ 78,808</u> | <u>\$ 79,136</u> | <u>\$ 1,135</u> |
| LIABILITIES | | | | |
| Due to bond holders | \$ 1,448 | \$ 4,149 | \$ 3,898 | \$ 1,699 |
| Due to other agencies | <u>15</u> | <u>74,659</u> | <u>75,238</u> | <u>(564)</u> |
| Total liabilities | <u>\$ 1,463</u> | <u>\$ 78,808</u> | <u>\$ 79,136</u> | <u>\$ 1,135</u> |

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

STATE OF NEW MEXICO
VILLAGE OF CIMARRON
Component Unit
Housing Authority
Statement of Cash Flows
For the Year Ended June 30, 2007

| | Component Unit |
|---|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from customers | \$ 30,142 |
| Cash payments to employees | (33,648) |
| Cash payments to suppliers for goods and services | (48,864) |
| Net cash provided by operating activities | (52,370) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Subsidy from federal grant | 22,028 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital grant | 67,545 |
| Acquisition of capital assets | (57,292) |
| Net cash provided by capital and related financing activities | 10,253 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | 1,590 |
| Net increase (decrease) in cash | (18,499) |
| Cash, beginning of year | 45,838 |
| Cash, end of year | \$ 27,339 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Operating income | \$ (52,980) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 18,416 |
| Changes in assets and liabilities: | |
| Accounts receivable | (287) |
| Deferred credits | (761) |
| Prepaid rent | (218) |
| Prepaid items | 42 |
| Accounts payable | (14,587) |
| Customer deposits | (565) |
| Accrued payroll | 215 |
| Inventory | (88) |
| PILOT liability | (1,557) |
| Total | 610 |
| Net cash (used) by operating activities | \$ (52,370) |

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

Rice and Associates, C.P.A.

AUDITING
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Albuquerque, NM 87112

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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, the discretely presented component unit, 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, 2007, which collectively comprise the Village of Cimarron's basic financial statements and have issued our report thereon dated February 26, 2009. We also have audited the financial statements of each of the Village's combining and individual 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, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the component unit proprietary fund, as described in our report on the Village's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying status of comments to be significant deficiencies in internal control over financial reporting. Those comments are 03-01, 03-03, 03-04, 03-05, 03-06, 05-03 and 07-01.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Cimarron's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*. They are listed in the accompanying Status of Comments as Comments 02-02, 03-01, 03-03, 06-01, 06-02 and 07-02.

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

The Village responses to the findings identified in our audit are described in the accompanying status of comments. We did not audit the Village's responses and, accordingly, we express no opinion on it.

Ried & Associates, C.P.A.

February 26, 2009

STATUS OF COMMENTS

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) - Resolved.
8. Grant Balances (04-05) - Resolved.
9. CFDA Data Collection Form (05-02) - Resolved.
10. Rental Agreement (05-03) - Repeated.
11. User Rates (05-04) - Resolved.
12. Penalties and Interest Charged (06-01) - Repeated.
13. DFA Quarterly Report Incorrect (06-02) - Repeated.
14. Expenditure Allowed From an Agency Fund (06-03) - Resolved.
15. Exit Conference Held by Phone (06-04) - Resolved.
16. Housing Authority Representative Not Present For Exit Conference (06-05) - Resolved.

Current Year Audit Findings

1. Agency Fund Overdraft - (07-01)
2. Receipt of Goods (07-02)

Component Unit Audit Findings

Prior Year

1. Late Audit Report (04-01) - Resolved.
2. Lack of Careful Review and Reconciliation of Monthly Financial Reports (06-01) - Resolved.
3. Lack of Complete Capital Assets Schedule (06-03) - Repeated.
4. Cell Phone Overages Not Reimbursed (06-04) - 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, 2007. The State Auditors Office received the audit report on March 3, 2009. |
| 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 2006 audit report was late. This situation then forced the 2007 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 Non-Major Special Revenue Lodgers Tax Fund in the amount of \$2,568. |
| CRITERIA | According to State Statute 6-6-2 and 6-6-6 NMSA 1978 all expenditures may not exceed approved budgets. Also, DFA's Local Government Division regulations address budget requirements needed by the Village. |
| CAUSE | Budgetary adjustments did not occur to correct budget deficits. |
| EFFECT | Department of Finance and Administration regulations have not been adhered to. |
| RECOMMENDATION | Review financial statements periodically for possible overruns and request the appropriate budgetary increases before expenditures exceed budget. |
| RESPONSE | 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)

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|----------------|--|
| CONDITION | The Village is not reconciling their monthly water meter deposit to the restricted bank account each month. As of June 30, 2007 the Meter Deposit List had \$1,678 more due to constituents than money available in the restricted bank account. 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 complies with 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)

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|----------------|---|
| 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 complies with 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. |

Rental Agreement
(05-03)

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|----------------|--|
| 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. |

Penalties and Interest

(06-01)

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|----------------|--|
| CONDITION | Village management submitted their monthly CRS-1 reports to Taxation and Revenue after the required deadline. |
| CRITERIA | Taxation and Revenue require monthly CRS-1 reports to be submitted by the 25 th of the following month. |
| CAUSE | Village management did not ensure these reports were submitted timely. |
| EFFECT | The Village was charged penalties and interest that were not budgeted for or allowed as an expenditure by the Department of Finance and Administration. |
| RECOMMENDATION | Village management should ensure that these reports are submitted timely and avoid any interest and penalties. |
| RESPONSE | This was an irregular event. The Utility Clerk was in the hospital with pregnancy complications. A procedure is now in place to ensure timely reporting. |

DFA Quarterly Report Incorrect
(06-02)

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| CONDITION | Management of the Village did not prepare the end of year quarterly report correctly. |
| CRITERIA | According to Statute 6-6-3 NMSA 1978 all local governments are to submit an accurate quarterly performance report to the Department of Finance and Administration. |
| CAUSE | A change in management occurred during the year. |
| EFFECT | The Village books of record could not be traced and compared to the DFA quarterly report. |
| RECOMMENDATION | Village management should obtain training in the preparation of the report so all future reports will be submitted correctly. |
| RESPONSE | The new software is in place and is being reviewed monthly for accuracy. Personnel training is ongoing. |

Agency Fund Overdraft
(07-01)

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| CONDITION | Management of the Village allowed the Agency Fund to carry an overdraft of \$564 at the end of the year. |
| CRITERIA | The Agency Fund is to hold resources on behalf of others. Overdrafts should not be created if handled properly. |
| CAUSE | It is unclear as to why an overdraft was created. |
| EFFECT | The General Fund would have to cover the overdraft of which has not been budgeted for. |
| RECOMMENDATION | Management should review this fund and determine why an overdraft occurred and then correct the situation. |
| RESPONSE | There were several bounced checks at the end of the year that were not redeposited until the next month. This condition has not continued. |

Receipt of Goods
(07-02)

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| CONDITION | Management of the Village has not designated an employee to review all items received (including the packing slips) and signing off showing that the Village can now properly pay for those items. |
| CRITERIA | All goods and services should be verified as received before payment is made. This is good accounting practice. |
| CAUSE | It is unclear why management is not performing this procedure. |
| EFFECT | Goods and/or services may be paid for without actually receiving them. |
| RECOMMENDATION | Village management should designate an employee with the responsibilities of signing off on all goods received. |
| RESPONSE | A new procedure has been put in place for the receptionist to validate all deliveries prior to the invoice payment is made by the Financial Clerk. |

**COMPONENT UNIT
AUDIT FINDINGS**

Component Unit Finding

Lack of Complete Capital Assets Schedule
(06-03)

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| CONDITION | Housing Authority does not keep a detailed listing of capital asset schedules. |
| CRITERIA | Good internal controls require that subsidiary ledgers be maintained to support general ledger entries. New Mexico State Auditor Rule 2.2.2.10 NMAC requires a schedule of capital assets be maintained. |
| CAUSE | Inconsistency of management personnel and fee accountant changes. |
| EFFECT | No schedule to support capital asset balance recorded in the financial statements. Noncompliance with New Mexico State Auditor Rule 2.2.2.10 NMAC. |
| RECOMMENDATION | Subsidiary ledgers be kept to support general ledger entries. |
| RESPONSE | The Cimarron Housing Authority has contacted the Fee Accountant to obtain an inventory module and bring the capital assets inventory up to date and maintain a schedule. |

Component Unit Finding

Cell Phone Overages Not Reimbursed
(06-04)

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| CONDITION | During the Housing Authorities audit their auditors tested fringe benefits. They noted 6 out of 7 cell phone bills had overage charges such as roaming and long distance that were not reimbursed, which totaled \$33. |
| CRITERIA | Housing Authority receives only public funds and does not have funds that may be utilized for other than public housing purposes. |
| CAUSE | Lack of review of cell phone bills. |
| EFFECT | Public funds spent for non-public housing purposes. |
| RECOMMENDATION | Cell phone bills should be reviewed each month for personal use and overages should be reimbursed to the Housing Authority. |
| RESPONSE | The Cimarron Housing Authority will establish a policy for the use of cell phones, which are paid by the CHA. Management will recommend to the Board of Commissioners that a stipend be paid to the authorized CHA cell phone user. The stipend will be authorized only if the employee is using their personal cell phone for CHA business. |

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2007 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 112. However, these financial statements are the responsibility of the Village of Cimarron's management.

EXIT CONFERENCE

An exit conference was held at the Village on February 26, 2009, to discuss the current audit report and auditors' comments. In attendance were Ms. Mindy Cahill, Village Clerk/Administrator, Ms. Linda Pavletich, Mayor, Mr. Joseph Cruz, Council Member, Ms. Mary Alice Tracy-Boyce, Council Member, Ms. Denise Sanchez, Council Member, Ms. Sherry Wolf, Accounting Consultant, Ms. Jessica Espinoza, Financial Clerk, Ms. Teresita Gruver, Director, Village of Cimarron Housing Authority and Ms. Pamela A. Rice, CPA, Contract Auditor.