

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT**

**Financial Statements  
With Independent Auditor's Report Thereon  
June 30, 2008**



## **INTRODUCTORY SECTION**

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VILLAGE OF CLOUDCROFT  
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**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Official Roster  
June 30, 2008**

**CITY COUNCIL**

David C. Venable  
Joy Crowley  
Bradley Rasch  
B. Arlan Ponder  
Jerry W. Sutherlin

Mayor  
Mayor Pro-tem  
Trustee  
Trustee  
Trustee

**ADMINISTRATIVE OFFICIALS**

Michael Nivison  
Patricia Zendel  
Julie Winkles  
Jessica Gaston

Village Administrator  
Clerk/Treasurer  
Deputy Clerk  
Data Entry Clerk/MVD

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MILLER & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor, Council,  
The Village of Cloudcroft  
and  
Hector H. Balderas  
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparison of the general fund of the State of New Mexico, Village of Cloudcroft (the "Village"), as of and for the year ended June 30, 2008 which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Village's non-major governmental funds presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of America. 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.

Because of the inadequacy of accounting records, we were unable to form an opinion regarding the amounts at which capital assets and accumulated depreciation are recorded in the government-wide financial statements and proprietary funds at June 30, 2008, or the amount of depreciation expense for the year then ended.

In our opinion, except for the effects of such adjustments, if any, had accounting records for capital assets and related accumulated depreciation been adequate, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico, Village of Cloudcroft as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective

financial position of each non-major governmental fund of the Village of Cloudcroft as of June 30, 2008, and the respective changes in financial statements, where applicable, thereof and the respective budgetary comparison for the non-major special revenue and the enterprise fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons presented as supplemental information. The accompanying financial information listed as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Miller & Associates, CPA, PC*

Miller & Associates, C.P.A., P.C.  
November 24, 2008

## **BASIC FINANCIAL STATEMENTS**

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**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Net Assets**  
**Government -Wide**  
**June 30, 2008**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents (Note II)	\$ 1,285,025	\$ 199,709	\$ 1,484,734
Accounts receivable	44,048	79,774	123,822
Total current assets	<u>1,329,073</u>	<u>279,483</u>	<u>1,608,556</u>
Noncurrent assets:			
Restricted assets:			
Cash	9,466	-	9,466
Capital assets, net of depreciation (Note III)			
Land	3,986,729	100,000	4,086,729
Land improvements	16,397	-	16,397
Buildings and improvements	1,132,869	4,900	1,137,769
Vehicles	284,332	-	284,332
Equipment	331,568	1,452,739	1,784,307
Infrastructure	4,459,116	3,213,474	7,672,590
Construction in process	385,178	-	385,178
Total noncurrent assets	<u>10,605,655</u>	<u>4,771,113</u>	<u>15,376,768</u>
Total assets	<u>\$ 11,934,728</u>	<u>\$ 5,050,596</u>	<u>\$ 16,985,324</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 19,465	\$ 19,720	\$ 39,185
Accrued payroll	8,935	5,277	14,212
Accrued interest	316	1,678	1,994
Accrued compensated absences - current	-	7,038	7,038
Bonds payable - current	-	16,000	16,000
Notes payable - current	19,437	30,004	49,441
Total current liabilities	<u>48,153</u>	<u>79,717</u>	<u>127,870</u>
Noncurrent liabilities:			
Bonds payable	-	33,000	33,000
Notes payable (Note IV)	40,670	23,050	63,720
Accrued compensated absences (Note IV)	10,035	-	10,035
Total noncurrent liabilities	<u>50,705</u>	<u>56,050</u>	<u>106,755</u>
Total liabilities	<u>98,858</u>	<u>135,767</u>	<u>234,625</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	10,536,082	4,669,059	15,205,141
Restricted	9,466	-	9,466
Unrestricted	1,290,322	245,770	1,536,092
Total net assets	<u>11,835,870</u>	<u>4,914,829</u>	<u>16,750,699</u>
Total liabilities and net assets	<u>\$ 11,934,728</u>	<u>\$ 5,050,596</u>	<u>\$ 16,985,324</u>

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

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Statement of Activities  
Government -Wide  
For the Year Ended June 30, 2008**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government	\$ 416,791	\$ 56,576	\$ 38,983	\$ -
Public safety	381,246	5,962	159,564	-
Culture and recreation	175,111	127,964	31,906	-
Public works	272,678	-	-	-
Health and welfare	79,493	71,267	56,086	-
<b>Total governmental activities</b>	<b>1,325,319</b>	<b>261,769</b>	<b>286,539</b>	<b>-</b>
<b>Business-type activities:</b>				
Water and sewer management	1,635,676	704,824	734,762	-
<b>Total primary government</b>	<b>\$ 2,960,995</b>	<b>\$ 966,593</b>	<b>\$ 1,021,301</b>	<b>\$ -</b>

General revenues:

- Property taxes
- Gross receipt taxes
- Franchise taxes
- Gas taxes
- Cigarette taxes
- Interest income
- Miscellaneous
- Transfers

Special items:

- Loss on disposal of capital assets
- Total general revenues
- Change in net assets
- Beginning net assets - as previously reported
- Restatement
- Net assets - beginning as restated
- Net assets, ending

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

**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (321,232)	\$ -	\$ (321,232)
(215,720)	-	(215,720)
(15,241)	-	(15,241)
(272,678)	-	(272,678)
47,860	-	47,860
(777,011)	-	(777,011)
-	(196,090)	(196,090)
(777,011)	(196,090)	(973,101)
42,494	-	42,494
505,225	39,944	545,169
22,036	-	22,036
18,516	-	18,516
3,324	-	3,324
18,896	3,629	22,525
22,494	3,898	26,392
23,940	(23,872)	68
(138,050)	-	(138,050)
518,875	23,599	542,474
(258,136)	(172,491)	(430,627)
11,569,491	1,690,336	13,259,827
524,515	3,396,984	3,921,499
12,094,006	5,087,320	17,181,326
\$ 11,835,870	\$ 4,914,829	\$ 16,750,699

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## **FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Balance Sheet  
Governmental Funds  
June 30, 2008**

	<b>Major Funds</b>		
	<b>General Fund</b>	<b>Fire Protection</b>	<b>Lodger's Tax Fund</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 254,097	\$ 238,064	\$ 32,584
Accounts receivable	39,081	-	-
Total assets	<u>\$ 293,178</u>	<u>\$ 238,064</u>	<u>\$ 32,584</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 7,587	\$ 1,371	\$ -
Accrued payroll	8,935	-	-
Deferred revenue	1,419	-	-
Total liabilities	<u>17,941</u>	<u>1,371</u>	<u>-</u>
Fund balances:			
Reserved for:			
Debt service	-	-	-
Unreserved, reported in			
General fund	275,238	-	-
Special revenue funds	-	236,693	32,584
Capital projects funds	-	-	-
Total fund balances	<u>275,238</u>	<u>236,693</u>	<u>32,584</u>
Total liabilities and fund balances	<u>\$ 293,178</u>	<u>\$ 238,064</u>	<u>\$ 32,584</u>

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

<u>Major Funds</u>			<b>Other Non-Major Funds</b>	<b>Total Governmental Funds</b>
<u>Infrastructure</u>	<u>EMS Fund</u>			
\$ 54,512	\$ 574,675	\$ 140,558	\$ 1,294,490	
3,357	-	1,612	44,050	
<u>\$ 57,869</u>	<u>\$ 574,675</u>	<u>\$ 142,170</u>	<u>\$ 1,338,540</u>	
\$ 5,060	\$ 2,852	\$ 2,597	\$ 19,467	
-	-	-	8,935	
-	-	-	1,419	
<u>5,060</u>	<u>2,852</u>	<u>2,597</u>	<u>29,820</u>	
-	-	5,286	5,286	
-	-	-	275,238	
-	571,823	56,958	898,058	
52,809	-	77,329	130,138	
<u>52,809</u>	<u>571,823</u>	<u>139,573</u>	<u>1,308,720</u>	
<u>\$ 57,869</u>	<u>\$ 574,675</u>	<u>\$ 142,170</u>	<u>\$ 1,338,540</u>	

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**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2008**

Total fund balances - governmental funds \$ 1,308,720

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 3,986,729	
Land improvement	70,729	
Building and improvements	2,113,469	
Vehicles	1,168,229	
Equipment	919,430	
Infrastructure	4,459,116	
Construction in progress	385,178	
Accumulated depreciation	<u>(2,506,691)</u>	
Total capital assets		10,596,189

Deferred revenue 1,419

Accrued interest is not due and payable in the current period and therefore is not reported in the funds. (316)

Compensated absences are not due and payable in the current period and therefore are not reported in the funds. (10,035)

Long-term liabilities including loans payable are not due and payable in the current period and therefore are not reported in the funds. (60,107)

Net assets of governmental activities \$ 11,835,870

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	<b>Major Funds</b>		
	<b>General Fund</b>	<b>Fire Protection</b>	<b>Lodger's Tax Fund</b>
<b>REVENUES</b>			
Taxes	\$ 517,770	\$ -	\$ 126,713
Licenses and permits	8,675	-	-
Intergovernmental	38,378	137,764	-
Charges for sales and services	31,913	-	-
Fines and forfeits	4,463	-	-
Rents	-	-	-
Interest income	4,505	3,306	548
Miscellaneous	21,247	-	-
Total revenues	<u>626,951</u>	<u>141,070</u>	<u>127,261</u>
<b>EXPENDITURES</b>			
Current:			
General government	390,136	-	-
Public safety	288,159	48,612	-
Culture and recreation	54,758	-	112,717
Public works	92,565	-	-
Health and welfare	-	-	-
Capital outlay	-	11,789	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>825,618</u>	<u>60,401</u>	<u>112,717</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in (out), net	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(198,667)	80,669	14,544
Fund balances - beginning of the year	<u>473,905</u>	<u>156,024</u>	<u>18,040</u>
Fund balances - end of the year	<u>\$ 275,238</u>	<u>\$ 236,693</u>	<u>\$ 32,584</u>

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

<u>Major Funds</u>			<u>Total</u>
<u>Infrastructure</u>	<u>EMS Fund</u>	<u>Other Non-Major Funds</u>	<u>Governmental Funds</u>
\$ 45,167	\$ -	\$ 41,011	\$ 730,661
-	-	-	8,675
-	56,086	53,706	285,934
-	71,266	-	103,179
-	-	1,500	5,963
-	-	1,250	1,250
887	7,206	2,363	18,815
-	2,040	4,162	27,449
<u>46,054</u>	<u>136,598</u>	<u>103,992</u>	<u>1,181,926</u>
-	-	-	390,136
-	-	30,596	367,367
-	-	7,096	174,571
-	-	6,006	98,571
-	79,493	-	79,493
77,691	-	68	89,548
-	-	41,567	41,567
-	-	5,633	5,633
<u>77,691</u>	<u>79,493</u>	<u>90,966</u>	<u>1,246,886</u>
(2,021)	-	25,893	23,872
<u>(2,021)</u>	<u>-</u>	<u>25,893</u>	<u>23,872</u>
(33,658)	57,105	38,919	(41,088)
<u>86,467</u>	<u>514,718</u>	<u>100,654</u>	<u>1,349,808</u>
<u>\$ 52,809</u>	<u>\$ 571,823</u>	<u>\$ 139,573</u>	<u>\$ 1,308,720</u>

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**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Reconciliation of Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2008**

Net change in fund balances - total governmental funds	\$ (41,088)
<p>Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:</p>	
<p>Governmental funds reported capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital expenditures	(61,171)
Depreciation expense	(157,991)
Repayment of the principal of long-term debt consumes the current financial resources of government funds.	18,942
Deferred revenue	-
Accrued interest reported in the Statement of Activities require the use of current financial resources and therefore is not reportable as an expenditure in governmental funds.	(16,563)
Compensated absences reported in the Statement of Activities require the use of current financial resources and therefore are not reportable as expenditures in governmental funds.	81
	(346)
Change in net assets of governmental activities	\$ (258,136)

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 639,436	\$ 639,436	\$ 590,481	\$ (48,955)
Licenses and permits	10,250	10,250	8,675	(1,575)
Intergovernmental	50,800	50,800	38,378	(12,422)
Charges for sales and services	30,700	30,700	33,625	2,925
Fines and forfeitures	5,800	5,800	4,463	(1,337)
Interest income	5,500	5,500	4,505	(995)
Miscellaneous	17,590	17,849	21,247	3,398
	<u>760,076</u>	<u>760,335</u>	<u>701,374</u>	<u>(58,961)</u>
<b>EXPENDITURES</b>				
General Government	374,723	428,982	384,016	44,966
Public safety	287,838	287,838	287,157	681
Public works	93,746	93,746	93,018	728
Culture and recreation	70,679	70,679	54,455	16,224
Capital outlay	10,000	6,000	-	6,000
	<u>836,986</u>	<u>887,245</u>	<u>818,646</u>	<u>68,599</u>
<b>Other Financing Sources</b>				
Transfers in (out), net	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(76,910)	(126,910)	(117,272)	<u>\$ 9,638</u>
Prior year cash balance	<u>376,222</u>	<u>376,222</u>		
End of the year cash balance	<u>\$ 299,312</u>	<u>\$ 249,312</u>		
<b>RECONCILIATION TO GAAP</b>				
Prior year accounts receivable			(114,358)	
Accounts receivable			39,081	
Prior year accounts payable			7,361	
Current year accounts payable			(7,587)	
Prior year accrued payroll			7,040	
Prior year other liabilities			(4,852)	
Current year accrued payroll			(8,935)	
Prior year deferred revenue			2,274	
Current year deferred revenue			(1,419)	
Excess (deficiency) of revenues over expenditures			<u>\$ (198,667)</u>	

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**Fire Protection Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 137,764	\$ 137,764	\$ 137,764	\$ -
Interest income	1,000	1,000	3,306	2,306
Miscellaneous	-	-	-	-
	<u>138,764</u>	<u>138,764</u>	<u>141,070</u>	<u>2,306</u>
<b>EXPENDITURES</b>				
Public safety	138,764	127,164	47,905	79,259
Capital outlay	11,600	11,600	11,544	56
	<u>150,364</u>	<u>138,764</u>	<u>59,449</u>	<u>79,315</u>
Excess (deficiency) of revenues over expenditures	(11,600)	-	81,621	<u>\$ 81,621</u>
Prior year cash balance	<u>156,442</u>	<u>156,442</u>		
End of the year cash balance	<u>\$ 144,842</u>	<u>\$ 156,442</u>		
<b>RECONCILIATION TO GAAP</b>				
Prior year accounts payable			419	
Current year accounts payable			<u>(1,371)</u>	
Excess (deficiency) of revenues over expenditures			<u>\$ 80,669</u>	

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**Lodger's Tax Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 123,000	\$ 123,000	\$ 126,714	\$ 3,714
Interest income	500	500	549	49
	<u>123,500</u>	<u>123,500</u>	<u>127,263</u>	<u>3,763</u>
<b>EXPENDITURES</b>				
Culture and recreation	138,000	138,000	112,719	25,281
Capital outlay	-	-	-	-
	<u>138,000</u>	<u>138,000</u>	<u>112,719</u>	<u>25,281</u>
<b>Other Financing Sources</b>				
Transfers in (out), net	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(14,500)	(14,500)	14,544	<u>\$ 29,044</u>
Prior year cash balance	<u>18,040</u>	<u>18,040</u>		
End of the year cash balance	<u>\$ 3,540</u>	<u>\$ 3,540</u>		
<b>RECONCILIATION TO GAAP</b>				
Prior year account payable			<u>-</u>	
Excess (deficiency) of revenues over expenditures			<u>\$ 14,544</u>	

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**Infrastructure Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 54,500	\$ 54,500	\$ 51,955	\$ (2,545)
Intergovernmental	120,000	120,000	-	(120,000)
Interest income	1,500	1,500	886	(614)
	<u>176,000</u>	<u>176,000</u>	<u>52,841</u>	<u>(123,159)</u>
<b>EXPENDITURES</b>				
Capital outlay	176,000	176,000	72,631	103,369
	<u>176,000</u>	<u>176,000</u>	<u>72,631</u>	<u>103,369</u>
<b>Other Financing Sources</b>				
Transfers in (out), net	-	(2,021)	(2,021)	-
	<u>-</u>	<u>(2,021)</u>	<u>(2,021)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	(2,021)	(21,811)	<u>\$ (19,790)</u>
Prior year cash balance	<u>76,323</u>	<u>76,323</u>		
End of the year cash balance	<u>\$ 76,323</u>	<u>\$ 74,302</u>		
<b>RECONCILIATION TO GAAP</b>				
Prior year accounts receivable			(10,144)	
Accounts receivable			3,356	
Prior year accounts payable			-	
Accounts payable			<u>(5,059)</u>	
Excess (deficiency) of revenues over expenditures			<u>\$ (33,658)</u>	

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**EMS**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 63,170	\$ 63,170	\$ 56,086	\$ (7,084)
Charges for sales and services	58,000	58,000	71,266	13,266
Interest income	5,400	5,400	7,206	1,806
Miscellaneous	-	-	2,040	2,040
	<u>126,570</u>	<u>126,570</u>	<u>136,598</u>	<u>10,028</u>
<b>EXPENDITURES</b>				
Health and welfare	246,570	246,570	77,091	169,479
Capital outlays	-	-	-	-
	<u>246,570</u>	<u>246,570</u>	<u>77,091</u>	<u>169,479</u>
<b>Other Financing Sources</b>				
Transfers in (out), net	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(120,000)	(120,000)	59,507	<u>\$ 179,507</u>
Prior year cash balance	<u>515,169</u>	<u>515,169</u>		
End of the year cash balance	<u>\$ 395,169</u>	<u>\$ 395,169</u>		
<b>RECONCILIATION TO GAAP</b>				
Prior year accounts payable			450	
Accounts payable			<u>(2,852)</u>	
Excess (deficiency) of revenues over expenditures			<u>\$ 57,105</u>	

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

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Statement of Net Assets  
Proprietary Fund  
June 30, 2008**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 199,709
Accounts receivable	79,774
Total current assets	279,483
Noncurrent assets:	
Capital assets, net of depreciation (Note III)	4,771,113
Total assets	\$ 5,050,596
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 19,720
Accrued payroll	5,277
Accrued interest	1,678
Compensated absences	7,038
Bonds payable-current	16,000
Notes payable-current	30,004
Total current liabilities	79,717
Noncurrent liabilities:	
Bonds payable	33,000
Notes payable	23,050
Total noncurrent liabilities	56,050
Total liabilities	135,767
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	4,669,059
Unrestricted	245,770
Total net assets	4,914,829
Total liabilities and net assets	\$ 5,050,596

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**For the Year Ended June 30, 2008**

	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUE</b>	
Sales and service	\$ 704,824
Taxes	39,944
Miscellaneous	3,898
Total operating revenues	748,666
<b>OPERATING EXPENDITURES</b>	
Personal services	260,016
Operation and maintenance	1,190,136
Depreciation	183,510
Total operating expenditures	1,633,662
Operating income (loss)	(884,996)
<b>NON-OPERATING REVENUE</b>	
Intergovernmental	734,762
Interest income	3,630
Interest expense	(2,015)
Total nonoperating revenues (expenses)	736,377
Income (loss) before transfers	(148,619)
Transfers	(23,872)
Change in net assets	(172,491)
Net assets - beginning of the year (as previously reported)	1,690,336
Restatement	3,396,984
Net assets - beginning of the year (as restated)	5,087,320
Net assets - end of the year	\$ 4,914,829

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



**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2008**

	<u>Water and Sewer Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 710,492
Cash received from taxes	39,944
Cash payments to suppliers for goods and services	(1,208,695)
Cash payments to employees for services	(259,356)
Net cash provided (used) by operating activities	<u>(717,615)</u>
Cash flows from noncapital financing activities	
Transfers	(23,872)
Net cash provided (used) by noncapital financing activities	<u>(23,872)</u>
Cash flows from capital and related financing activities	
Cash received from other governments	734,762
Principal paid on notes payable	(29,352)
Principal paid on bonds payable	(15,000)
Interest paid on notes payable	(2,600)
Net cash provided for capital and related financing activities	<u>687,810</u>
Cash flows from investing activities	
Interest received	3,629
Net cash provided for investing activities	<u>3,629</u>
Net increase (decrease) in cash and cash equivalents	(50,048)
Cash and cash equivalents at the beginning of the year	<u>249,757</u>
Cash and cash equivalents at the end of the year	<u>\$ 199,709</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (884,996)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	183,510
Change in assets and liabilities:	
(Increase)/decrease in accounts receivable	1,770
Increase/(decrease) in accounts payable	(18,560)
Increase/(decrease) in accrued payroll	1,164
Increase/(decrease) in compensated absences	(503)
Net cash provided (used) by operating activities	<u>\$ (717,615)</u>

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2008**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,007
<b>LIABILITIES</b>	
Accounts payable	\$ 1,007

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Notes to the Financial Statements**  
**June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The Village of Cloudcroft, NM (the "Village"), was incorporated on April 5, 1948 under the laws of the State of New Mexico. The Village operates under a Council-Mayor form of government and provides the following service as authorized by its charter: public safety (police, ambulance, and fire), streets, sanitation, culture-recreation, education, public improvements, planning and zoning, and general administrative services. The Village is a municipal corporation governed by an elected mayor and an eight-member council. The Village has no blended component units that are legally separate entities but still, in substance, part of the government's operations.

The Village's basic financial statements include the accounts of all Village operations. The criteria for including organizations as component units within the Village's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Village holds the corporate powers of the organization
- the Village appoints a voting majority of the organization's board
- the Village is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Village
- there is a fiscal dependency by the organization on the Village

Based on the aforementioned criteria, the Village of Cloudcroft has no component units.

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Village has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Village has chosen not to do so. The more significant accounting policies established in GAAP and used by the Village are discussed below.

In June 1999, the Government Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The Village elected to implement the general provisions of the Statement as of June 30, 2004, and does not plan to retroactively report infrastructure (infrastructure assets acquired prior to 7/1/03).

**B. Basic financial statements – government-wide statements**

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's public safety (police and fire), streets, health and social services, culture-recreation, education, and general administrative services are classified as governmental activities. The Village's water, sewer and solid waste services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Notes to the Financial Statements  
June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports the gross and net cost of each of the Village's functions and business-type activities. The functions are also supported by general government revenues (property and sales taxes), and certain inter-governmental revenues (fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

**C. Basic financial statements – fund financial statements**

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Village:

**1. Governmental funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Village:

- a) **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.
- b) **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Village reports the following major governmental funds:

- a) The general fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- b) The fire protection fund accounts for the operations and maintenance of the fire department.
- c) The infrastructure fund is used for the repair, maintenance, construction, and improvements to water, sewer, road systems, buildings and grounds.

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Notes to the Financial Statements  
June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- d) The EMS (emergency medical services) fund accounts for the acquisition of emergency medical equipment and the operation of the equipment financed through a grant from the State of New Mexico.

**2. Proprietary funds:**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Village:

- a) **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The Village reports the following major proprietary fund:

The water and sewer fund is utilized to account for the provisions of the water, sewer and solid waste services to the residents of the Village.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer, and solid waste funds are charges to customers for sales and services. 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 non-operating revenues and expenses.

**3. Fiduciary Funds:**

Fiduciary funds are used to report assets held in trustee or agency capacity for others and therefore are not available to support Village programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The Village's fiduciary fund is presented in the fiduciary fund financial statements. This fund accounts for the collection and payment to the State of New Mexico motor vehicle fees collected by the Village on the state's behalf. The Fund cannot be used to address activities or obligations of the government. Therefore, the funds are not incorporated into the government-wide statements.

**D. Measurement focus and basis of accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Notes to the Financial Statements**  
**June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement focus**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b) below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a) All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b) The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of accounting**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Property taxes, cigarette taxes, gas taxes, franchise fees, and sales tax 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. The government-wide full accrual basis property taxes receivable recognizes net of estimated refunds and uncollectible amounts, in the period for which the taxes are levied, even if they are not available.

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Notes to the Financial Statements**  
**June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property taxes are levied and collected by the Otero County treasurer on behalf of the Village. The taxes are levied in November and payable in two installments, November 10th and April 10th. The county remits to the Village a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty and interest, 30 days after the date on which they are due.

**E. Budgetary control**

Budgetary control is at the line item level. The Village follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted at the Village Hall to obtain the taxpayer's input. Prior to July 1 of each year, the budget is legally enacted through an ordinance.
2. The Village Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of the funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments.
3. Budgeted amounts are as originally adopted or as amended by the Village Council and New Mexico State Department of Finance, Division of Local Governments. Individual amendments were not material in relation to the original appropriations, which were adopted.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
5. Encumbrances are not reported in the budgets or financial statements.
6. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principles. Throughout the year, the accounting records are kept on a non-GAAP cash basis. Accordingly, revenues and the related assets are recorded when received and expenditures are recorded when paid. The budgetary comparisons are presented on non-GAAP budgetary basis and actual (cash basis).

**F. Cash and cash equivalents**

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand accounts and certificates of deposits of the Village. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include demand accounts only.

**G. Accounts receivable**

Accounts receivable balances in the enterprise funds represent amounts due for water, sewer, and solid waste services and receivables in the governmental funds represent amounts due for sales tax, property taxes, franchise fees, etc. collected and due to the Village. Bad debt is reserved for in the financial statements when deemed necessary by management.



**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Notes to the Financial Statements**  
**June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Capital assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. The Village defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair 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 has not retroactively capitalized its governmental funds' infrastructure and has no plans to capitalize infrastructure in subsequent years.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Government Activities:	
Infrastructure	20 years
Equipment (including software)	5-10 years
Buildings and improvements	30-50 years
Business-Type Activities:	
Equipment	15-10 years
Buildings and improvements	30-50 years

*Fund financial statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**I. Compensated absences**

The Village's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Notes to the Financial Statements  
June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Equity classifications**

*Government-wide statements*

Equity is classified as net assets in three components:

- a) Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Village first uses restricted resources then unrestricted resources.

*Fund statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Designated funds are for subsequent year expenditures. Proprietary fund equity is classified the same as in the governmental-wide statements.

**K. Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosures at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**L. Long-term debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of compensated absences and notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Notes to the Financial Statements  
June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Interfund receivables and payables**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and due from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. There were no amounts due to or due from funds during the year ended June 30, 2008.

**II. CASH AND CASH EQUIVALENTS**

The collateral pledged is listed on Page 60 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Village. 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.

Custodial Credit Risk – Deposits Custodial credit risk is the risk that in the event of a bank failure, the Village’s deposits may not be returned to it. The Village of Cloudcroft does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$198,984 of the Village’s bank balance of \$1,547,852 was exposed to custodial credit risk. The entire balance is collateralized by securities held in the Village’s name.

	<b>First National Bank</b>	<b>Western Bank</b>	<b>Bank of Albuquerque</b>	<b>NM Finance Authority</b>	<b>Total</b>
Total amount in bank	\$ 1,228,651	\$ 309,735	\$ 5,436	\$ 4,030	\$ 1,547,852
Less: FDIC insurance	(150,000)	(125,080)	(5,436)	(4,030)	(284,546)
Total uninsured public funds	1,078,651	184,655	-	-	1,263,306
50% collateral requirement	539,325	92,327	-	-	631,652
Pledged collateral held by the pledging financial institution	945,239	119,083	-	-	1,064,322
Uninsured and uncollateralized	<u>\$ 133,412</u>	<u>\$ 65,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,984</u>

Uninsured and uncollateralized	\$ 198,984
Uninsured and collateral held by pledging bank’s trust department not in the District’s name	-
	<u>\$ 198,984</u>

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Notes to the Financial Statements  
June 30, 2008**

**III. CAPITAL ASSETS**

Capital assets as of and for the year ended June 30, 2008, were as follows:

	Balance at 06/30/07	Restatement	Restated Balance at 06/30/07	Additions	Disposals	Balance at 06/30/08
<b>Governmental activities:</b>						
Capital Assets, not being depreciated:						
Land	\$ 3,924,068	\$ 62,661	\$ 3,986,729	\$ -	\$ -	\$ 3,986,729
Construction in process	385,178	-	385,178	-	-	385,178
Capital Assets, being depreciated:						
Land improvements	70,729	-	70,729	-	-	70,729
Buildings and improvements	2,106,969	-	2,106,969	6,500	-	2,113,469
Equipment	2,133,285	37,753	2,171,038	54,671	(138,050)	2,087,659
Infrastructure	4,451,048	8,068	4,459,116	-	-	4,459,116
Total at historical cost	13,071,277	108,482	13,179,759	61,171	(138,050)	13,102,880
Less accumulated depreciation:						
Land improvements	(54,332)	-	(54,332)	-	-	(54,332)
Buildings and improvements	(1,421,081)	493,845	(927,236)	(53,364)	-	(980,600)
Equipment	(1,289,320)	(77,812)	(1,367,132)	(104,627)	-	(1,471,759)
Infrastructure	-	-	-	-	-	-
Total accumulated depreciation	(2,764,733)	416,033	(2,348,700)	(157,991)	-	(2,506,691)
Governmental capital assets, net	\$ 10,306,544	\$ 524,515	\$ 10,831,059	\$ (96,820)	\$ (138,050)	\$ 10,596,189
	Balance at 06/30/07	Restatement	Restated Balance at 06/30/07	Additions	Disposals	Balance at 06/30/08
<b>Business-type activities:</b>						
Capital Assets, not being depreciated:						
Land	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital Assets, being depreciated:						
Buildings and improvements	9,900	-	9,900	-	-	9,900
Equipment	3,226,825	-	3,226,825	-	-	3,226,825
Infrastructure	-	6,273,114	6,273,114	-	-	6,273,114
Total at historical cost	3,336,725	6,273,114	9,609,839	-	-	9,609,839
Less accumulated depreciation:						
Buildings and improvements	(5,000)	-	(5,000)	-	-	(5,000)
Equipment	(1,774,086)	-	(1,774,086)	-	-	(1,774,086)
Infrastructure	-	(2,876,130)	(2,876,130)	(183,510)	-	(3,059,640)
Total accumulated depreciation	(1,779,086)	(2,876,130)	(4,655,216)	(183,510)	-	(4,838,726)
Governmental capital assets, net	\$ 1,557,639	\$ 3,396,984	\$ 4,954,623	\$ (183,510)	\$ -	\$ 4,771,113

Depreciation expense charged to the governmental and business-type activities was \$157,991 and \$183,510 respectively.

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Notes to the Financial Statements  
June 30, 2008**

**IV. LONG TERM DEBT**

The Village's long-term debt is segregated between the amount to be repaid from governmental activities and amounts to be repaid from business-type activities. The general fund has typically been used in prior years to liquidate compensated absences.

Governmental activities:

Loans Payable:

\$150,000 New Mexico Finance Authority loan due in annual principal installments and semi-annual interest installments through installments through May 1, 2011, interest rates vary from 1.89% to 4.16%	\$ 60,107
--	-----------

Accrued compensated absences:

Current portion	-
Non-current portion	10,035

Total governmental activities debt	\$ 70,142
------------------------------------	-----------

Business-type activities:

Bonds Payable:

\$310,000 Joint Water and Sewer Revenue Bonds due in annual installments of \$9,000 to \$17,000 plus interest through January 1, 2011, interest at 5.000%	\$ 49,000
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Loans Payable:

\$30,500 New Mexico State Board of Finance Emergency Loan due June 30, 2009, at 0%	7,625
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\$166,658 WSC Community Development Loan due in annual installments of \$23,742 including interest through February 6, 2010, interest at 3.000%	45,428
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Accrued compensated absences:

Current portion	7,038
Non-current portion	-

Total business-type activities debt	\$ 109,091
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**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Notes to the Financial Statements  
June 30, 2008**

**IV. LONG TERM DEBT (Continued)**

Long-term debt activity for the year ended June 30, 2008, was as follows:

	<u>Balance 06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/08</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Loans Payable	\$ 79,049	-	18,942	60,107	19,437
Compensated Absences	9,689	17,009	16,663	10,035	-
	<u>\$ 88,738</u>	<u>17,009</u>	<u>35,605</u>	<u>70,142</u>	<u>19,437</u>
<b>Business-type Activities:</b>					
Loans Payable	\$ 82,405	-	29,352	53,053	30,004
Bonds Payable	64,000	-	15,000	49,000	16,000
Compensated Absences	7,541	9,255	9,758	7,038	7,038
	<u>\$ 153,946</u>	<u>9,255</u>	<u>54,110</u>	<u>109,091</u>	<u>53,042</u>

Debt service requirements at June 30, 2008 were as follows:

<b>Governmental Activities</b>		
<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 19,437	\$ 1,939
2010	20,010	1,367
2011	20,660	719
2012	-	-
2013	-	-

<b>Business-Type Activities Water and Sewer Fund</b>		
<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 46,004	\$ 3,813
2010	39,050	2,342
2011	17,000	850
2012	-	-
2013	-	-

**V. PERA RETIREMENT PLAN**

Substantially all of the Village of Cloudcroft'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 Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Notes to the Financial Statements  
June 30, 2008**

**V. PERA RETIREMENT PLAN (Continued)**

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, NM 87504-2123.

*Funding Policy*

Plan members are required to contribute 9.15% of their gross salary, and law enforcement members are required to contribute 7% of their gross salary. The Village is required to contribute 10% for law enforcement employees and 9.15% for all other employees. The contribution requirements of plan members and the Village are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Village's contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were \$52,770, \$48,127, and \$38,726, respectively, equal to the amount of the required contributions for each year.

**VI. RETIREE HEALTH CARE ACT CONTRIBUTION**

The Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or the out-of-pocket payments of eligible retirees. Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees.

Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires on or before July 1, 1995, in which event the time period for contribution becomes the time between July 1, 1990 and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years. Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund a contribution equal to .65% of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to July 1, 1990 or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

As of June 30, 2008 the Village of Cloudcroft as authorized under Section 9D. of Chapter 6, Laws of 1990, has elected not to participate in the program.

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Notes to the Financial Statements**  
**June 30, 2008**

**VII. RISK MANAGEMENT AND LITIGATION**

The Village is exposed to various risks of losses related to torts; theft of, damage to and destruction of asset; errors and omissions; injuries to employees; and natural disasters. The Village has obtained insurance through a commercial carrier to insure against potential losses and claims. The premiums are based on the payroll and other expenditures, and are not directly related to claims filed. The policies are retrospectively rated and premiums may be adjusted after year end, based on the ultimate level of expenditures.

**VIII. DEFERRED COMPENSATION**

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

As of June 30, 2008 Village employees contributed \$1,949 to the Deferred Compensation Plan.

**IX. JOINT POWERS AGREEMENTS**

The Village is party to a joint powers agreement with the County of Otero, New Mexico, which is material in nature. The Village has entered into the agreement July 1, 2004 with Otero County whereby various services provided by the Village are subsidized by Otero County. Otero County provides funds to support the Library in the amount of \$4,500, Health Services in the amount of \$36,400. The agreements are renewed annually based on the funding restrictions of the County of Otero and have no beginning or ending dates.

The Village is a participant in a joint powers agreement establishing the Otero/Lincoln County Regional Landfill. The agreement was formed in April 1991. The purpose of the intergovernmental cooperative agreement is to acquire, construct and operate a comprehensive solid waste collection, transportation and disposal system for the citizens of Otero and Lincoln County. There is no expiration date. Fiscal and audit responsibility lies with the City of Alamogordo and is not considered a component unit of the Village.

**X. ACCOUNTING STANDARDS**

In August 2005, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for financial statements for periods beginning after June 30, 2007. The statement establishes uniform financial reporting standards for OPEB plans and supersedes the interim guidance included in Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The approach followed in this Statement generally is consistent with the approach adopted in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, with modifications to reflect differences between pension plans and OPEB plans. The District believes it will have no significant effect on the financial statements for the upcoming year.

In August 2005, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 is effective for financial statements for the periods beginning after June 30, 2007. This statement establishes standards for the measurement, recognition, and display of OPEB, expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required



**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Notes to the Financial Statements  
June 30, 2008**

**X. ACCOUNTING STANDARDS (Continued)**

supplementary information (RSI) in the financial reports of state and local governmental employers. The District believes it will have no significant effect on the financial statements for the upcoming year.

In September 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-entity Transfers of Assets and Future Revenues*. This statement is effective for financial statements for the periods beginning after December 15, 2006. This statement establishes the criteria that governments will use to determine whether the proceeds received from the sale or pledge of receivables and future revenue should be reported as revenue or as a liability. The transaction will be treated as collateralized borrowing unless the criteria indicating a sale has taken place are met. The statement stipulates that governments should not revalue assets that are transferred between financial reporting entity components. The District is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In December 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Pollution Remedial Obligations*. This statement is effective for financial statements for the periods beginning after December 15, 2007. This statement establishes accounting standards for the recognition and reporting of liabilities related to environmental clean-up efforts. The District believes it will have no significant effect on the financial statements for the upcoming year.

**XI. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund transfers reflect permanent transfers of cash between funds and they do occur on a routine basis. The purpose of transfers are to cover cash shortages. The composition of interfund transfers during the year ending June 30, 2008 is as follows:

Transfers In	Transfers Out	Amount
Lodger's Promotional Fund	Lodger's Tax Fund	\$ 90,000
Waste Water Improvements	Infrastructure	1,953
Street Drainage Project	Infrastructure	68
Revenue Bond Fund	Water/Sewer Fund	18,200
WSC 85 09 Loan Fund	Water/Sewer Fund	23,872
Water Emergency Loan	Water/Sewer Fund	7,625
Water/Sewer Fund	Sanitation Fund	80,000

The Village did not have any interfund receivables/payables at the end of the year.

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Notes to the Financial Statements  
June 30, 2008**

**XII. LEASE REVENUE**

The winter and ski area (Snow Canyon) owned by the Village is leased to an independent operator. The terms of the lease are as follows:

Lease Term: July 21, 1998 to December 31, 2008

Lease payment beginning March 31, 1999 as follows

Years 1 through 6: \$21,000 plus 1% of revenue generated by the property from all sources

Years 7 through 10: \$21,000 plus 2% of revenue generated by the property from all sources

The \$21,000 fixed portion of the rent is due in one annual installment. The percentage lease payments are received monthly.

**XIII. PRIOR PERIOD RESTATEMENT AND ADJUSTMENTS**

In the prior year the Village's assets and accumulated depreciation were misstated. Governmental activities assets and accumulated depreciation were misstated by \$524,515 and business-type activities assets and accumulated depreciation were misstated by \$3,396,984. In total the Village's assets and accumulated depreciation were misstated by \$3,921,499, therefore beginning net assets were restated to correct this error.

**XIV. MEMORANDUM OF UNDERSTANDING**

The Village entered into a memorandum of understanding with the Sacramento Mountains Historical Museum and Pioneer Village regarding the plan to design and reconstruct the Mountain Park Depot and Post Office and the plan to design, construct, relocate and renovate a building as a one-room school exhibit.

Participants	Village of Cloudcroft and the Sacramento Mountains Historical Museum and Pioneer Village
Party Responsible for Operations	Village of Cloudcroft
Description	To plan, design and reconstruct the Mountain Park Depot and Post Office Facility and to plan, design, construct, relocate and renovate a building as a one-room school exhibit in Cloudcroft in Otero County.
Beginning and Ending Dates	06/30/08 - 06/30/12 or completed
Total Estimated Cost	N/A
Amount Contributed in the Current Year	None
Audit Responsibility	Village of Cloudcroft
Fiscal agent	Village of Cloudcroft
Agency where the entity reports	Department of Finance and Administration

**OTHER SUPPLEMENTARY INFORMATION**

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**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Fund Descriptions  
June 30, 2008**

**Special revenue funds:**

*Local government corrections*

Accounts for the operational and maintenance of the public holding cells and corrections facilities. Finances are provided by an assessment on all traffic violations within the city limits. (NMSA 35-14-11)

*Federal disaster relief*

Established for reimbursement from the Federal Emergency Management Assistance for damage to Village infrastructure as a result of flooding rains in 2006.

*Law enforcement protection*

Accounts for the receipts and expenditures of a special state grant for the police department. The fund is used to account for advanced law enforcement training, and the purchase of law enforcement equipment and vehicles. (NMSA 29-13-4)

*Recreation*

Fund accounts for the operation and maintenance of recreational facilities in the Village. Financing is provided by a specific annual cigarette tax levy. (NMSA 7-12-15)

*Fire department*

Accounts for all other monies (i.e. State Forestry reimbursements) other than those received from the State Fire Marshall and is used for the maintenance & repairs to fire fighting equipment and for firefighting training. (City Ordinance)

**Capital Project Funds:**

*Capital projects streets*

Fund is used for the repair, maintenance, and construction of municipal streets and the purchase of road maintenance equipment. (NMSA 7-1-6.26 & 27)

**Debt Service Funds:**

*Debt service*

Fund is used to account for the principal and interest payments on the Water and Sewer Improvement Project loan and the Motor Grader Loan. (City Ordinance)

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2008**

	<b>Local Government Corrections</b>	<b>Federal Disaster Relief</b>	<b>Law Enforcement Protection</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,619	\$ 6,587	\$ -
Accounts receivable	-	-	-
<b>Total assets</b>	<b>\$ 5,619</b>	<b>\$ 6,587</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 2,311
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,311</b>
Fund balances:			
Unreserved, reported in			
Local government corrections fund	5,619	-	-
Federal disaster relief	-	6,587	-
Law enforcement protection fund	-	-	(2,311)
Recreation fund	-	-	-
Fire department fund	-	-	-
Capital projects streets	-	-	-
Debt service fund	-	-	-
<b>Total fund balances</b>	<b>5,619</b>	<b>6,587</b>	<b>(2,311)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,619</b>	<b>\$ 6,587</b>	<b>\$ -</b>

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

<b>Recreation Fund</b>	<b>Fire Department</b>	<b>Capital Projects Streets</b>	<b>Debt Service</b>	<b>Total Non- Major Governmental Funds</b>
\$ 38,134	\$ 9,132	\$ 75,800	\$ 5,286	\$ 140,558
83	-	1,529	-	1,612
<u>\$ 38,217</u>	<u>\$ 9,132</u>	<u>\$ 77,329</u>	<u>\$ 5,286</u>	<u>\$ 142,170</u>
\$ 286	\$ -	\$ -	\$ -	\$ 2,597
286	-	-	-	2,597
-	-	-	-	5,619
-	-	-	-	6,587
-	-	-	-	(2,311)
37,931	-	-	-	37,931
-	9,132	-	-	9,132
-	-	77,329	-	77,329
-	-	-	5,286	5,286
<u>37,931</u>	<u>9,132</u>	<u>77,329</u>	<u>5,286</u>	<u>139,573</u>
<u>\$ 38,217</u>	<u>\$ 9,132</u>	<u>\$ 77,329</u>	<u>\$ 5,286</u>	<u>\$ 142,170</u>

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2008**

	<b>Local Government Corrections</b>	<b>Federal Disaster Relief</b>	<b>Law Enforcement Protection</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	21,800
Charges for sales and services	-	-	-
Fines and forfeits	1,500	-	-
Rents	-	-	-
Interest income	126	88	230
Miscellaneous	-	-	-
Total revenues	<u>1,626</u>	<u>88</u>	<u>22,030</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	5,000	-	24,341
Culture and recreation	-	-	-
Public works	-	-	-
Capital outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>5,000</u>	<u>-</u>	<u>24,341</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in (out), net	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(3,374)	88	(2,311)
Fund balances - beginning of the year	<u>8,993</u>	<u>6,499</u>	<u>-</u>
Fund balances - end of the year	<u>\$ 5,619</u>	<u>\$ 6,587</u>	<u>\$ (2,311)</u>

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



<b>Recreation Fund</b>	<b>Fire Department</b>	<b>Capital Projects Streets</b>	<b>Debt Service</b>	<b>Total Non- Major Governmental Funds</b>
\$ 1,111	\$ -	\$ 18,516	\$ 21,384	\$ 41,011
31,906	-	-	-	53,706
-	-	-	-	-
-	-	-	-	1,500
1,250	-	-	-	1,250
146	115	892	766	2,363
1,821	2,341	-	-	4,162
<u>36,234</u>	<u>2,456</u>	<u>19,408</u>	<u>22,150</u>	<u>103,992</u>
-	1,255	-	-	30,596
7,096	-	-	-	7,096
-	-	6,006	-	6,006
-	-	68	-	68
-	-	-	41,567	41,567
-	-	-	5,633	5,633
<u>7,096</u>	<u>1,255</u>	<u>6,074</u>	<u>47,200</u>	<u>90,966</u>
-	-	68	25,825	25,893
-	-	68	25,825	25,893
29,138	1,201	13,402	775	38,919
8,793	7,931	63,927	4,511	100,654
<u>\$ 37,931</u>	<u>\$ 9,132</u>	<u>\$ 77,329</u>	<u>\$ 5,286</u>	<u>\$ 139,573</u>

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**Local Government Corrections**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ 1,500	\$ (500)
Interest income	250	250	126	(124)
	2,250	2,250	1,626	(624)
<b>EXPENDITURES</b>				
Public safety	5,000	5,000	5,000	-
Capital outlay	5,000	5,000	-	5,000
	10,000	10,000	5,000	5,000
Excess (deficiency) of revenues over expenditures	(7,750)	(7,750)	\$ (3,374)	\$ 4,376
Prior year cash balance	8,993	8,993		
End of the year cash balance	\$ 1,243	\$ 1,243		

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**Federal Disaster Relief**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 175,000	\$ 175,000	\$ -	\$ (175,000)
Interest income	-	-	88	88
	<u>175,000</u>	<u>175,000</u>	<u>88</u>	<u>(174,912)</u>
<b>EXPENDITURES</b>				
Public safety	175,000	175,000	-	175,000
	<u>175,000</u>	<u>175,000</u>	<u>-</u>	<u>175,000</u>
Excess (deficiency) of revenues over expenditures	-	-	<u>\$ 88</u>	<u>\$ 88</u>
Prior year cash balance	<u>6,499</u>	<u>6,499</u>		
End of the year cash balance	<u>\$ 6,499</u>	<u>\$ 6,499</u>		

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**Law Enforcement Protection**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 21,800	\$ 21,800	\$ 21,800	\$ -
Interest income	250	250	230	(20)
	<u>22,050</u>	<u>22,050</u>	<u>22,030</u>	<u>(20)</u>
<b>EXPENDITURES</b>				
Public safety	22,050	22,050	22,030	20
Capital outlay	-	-	-	-
	<u>22,050</u>	<u>22,050</u>	<u>22,030</u>	<u>20</u>
Excess (deficiency) of revenues over expenditures	-	-	<u>-</u>	<u>\$ -</u>
Prior year cash balance	-	-		
End of the year cash balance	<u>\$ -</u>	<u>\$ -</u>		
<b>RECONCILIATION TO GAAP</b>				
Prior year accounts payable			-	
Accounts payable			<u>(2,311)</u>	
Excess (deficiency) of revenues over expenditures			<u>\$ (2,311)</u>	

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**Recreation**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,000	\$ 1,000	\$ 1,244	\$ 244
Intergovernmental	39,500	39,500	31,906	(7,594)
Rent	22,500	22,500	1,250	(21,250)
Interest income	200	200	146	(54)
Miscellaneous	2,000	2,000	1,821	(179)
	<u>65,200</u>	<u>65,200</u>	<u>36,367</u>	<u>(28,833)</u>
<b>EXPENDITURES</b>				
Culture and recreation	<u>73,938</u>	<u>73,938</u>	<u>6,996</u>	<u>66,942</u>
	<u>73,938</u>	<u>73,938</u>	<u>6,996</u>	<u>66,942</u>
<b>Other Financing Sources</b>				
Transfers in (out), net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(8,738)	(8,738)	29,371	<u>\$ 38,109</u>
Prior year cash balance	<u>8,763</u>	<u>8,763</u>		
End of the year cash balance	<u>\$ 25</u>	<u>\$ 25</u>		
<b>RECONCILIATION TO GAAP</b>				
Prior year accounts receivable			(216)	
Accounts receivable			83	
Prior year accounts payable			186	
Accounts payable			<u>(286)</u>	
Excess (deficiency) of revenues over expenditures			<u>\$ 29,138</u>	

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**Fire Department**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 5,472	\$ 5,472	\$ -	\$ (5,472)
Interest income	50	50	114	64
Donations	-	-	2,341	2,341
	<u>5,522</u>	<u>5,522</u>	<u>2,455</u>	<u>(3,067)</u>
<b>EXPENDITURES</b>				
Public safety	5,522	5,522	1,254	4,268
	<u>5,522</u>	<u>5,522</u>	<u>1,254</u>	<u>4,268</u>
Excess (deficiency) of revenues over expenditures	-	-	<u>\$ 1,201</u>	<u>\$ 1,201</u>
Prior year cash balance	<u>7,931</u>	<u>7,931</u>		
End of the year cash balance	<u>\$ 7,931</u>	<u>\$ 7,931</u>		

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**Capital Projects Streets**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 23,100	\$ 23,100	\$ 19,824	\$ (3,276)
Intergovernmental	396,400	396,400	-	(396,400)
Interest income	500	500	892	392
	<u>420,000</u>	<u>420,000</u>	<u>20,716</u>	<u>(399,284)</u>
<b>EXPENDITURES</b>				
Public works	134,000	134,000	6,006	127,994
Capital outlay	346,000	346,000	-	346,000
	<u>480,000</u>	<u>480,000</u>	<u>6,006</u>	<u>473,994</u>
<b>Other Financing Sources</b>				
Transfers in (out), net	-	68	68	-
	<u>-</u>	<u>68</u>	<u>68</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(60,000)	(59,932)	14,710	<u>\$ 74,710</u>
Prior year cash balance	<u>61,090</u>	<u>61,090</u>		
End of the year cash balance	<u>\$ 1,090</u>	<u>\$ 1,158</u>		
<b>RECONCILIATION TO GAAP</b>				
Prior year accounts receivable			(2,836)	
Accounts receivable			<u>1,528</u>	
Excess (deficiency) of revenues over expenditures			<u>\$ 13,402</u>	

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

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**Debt Service Fund**  
**For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 21,384	\$ 21,384	\$ 21,384	\$ -
Interest income	491	491	766	275
	<u>21,875</u>	<u>21,875</u>	<u>22,150</u>	<u>275</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	41,567	41,567	41,567	-
Interest	6,133	6,133	5,633	500
	<u>47,700</u>	<u>47,700</u>	<u>47,200</u>	<u>500</u>
<b>Other Financing Sources</b>				
Transfers in (out), net	25,825	25,825	25,825	-
	<u>25,825</u>	<u>25,825</u>	<u>25,825</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	<u>\$ 775</u>	<u>\$ 775</u>
Prior year cash balance	<u>4,511</u>	<u>4,511</u>		
End of the year cash balance	<u>\$ 4,511</u>	<u>\$ 4,511</u>		

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



**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**Water and Sewer Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for sales and services	\$ 750,950	\$ 750,950	\$ 769,901	\$ 18,951
Intergovernmental	1,540,057	1,540,057	733,923	(806,134)
Taxes	52,700	52,700	39,944	(12,756)
Interest	2,790	2,790	3,044	254
Miscellaneous	20,400	20,400	3,898	(16,502)
	<u>2,366,897</u>	<u>2,366,897</u>	<u>1,550,710</u>	<u>(816,187)</u>
<b>EXPENDITURES</b>				
Personal services	227,401	260,441	259,356	1,085
Operation and maintenance	2,286,591	2,253,551	1,289,818	963,733
Debt:				
Principal	21,727	21,727	21,727	-
Interest	2,015	2,015	2,015	-
	<u>2,537,734</u>	<u>2,537,734</u>	<u>1,572,916</u>	<u>964,818</u>
<b>Other Financing Sources</b>				
Transfers in (out), net	(25,825)	(23,872)	(23,872)	-
	<u>(25,825)</u>	<u>(23,872)</u>	<u>(23,872)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(196,662)	(194,709)	(46,078)	\$ 148,631
Prior year cash balance	<u>371,003</u>	<u>143,591</u>		
End of the year cash balance	<u>\$ 174,341</u>	<u>\$ (51,118)</u>		
<b>RECONCILIATION TO GAAP</b>				
Depreciation			(183,510)	
Change in accounts receivable			(1,770)	
Change in accounts payable			18,561	
Change in other liabilities			(3,971)	
Change in accrued payroll			(1,164)	
Change in accrued interest			585	
Change in compensated absences			504	
Change in debt			44,352	
Excess (deficiency) of revenues over expenditures			<u>\$ (172,491)</u>	

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

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**OTHER SUPPLEMENTAL DATA**

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Schedule of Depository Collateral  
For the Year Ended June 30, 2008**

	<b>First National Bank</b>	<b>Western Bank</b>	<b>Bank of Albuquerque</b>	<b>NM Finance Authority</b>	<b>Total</b>
Total amount in bank	\$ 1,228,651	\$ 309,735	\$ 5,436	\$ 4,030	\$ 1,547,852
Less: FDIC insurance	(150,000)	(125,080)	(5,436)	(4,030)	(284,546)
Total uninsured public funds	1,078,651	184,655	-	-	1,263,306
50% collateral requirement	539,326	92,328	-	-	631,653
Pledged security	945,239	119,083	-	-	1,064,322
Over (under) collateralized	<u>\$ 405,914</u>	<u>\$ 26,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 432,669</u>

**First National Bank**

<b>Type</b>	<b>Security Number</b>	<b>CUSIP Number</b>	<b>Maturity Date</b>	<b>FMV</b>
Bond	FHLMC Pool B14860	312967M2H2	05/01/14	\$ 392,532
Bond	GNMA II Pool 631831	36291L4Q5	06/20/24	472,864
Bond	FNMA Pool 653807	31390RKU6	10/01/32	79,843
				<u>\$ 945,239</u>

**Western Bank**

<b>Type</b>	<b>Security Number</b>	<b>CUSIP Number</b>	<b>Maturity Date</b>	<b>FMV</b>
Bond	Socorro Schools	83368PAP1	08/01/04	\$ 25,031
Bond	GNMA 8117	36202KAS4	04/20/16	37,645
Bond	FNMA 071189	31362UC24	01/01/18	56,407
				<u>\$ 119,083</u>

The above securities are held at the Federal Home Loan Bank in Dallas, Texas.

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Schedule of Individual Deposit Accounts and Investments  
For the Year Ended June 30, 2008**

	<b>Type of Account</b>	<b>Bank Balance</b>	<b>Reconciled Balance</b>
<i><b>First National Bank</b></i>			
Checking	Checking	\$ 692,156	\$ 646,441
Checking	Checking	478,434	478,434
Checking	Checking	8,061	124
CD	CD	50,000	50,000
Total First National Bank		<u>\$ 1,228,651</u>	<u>\$ 1,174,999</u>
<i><b>Western Bank</b></i>			
Checking	Checking	\$ 25,080	\$ 25,080
CD	CD	78,837	78,837
CD	CD	7,520	7,520
CD	CD	57,672	57,672
CD	CD	71,472	71,472
CD	CD	14,143	14,143
CD	CD	55,011	55,011
Total Western Bank		<u>\$ 309,735</u>	<u>\$ 309,735</u>
<i><b>Bank of Albuquerque</b></i>			
Restricted Cash	Restricted Cash	<u>\$ 5,436</u>	<u>\$ 5,436</u>
<i><b>NM Finance Authority</b></i>			
Restricted Cash	Restricted Cash	<u>\$ 4,030</u>	<u>\$ 4,030</u>
Total Cash		<u>\$ 1,547,852</u>	<u>\$ 1,494,200</u>

**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**Schedule of Changes in Assets and Liabilities - Agency Fund**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2008**

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>ASSETS</b>				
Cash	\$ 1,047	\$ 283,015	\$ 283,055	\$ 1,007
	<u>\$ 1,047</u>	<u>\$ 283,015</u>	<u>\$ 283,055</u>	<u>\$ 1,007</u>
 <b>LIABILITIES</b>				
Due to other taxing units	\$ 1,047	\$ 283,015	\$ 283,055	\$ 1,007
	<u>\$ 1,047</u>	<u>\$ 283,015</u>	<u>\$ 283,055</u>	<u>\$ 1,007</u>

## **COMPLIANCE**

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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***

To the Honorable Mayor, Council,  
The Village of Cloudcroft  
and  
Hector H. Balderas  
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the respective budgetary comparisons and the aggregate remaining fund information of the State of New Mexico, Village of Cloudcroft (the "Village") as of and for the year ended June 30, 2008, and have issued our report thereon dated November 24, 2008. We have also audited the financial statements of each of the Village's nonmajor governmental funds and all the budgetary comparisons presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008. 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. Because of the inadequacy of accounting records, we were unable to form an opinion regarding the amounts at which capital assets and accumulated depreciation are recorded in the government-wide financial statements and proprietary funds at June 30, 2008, or the amount of depreciation expense for the year then ended.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control 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

entity'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 entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as item 05-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result 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 was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 05-2 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

*Miller & Associates, CPA, PC*

Miller & Associates, C.P.A, P.C.  
November 24, 2008

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Schedule of Findings and Responses  
June 30, 2008**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

05-2

**CAPITAL ASSETS**

Condition

During our testwork of capital assets we noted the following:

- Infrastructure was not depreciated.
- Assets were not broken out between government activities and business type activities.
- Assets \$1,000 and above that were purchased prior to the 2005-2006 fiscal year were not properly depreciated.
- Assets purchased prior to the 2005-2006 that were below \$1,000 were included in the inventory.
- Asset listing change from year to year.

Criteria

The Village's internal controls and New Mexico Statutes require capital asset schedules of the Village to be maintained in an accurate method.

Cause

The Village of Cloudcroft does not have a system that will accurately track capital asset additions and deletions and calculate and account for depreciation and accumulated depreciation for all assets by category.

Effect

The capital asset listing and depreciation schedule of the Village of Cloudcroft may be over or under stated. In addition, the Village may not be in compliance with the State Laws.

Recommendation

We recommend that Village of Cloudcroft implement procedures to ensure that all capital assets are accounted for in the inventory listing. The Village should hire a 3<sup>rd</sup> party to inventory all land, buildings, improvements, and general capital assets. Further the inventory should include determining acquisition year, estimated or actual historical cost, and calculating beginning accumulated depreciation.

Agency response

Agency is in the process of working with a third party consultant to resolve this problem.

**STATE OF NEW MEXICO  
VILLAGE OF CLOUDCROFT  
Schedule of Findings and Responses  
June 30, 2008**

**B. FINDINGS – PRIOR YEAR AUDIT**

<u>Condition</u>	<u>Current year status</u>
2003-2 Accounts Receivable Transaction Registers	Resolved and not Repeated
2005-2 Reconciliation of Capital Outlay to Capital Asset Inventory Additions	Revised and Repeated

**C. EXIT CONFERENCE**

The contents of this report were discussed at an exit conference held on November 24, 2008. The following individuals were in attendance:

Village of Cloudcroft Officials

David C. Venable, Mayor  
Michael Nivison, Village Administrator  
Patricia Zendel, Clerk/Treasurer

Auditor

Ron Miller, Shareholder

**D. FINANCIAL STATEMENT PREPARATION**

The financial statements of the Village of Cloudcroft were prepared by Miller & Associates, CPA, P.C. from the original books and records provided by management.