

Accounting & Consulting Group, LLP

Certified Public Accountants

Village of Cloudcroft

Annual Financial Report

For the Year Ended June 30, 2010



STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010

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STATE OF NEW MEXICO
Village of Cloudcroft
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STATE OF NEW MEXICO
Village of Cloudcroft
Official Roster
June 30, 2010

<u>Name</u>	<u>Village Council</u>	<u>Title</u>
David C. Venable		Mayor
Bradley Rasch		Mayor Pro-term
Joy M. Crowley		Trustee
Jerry W. Sutherlin		Trustee
Stephen O'Conner		Trustee
	<u>Administration</u>	
Jini S. Turri		Village Clerk/Treasurer
Linda K. Sargent		Deputy Clerk
Nancy Hubbard		Data Entry Clerk/MVD Manager
Katie Guthrie-Powell		Data Entry Clerk/MVD Clerk

FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Village Council
Village of Cloudcroft
Cloudcroft, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and major special revenue funds, and the aggregate remaining fund information of the Village of Cloudcroft, New Mexico (Village), as of and for the year ended June 30, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the Village's nonmajor governmental funds and the budgetary comparison of the proprietary fund and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. 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.

The Village has not maintained adequate accounting records relating to its cash, assets, liabilities, net assets, revenues, expenditures, federal awards, capital assets, accumulated depreciation, and depreciation expense accounts as of and for the year ended June 30, 2010. Furthermore, evidence supporting historical cost of capital assets maintained by the Village was not available. We were not able to verify either accumulated depreciation at July 1, 2009 or the depreciation expense for the fiscal year ended June 30, 2010. The Village's records do not permit the application of other auditing procedures to its cash, assets, liabilities, nets assets, revenues, expenditures, federal awards, capital assets, accumulated depreciation, and depreciation expense accounts.

Because we were unable to obtain adequate supporting documentation for the Village's cash, assets, liabilities, net assets, revenues, expenditures, federal awards, capital assets, accumulated depreciation, and depreciation expense accounts, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the governmental activities, the business-type activities, each major fund, or the aggregate remaining fund information of the Village, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparisons of the general fund and the major special revenue funds for the year then ended. Also, because of the significance of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the respective financial position of the nonmajor governmental funds of the Village as of June 30, 2010 and the respective changes in financial position, and the budgetary comparisons for the proprietary fund and the remaining nonmajor funds, presented as supplementary information, thereof for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2010 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 has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

We were engaged to conduct an audit for the purpose of forming opinions on the Village's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying information listed as supporting Schedules I through III in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Because of the significance of the matters discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express an opinion regarding whether schedules I through III or the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements and the remaining nonmajor governmental fund financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
December 1, 2010

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

Village of Cloudcroft

Statement of Net Assets

June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash	\$ 1,588,868	\$ 547,462	\$ 2,136,330
Receivables:			
Taxes	99,804	-	99,804
Other	-	94,272	94,272
Total current assets	<u>1,688,672</u>	<u>641,734</u>	<u>2,330,406</u>
Noncurrent assets			
Restricted investments	13,277	-	13,277
Capital assets	12,938,945	6,609,696	19,548,641
Less: accumulated depreciation	<u>(7,387,201)</u>	<u>(1,658,652)</u>	<u>(9,045,853)</u>
Total noncurrent assets	<u>5,565,021</u>	<u>4,951,044</u>	<u>10,516,065</u>
Total assets	<u>\$ 7,253,693</u>	<u>\$ 5,592,778</u>	<u>\$ 12,846,471</u>

The accompanying notes are an integral part of these financial statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 5,066	\$ 23,683	\$ 28,749
Accrued payroll	12,659	27,197	39,856
Current portion of accrued compensated absences	8,695	8,583	17,278
Accrued interest	446	1,049	1,495
Current portion of bonds payable	-	17,000	17,000
Current portion of loans and capital leases payable	20,660	-	20,660
Total current liabilities	<u>47,526</u>	<u>77,512</u>	<u>125,038</u>
Noncurrent liabilities			
Accrued compensated absences	-	20,279	20,279
Total noncurrent liabilities	<u>-</u>	<u>20,279</u>	<u>20,279</u>
Total liabilities	<u>47,526</u>	<u>97,791</u>	<u>145,317</u>
Net Assets			
Invested in capital assets, net of related debt	5,531,084	4,934,044	10,465,128
Restricted for:			
Debt service	29,107	-	29,107
Capital projects	105,282	-	105,282
Special revenue	1,274,501	-	1,274,501
Unrestricted	266,193	560,943	827,136
Total net assets	<u>7,206,167</u>	<u>5,494,987</u>	<u>12,701,154</u>
Total liabilities and net assets	<u>\$ 7,253,693</u>	<u>\$ 5,592,778</u>	<u>\$ 12,846,471</u>

STATE OF NEW MEXICO

Village of Cloudcroft

Statement of Activities

June 30, 2010

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General government	\$ 807,826	\$ 30,473	\$ 359,459	\$ 260,558
Public safety	501,132	113,307	197,599	-
Public works	90,457	-	54,000	-
Culture and recreation	66,559	21,000	15,147	44,612
Interest on long-term debt	1,266	-	-	-
<i>Total governmental activities</i>	<u>1,467,240</u>	<u>164,780</u>	<u>626,205</u>	<u>305,170</u>
Business-type Activities:				
Water and sewer	1,438,941	1,044,860	3,501	523,028
<i>Total business-type activities</i>	<u>1,438,941</u>	<u>1,044,860</u>	<u>3,501</u>	<u>523,028</u>
<i>Total primary government</i>	<u>\$ 2,906,181</u>	<u>\$ 1,209,640</u>	<u>\$ 629,706</u>	<u>\$ 828,198</u>

General Revenues:

Taxes:

 Property taxes, levied for general purposes

 Gross receipts taxes

 Gasoline and motor vehicle taxes

 Other taxes

Investment income

Fines and forfeitures

Miscellaneous income

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning

Net assets, ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (157,336)	\$ -	\$ (157,336)
(190,226)	-	(190,226)
(36,457)	-	(36,457)
14,200	-	14,200
(1,266)	-	(1,266)
<u>(371,085)</u>	<u>-</u>	<u>(371,085)</u>
-	132,448	132,448
-	132,448	132,448
<u>(371,085)</u>	<u>132,448</u>	<u>(238,637)</u>
48,791	-	48,791
666,430	45,298	711,728
35,821	-	35,821
152,443	-	152,443
9,820	3,058	12,878
9,602	-	9,602
72,931	5,020	77,951
(4,182)	4,182	-
<u>991,656</u>	<u>57,558</u>	<u>1,049,214</u>
620,571	190,006	810,577
<u>6,585,596</u>	<u>5,304,981</u>	<u>11,890,577</u>
<u>\$ 7,206,167</u>	<u>\$ 5,494,987</u>	<u>\$ 12,701,154</u>

STATE OF NEW MEXICO

Village of Cloudcroft

Balance Sheet

Governmental Funds

June 30, 2010

	<u>General Fund</u>	<u>Federal Disaster Relief</u>	<u>Mexican Canyon Trestle</u>	<u>EMS</u>
<i>Assets</i>				
Cash	\$ 223,126	\$ 128,607	\$ 167,435	\$ 663,264
Investments	13,277	-	-	-
Receivables:				
Taxes	99,804	-	-	-
<i>Total assets</i>	<u>336,207</u>	<u>128,607</u>	<u>167,435</u>	<u>663,264</u>
<i>Liabilities</i>				
Accounts payable	-	-	-	5,066
Accrued payroll	12,659	-	-	-
<i>Total liabilities</i>	<u>12,659</u>	<u>-</u>	<u>-</u>	<u>5,066</u>
<i>Fund balances</i>				
Unreserved				
General fund	323,548	-	-	-
Special revenue funds	-	128,607	167,435	658,198
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
<i>Total fund balances</i>	<u>323,548</u>	<u>128,607</u>	<u>167,435</u>	<u>658,198</u>
<i>Total liabilities and fund balances</i>	<u>\$ 336,207</u>	<u>\$ 128,607</u>	<u>\$ 167,435</u>	<u>\$ 663,264</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ 406,436	\$ 1,588,868
-	13,277
-	99,804
<u>406,436</u>	<u>1,701,949</u>
-	5,066
-	12,659
<u>-</u>	<u>17,725</u>
-	323,548
292,057	1,246,297
9,097	9,097
<u>105,282</u>	<u>105,282</u>
<u>406,436</u>	<u>1,684,224</u>
<u>\$ 406,436</u>	<u>\$ 1,701,949</u>

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STATE OF NEW MEXICO

Village of Cloudcroft

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2010

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$ 1,684,224
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,551,744
Certain liabilities, including bonds payable, and current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(446)
Current portion of accrued compensated absences not due and payable at year end	(8,695)
Loans and capital leases payable	<u>(20,660)</u>
Total net assets of governmental activities	<u>\$ 7,206,167</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 Balances
Governmental Funds
For the Year Ending June 30, 2010

	General Fund	Federal Disaster Relief	Mexican Canyon Trestle	EMS
<i>Revenues</i>				
Taxes				
Property	\$ 48,791	\$ -	\$ -	\$ -
Gross receipts	596,504	-	-	-
Gasoline and motor vehicle taxes	17,806	-	-	-
Other	33,244	-	-	-
Intergovernmental income				
Federal operating grants	66,536	246,904	-	-
State operating grants	49,602	-	-	9,164
State capital grants	35,558	-	225,000	-
Charges for services	30,473	-	-	113,307
Investment income	1,444	317	557	4,279
Fines and forfeitures	7,712	-	-	-
Miscellaneous	20,519	-	30,000	-
<i>Total revenues</i>	<u>908,189</u>	<u>247,221</u>	<u>255,557</u>	<u>126,750</u>
<i>Expenditures</i>				
Current				
General government	367,374	125,269	-	-
Public safety	287,633	-	-	95,444
Public works	80,546	-	-	-
Culture and recreation	57,992	-	-	-
Capital outlay	89,716	-	88,122	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>883,261</u>	<u>125,269</u>	<u>88,122</u>	<u>95,444</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>24,928</u>	<u>121,952</u>	<u>167,435</u>	<u>31,306</u>
<i>Other financing sources (uses)</i>				
Operating transfers in	50,000	-	-	50,000
Operating transfers (out)	(50,000)	-	-	(50,000)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	24,928	121,952	167,435	31,306
<i>Fund balances - beginning of year</i>	<u>298,620</u>	<u>6,655</u>	<u>-</u>	<u>626,892</u>
<i>Fund balance - end of year</i>	<u>\$ 323,548</u>	<u>\$ 128,607</u>	<u>\$ 167,435</u>	<u>\$ 658,198</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ -	\$ 48,791
69,926	666,430
18,015	35,821
119,199	152,443
-	313,440
253,999	312,765
44,612	305,170
21,000	164,780
3,223	9,820
1,890	9,602
22,412	72,931
<u>554,276</u>	<u>2,091,993</u>
119,636	612,279
118,055	501,132
9,911	90,457
8,567	66,559
224,615	402,453
20,010	20,010
1,266	1,266
<u>502,060</u>	<u>1,694,156</u>
<u>52,216</u>	<u>397,837</u>
6,052	106,052
<u>(10,234)</u>	<u>(110,234)</u>
<u>(4,182)</u>	<u>(4,182)</u>
48,034	393,655
<u>358,402</u>	<u>1,290,569</u>
<u>\$ 406,436</u>	<u>\$ 1,684,224</u>

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STATE OF NEW MEXICO

Village of Cloudcroft

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ending June 30, 2010

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$ 393,655
--	------------

Governmental funds report capital outlays 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:

Capital expenditures	402,453
Depreciation expense	(197,613)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial
resources to governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net assets. Also, governmental funds
report the effect of issuance costs, premiums, discounts, and similar items when
debt is first issued, whereas these amounts are deferred and amortized in the
Statement of Activities:

Decrease in accrued compensated absences	2,066
Principal payments on loans payable	<u>20,010</u>
Change in net assets of governmental activities	<u>\$ 620,571</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-1

Village of Cloudcroft

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ 45,900	\$ 45,900	\$ 48,791	\$ 2,891
Gross receipts	580,000	580,000	590,556	10,556
Gasoline and motor vehicle	42,700	19,000	17,806	(1,194)
Other	35,300	35,300	27,997	(7,303)
Intergovernmental income				
Federal operating grants	-	66,536	66,536	-
Federal capital grants	-	-	-	-
State operating grants	52,200	62,250	49,602	(12,648)
State capital grants	53,000	53,000	35,558	(17,442)
Charges for services	13,850	39,950	30,473	(9,477)
Investment income	3,000	3,000	1,444	(1,556)
Fines and forfeitures	13,850	12,000	7,712	(4,288)
Miscellaneous income	28,050	28,247	20,519	(7,728)
<i>Total revenues</i>	<u>867,850</u>	<u>945,183</u>	<u>896,994</u>	<u>(48,189)</u>
<i>Expenditures</i>				
Current				
General government	317,547	392,726	376,788	15,938
Public safety	298,835	299,135	282,635	16,500
Public works	74,165	81,091	80,807	284
Health and welfare	-	-	-	-
Culture and recreation	71,042	70,642	59,443	11,199
Conservation and development	-	-	-	-
Capital outlay	82,834	82,834	89,833	(6,999)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>844,423</u>	<u>926,428</u>	<u>889,506</u>	<u>36,922</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>23,427</u>	<u>18,755</u>	<u>7,488</u>	<u>(11,267)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(23,427)	(18,755)	-	18,755
Operating transfers in	-	50,000	50,000	-
Operating transfers (out)	-	(50,000)	(50,000)	-
<i>Total other financing sources (uses)</i>	<u>(23,427)</u>	<u>(18,755)</u>	<u>-</u>	<u>18,755</u>
<i>Net change in fund balance</i>	-	-	7,488	7,488
<i>Fund balance - beginning of year</i>	-	-	228,915	228,915
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,403</u>	<u>\$ 236,403</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 7,488
Adjustments to revenues for taxes receivable				11,195
Adjustments to expenditures for payroll and supply expenses recognized in the prior year				6,245
Net change in fund balance (GAAP basis)				<u>\$ 24,928</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

Village of Cloudcroft

Federal Disaster Relief Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	175,000	421,904	246,904	(175,000)
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	317	317	-
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>175,000</u>	<u>422,221</u>	<u>247,221</u>	<u>(175,000)</u>
<i>Expenditures</i>				
Current				
General government	175,000	422,221	125,269	296,952
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>175,000</u>	<u>422,221</u>	<u>125,269</u>	<u>296,952</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	121,952	121,952
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	121,952	121,952
<i>Fund balance - beginning of year</i>	-	-	6,655	6,655
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,607</u>	<u>\$ 128,607</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 121,952
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 121,952</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-3

Village of Cloudcroft

Mexican Canyon Trestle Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	860,717	860,717	225,000	(635,717)
Charges for services	-	-	-	-
Investment income	-	557	557	-
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	30,000	30,000	-
<i>Total revenues</i>	<u>860,717</u>	<u>891,274</u>	<u>255,557</u>	<u>(635,717)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Capital outlay	860,717	891,274	88,122	803,152
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>860,717</u>	<u>891,274</u>	<u>88,122</u>	<u>803,152</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	167,435	167,435
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	167,435	167,435
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,435</u>	<u>\$ 167,435</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 167,435
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 167,435</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-4

Village of Cloudcroft

EMS Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	6,000	9,164	9,164	-
State capital grants	-	-	-	-
Charges for services	113,000	113,000	113,307	307
Investment income	4,050	4,050	4,279	229
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>123,050</u>	<u>126,214</u>	<u>126,750</u>	<u>536</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	114,423	126,014	85,469	40,545
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Capital outlay	147,927	139,500	6,596	132,904
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>262,350</u>	<u>265,514</u>	<u>92,065</u>	<u>173,449</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(139,300)</u>	<u>(139,300)</u>	<u>34,685</u>	<u>173,985</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	139,300	139,300	-	(139,300)
Operating transfers in	-	50,000	50,000	-
Operating transfers (out)	-	(50,000)	(50,000)	-
<i>Total other financing sources (uses)</i>	<u>139,300</u>	<u>139,300</u>	<u>-</u>	<u>(139,300)</u>
<i>Net change in fund balance</i>	-	-	34,685	34,685
<i>Fund balance - beginning of year</i>	-	-	628,579	628,579
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 663,264</u>	<u>\$ 663,264</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 34,685
No adjustments to revenues				-
Adjustments to expenditures for supply expenses				(3,379)
Net change in fund balance (GAAP basis)				<u>\$ 31,306</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, 2010

Exhibit D-1

	<u>Proprietary Fund</u>
	<u>Water and Sewer</u>
<i>Assets</i>	
<i>Current assets</i>	
Cash	\$ 547,462
Receivables:	
Other	94,272
<i>Total current assets</i>	641,734
 <i>Noncurrent assets</i>	
Capital assets	6,609,696
Less: accumulated depreciation	(1,658,652)
<i>Total noncurrent assets</i>	4,951,044
 <i>Total assets</i>	 5,592,778
 <i>Liabilities and net assets</i>	
<i>Liabilities</i>	
<i>Current liabilities</i>	
Accounts payable	23,683
Accrued payroll	27,197
Current portion of accrued compensated absences	8,583
Accrued interest	1,049
Current portion of bonds payable	17,000
<i>Total current liabilities</i>	77,512
 <i>Noncurrent liabilities</i>	
Accrued compensated absences	20,279
<i>Total noncurrent liabilities</i>	20,279
 <i>Total liabilities</i>	 97,791
 <i>Net assets</i>	
Invested in capital assets, net of related debt	4,934,044
Unrestricted	560,943
<i>Total net assets</i>	5,494,987
 <i>Total liabilities and net assets</i>	 \$ 5,592,778

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, 2010

Exhibit D-2

	<u>Proprietary Fund</u>
	<u>Water and Sewer</u>
<i>Operating revenues:</i>	
Charges for services	\$ 1,044,860
<i>Total operating revenues</i>	<u>1,044,860</u>
<i>Operating expenses:</i>	
Personnel services	367,759
Contractual services	277,337
Supplies	9,717
Maintenance and materials	142,943
Utilities	93,329
Depreciation	62,308
Other operating expenditures	483,207
<i>Total operating expenses</i>	<u>1,436,600</u>
<i>Operating income (loss)</i>	<u>(391,740)</u>
<i>Non-operating revenues (expenses)</i>	
Gross receipts taxes	45,298
Investment income	3,058
Miscellaneous income	5,020
Interest expenses	(2,341)
<i>Total non-operating revenues (expenses)</i>	<u>51,035</u>
Government contributions	526,529
Operating transfers in	10,234
Operating transfers (out)	(6,052)
<i>Capital grants and net transfers</i>	<u>530,711</u>
<i>Change in net assets</i>	190,006
<i>Total net assets, beginning of year</i>	<u>5,304,981</u>
<i>Total net assets, end of year</i>	<u><u>\$ 5,494,987</u></u>

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, 2010

Exhibit D-3

	<u>Proprietary Fund</u>
	<u>Water and Sewer</u>
<i>Cash flows from operating activities:</i>	
Cash received from user charges	\$ 1,044,219
Cash payments to employees for services	(358,685)
Cash payments to suppliers for goods and services	(1,002,595)
<i>Net cash provided (used) by operating activities</i>	(317,061)
 <i>Cash flows from noncapital financing activities:</i>	
Gross receipts taxes	45,298
Miscellaneous income	5,020
Change in noncurrent accrued compensated absences	28,862
Interfund advances (payments) and transfers	4,182
<i>Net cash provided (used) by noncapital financing activities</i>	83,362
 <i>Cash flows from capital and related financing activities</i>	
State capital grants	526,529
Interest paid	(2,341)
Principal payments on long-term debt	(39,050)
Acquisition of capital assets	(87,126)
<i>Net cash provided (used) by capital and related financing activities</i>	398,012
 <i>Cash flows from investing activities:</i>	
Interest on investments	3,058
<i>Net cash provided (used) by investing activities</i>	3,058
 <i>Net increase (decrease) in cash and cash equivalents</i>	167,371
 <i>Cash and cash equivalents - beginning of year</i>	380,091
 <i>Cash and cash equivalents - end of year</i>	\$ 547,462
 <i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>	
Operating income (loss)	\$ (391,740)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	62,308
Changes in assets and liabilities	
Receivables	(641)
Accounts payable	3,938
Accrued payroll expenses	18,683
Current accrued compensated absences	(9,609)
<i>Net cash provided (used) by operating activities</i>	\$ (317,061)

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, 2010

Exhibit E-1

<i>Assets</i>	
Cash	<u>\$ 883</u>
Total assets	<u><u>\$ 883</u></u>
<i>Liabilities</i>	
Accounts payable	<u>\$ 883</u>
Total liabilities	<u><u>\$ 883</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies

The Village of Cloudcroft (Village) was incorporated in 1948 under the laws of the State of New Mexico. The Village operates under a Council-Mayor form of government and provides the following services 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 of Cloudcroft is a body politic and corporate under the name and form of government selected by its qualified electors. The Village may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the Village is presented to assist in the understanding of Village's financial statements. The financial statements and notes are the representation of Village's management who is responsible for their integrity and objectivity.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The government-wide and the proprietary funds financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private sector guidance for their government-wide financial statements and enterprise funds, subject to the same limitation. The Village has elected not to follow the subsequent private sector guidance. The more significant of the Village's accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No.'s 14 and 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies (continued)

A. *Financial Reporting Entity (continued)*

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Village does not have any component units required to be reported under GASB Statements No. 14 and No. 39.

B. *Government-wide and fund financial statements*

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

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

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, (b) and are reported on a full accrual, economic resource 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.

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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 instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, net of estimated refunds, are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Village facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Village's enterprise fund is charges for services for the Village's utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Under the requirements of GASB Statement No. 34, the Village is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following, which includes funds that were not required to be presented as major but were at the discretion of management:

The Village reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Federal Disaster Relief Special Revenue Fund* was created to account for reimbursement from the Federal Emergency Management Assistance for damage to Village Infrastructure as a result of flooding rains in 2006.

The *Mexican Canyon Trestle Special Revenue Fund* was created to account for the restoration and maintenance of the Mexican Canyon Trestle.

The *EMS Special Revenue Fund* was created to account for monies received for providing emergency medical services to the residents of the Village.

The Village reports its proprietary fund as a major fund. The proprietary fund includes:

The *Water and Sewer Fund* is used to account for the activities of the Village's water and sewer operations.

Additionally, the government reports the following fund types:

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

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The *Fiduciary Funds* account for resources held for others. They are purely custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are used to account for assets that the Village holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments: The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investments for the Village are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes are considered to be 100% collectible.

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the Village may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Otero County and remitted monthly to the Village.

Prepaid Expenses: Prepaid expenses include insurance and contract payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the Village during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30-50
Equipment	5-15
Infrastructure	20

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2010, along with applicable PERA, FICA, and Medicare payable.

Deferred Revenues: There are two types of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue (commonly referred to as unearned revenue). The other type of deferred revenue is "unavailable revenue." Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred revenue.

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 on 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.

Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule depending on length of service. No more than twenty (20) working days, or one hundred sixty (160) hours of annual leave, may be carried forward from one calendar year to the next. All excess annual leave shall be forfeited, if not used, unless extenuating circumstances warrant approval of an extension by the Village Council of the Village of Cloudcroft.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental or proprietary fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

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

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

Net Assets or Fund Equity (continued)

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt:
Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets:
Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation 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.”

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Village’s financial statements include the allowance for uncollectible accounts in the joint utility fund and depreciation on capital assets.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets of the Village are prepared prior to June 1 and must be approved by resolution of the Village Commissioners, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Village Council Members and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total by fund.

These budgets are prepared on the GAAP basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The budgetary information presented in these financial statements has been properly amended by Village Council in accordance with the above procedures. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budet	Final Budget
Budgeted Funds:		
General Fund	\$ 23,427	\$ 18,755
Federal Disaster Relief Special Revenue Fund	\$ -	\$ -
Mexican Canyon Trestle Special Revenue Fund	\$ -	\$ -
EMS Special Revenue Fund	\$ (139,300)	\$ (139,300)
Other Governmental Funds	\$ (84,602)	\$ (177,027)
Water and Sewer Fund	\$ 40,644	\$ 50,930

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the Untied States of America (GAAP), a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2010 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

NOTE 3. Deposits and Investments

State statutes authorize the investment of Village funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The Village is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2010.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 3. Deposits and Investments (continued)

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. However, on October 14, 2008, the FDIC announced a new Transaction Account Guarantee (TAG) Program, that provides depositors' with unlimited coverage through December 31, 2010, for insured depository institutions (IDIs) currently participating in the TAG program, with the possibility of an additional extension of up to 12 months without additional rulemaking, upon a determination by the FDIC's Board of Directors that continuing economic difficulties warrant further extension. With regards to this Transaction Account Guarantee Program, noninterest-bearing checking accounts include Demand Deposit Accounts (DDA's) and any other transaction accounts that has unlimited withdrawals and that cannot earn interest. Also included in this program, are low-interest NOW accounts that cannot earn more than 0.5% interest.

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 does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2010, \$57,652 of the Village's deposits of \$2,369,356 was exposed to custodial credit risk. \$57,652 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Village's name and \$0 was uninsured and uncollateralized.

	First National Bank	Western Bank	Total
	<u> </u>	<u> </u>	<u> </u>
Amount of deposits	\$ 2,061,704	\$ 307,652	\$ 2,369,356
Transaction Deposit Accounts covered by the "Transaction Account Guarantee Program"	(1,811,704)	-	(1,811,704)
FDIC Coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	<u> -</u>	<u> 57,652</u>	<u> 57,652</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Village's name	-	57,652	57,652
Uninsured and uncollateralized	<u> -</u>	<u> -</u>	<u> -</u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ 28,826	\$ 28,826
Pledged Collateral	1,246,486	61,778	1,308,264
Over (Under) collateralized	<u> \$ 1,246,486</u>	<u> \$ 32,952</u>	<u> \$ 1,279,438</u>

The collateral pledged is listed on Schedule II in 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.

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 3. Deposits and Investments (continued)

Investments

Credit Risk

As of June 30, 2010, the Village had the following investments and maturities:

Investment Type	Weighted Average Maturities	Fair Value	Rating
U.S. Treasury MM Mutual Fund	<1 year	\$ 13,277	AAA
		\$ 13,277	

The investments are listed on Schedule I of this report. The types of investment, interest rate, maturity date and fair value per security are included in the schedule.

Interest Rate Risk – Investments. The Village does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Concentration of Credit Risk – Investments. For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the Village. The investments in U.S Treasury Money Market Mutual Funds represent 100% of the investment portfolio. Since the Village only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the Village. The Village’s policy related to concentration of credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

The Village utilizes pooled accounts for their funds. The General, Special Revenue, Capital Projects, and Agency Funds are all in multiple accounts.

Reconciliation of Cash and Cash Equivalents

Primary Government

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents - Governmental Activities per Exhibit A-1	\$ 1,588,868
Restricted Investments - Governmental Activities per Exhibit A-1	13,277
Cash and cash equivalents - Business-type Activities per Exhibit A-1	547,462
Agency funds cash per Exhibit E-1	883
Total cash and cash equivalents	2,150,490
Add: outstanding checks	232,143
Less: Investment in U.S. Treasury MM Mutual Fund	(13,277)
Bank balance of deposits	\$ 2,369,356

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 4. Receivables

Receivables as of June 30, 2010, are as follows:

Governmental Activities:

	General	Total Governmental Activities
Other taxes:		
Gross receipts taxes	\$ 94,557	\$ 94,557
Other taxes	5,247	5,247
Totals by category	\$ 99,804	\$ 99,804

Receivables for governmental activities are considered to be 100% collectible.

Business-type Activities:

	Water and Sewer	Total Business-type Activities
Other receivables:		
Charges for services	\$ 92,069	\$ 92,069
Miscellaneous	2,203	2,203
Totals by category	\$ 94,272	\$ 94,272

Receivables for business-type activities are considered to be 100% collectible.

NOTE 5. Transfers and Interfund Receivables

Net operating transfers, made to close out funds and to supplement other funding sources in the normal course of operations, were as follows:

Transfers Out	Transfers In	Amount
Primary Government		
General Fund	EMS Special Revenue Fund	\$ 50,000
EMS Special Revenue Fund	General Fund	50,000
Municipal Streets Capital Projects Fund	Water and Sewer	5,117
Infrastructure Capital Projects Fund	Water and Sewer	5,117
Water and Sewer	Infrastructure Capital Projects Fund	6,052
	Total	\$ 116,286

There were no interfund balances at June 30, 2010.

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2010, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,196,455	\$ -	\$ -	\$ 3,196,455
Construction in progress	275,883	291,647	154,905	412,625
Total capital assets not being depreciated	3,472,338	291,647	154,905	3,609,080
Capital assets being depreciated:				
Buildings and improvements	2,086,169	154,905	-	2,241,074
Equipment	2,069,790	110,806	63,276	2,117,320
Infrastructure	4,971,471	-	-	4,971,471
Total capital assets being depreciated	9,127,430	265,711	63,276	9,329,865
Less accumulated depreciation:				
Buildings and improvements	1,132,830	56,407	-	1,189,237
Equipment	1,396,521	117,122	63,276	1,450,367
Infrastructure	4,723,513	24,084	-	4,747,597
Total accumulated depreciation	7,252,864	197,613	63,276	7,387,201
Total capital assets, net of depreciation	\$ 5,346,904	\$ 359,745	\$ 154,905	\$ 5,551,744

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 6. Capital Assets (continued)

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 723,545	\$ -	\$ -	\$ 723,545
Construction in progress	<u>3,004,548</u>	<u>87,126</u>	<u>-</u>	<u>3,091,674</u>
 Total capital assets not being depreciated	 <u>3,728,093</u>	 <u>87,126</u>	 <u>-</u>	 <u>3,815,219</u>
Capital assets being depreciated:				
Buildings and improvements	182,500	-	-	182,500
Equipment	501,831	-	-	501,831
Infrastructure	<u>2,110,146</u>	<u>-</u>	<u>-</u>	<u>2,110,146</u>
 Total capital assets being depreciated	 <u>2,794,477</u>	 <u>-</u>	 <u>-</u>	 <u>2,794,477</u>
Less accumulated depreciation:				
Buildings and improvements	45,176	8,034	-	53,210
Equipment	310,145	32,610	-	342,755
Infrastructure	<u>1,241,023</u>	<u>21,664</u>	<u>-</u>	<u>1,262,687</u>
 Total accumulated depreciation	 <u>1,596,344</u>	 <u>62,308</u>	 <u>-</u>	 <u>1,658,652</u>
 Total capital assets, net of depreciation	 <u>\$ 4,926,226</u>	 <u>\$ 24,818</u>	 <u>\$ -</u>	 <u>\$ 4,951,044</u>

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 7. Long-term Debt

Governmental Activities:

During the year ended June 30, 2010, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year
Loans payable	\$ 40,670	\$ -	\$ 20,010	\$ 20,660	\$ 20,660
Compensated absences	10,761	13,098	15,164	8,695	8,695
Total Long-Term Debt	<u>\$ 51,431</u>	<u>\$ 13,098</u>	<u>\$ 35,174</u>	<u>\$ 29,355</u>	<u>\$ 29,355</u>

NMFA Loan

The Village entered into a loan agreement with the New Mexico Finance Authority, wherein the Village pledged revenue derived from State-Shared Gross Receipts Tax to cover debt service. This revenue is not subject to intercept agreements. The NMFA loan is as follows:

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2010
NMFA Loan	Nov-03	May-11	1.13-3.48%	\$ 150,000	<u>\$ 20,660</u>

The annual requirements to amortize the NMFA loan as of June 30, 2010, including interest payments, is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2011	\$ 20,660	\$ 719	\$ 21,379
	<u>\$ 20,660</u>	<u>\$ 719</u>	<u>\$ 21,379</u>

In prior years, the debt service funds have typically been used to liquidate long-term liabilities, other than compensated absences which have typically been liquidated by the general fund.

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 7. Long-term Debt (continued)

Proprietary Funds

During the year ended June 30, 2010, the following changes occurred in the liabilities reported in the business-type statement of net assets:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year
Bonds payable	\$ 33,000	\$ -	\$ 16,000	\$ 17,000	\$ 17,000
Compensated absences	9,609	27,836	8,583	28,862	8,583
Total Long-Term Debt	<u>\$ 42,609</u>	<u>\$ 27,836</u>	<u>\$ 24,583</u>	<u>\$ 45,862</u>	<u>\$ 25,583</u>

Revenue Bonds

At June 30, 2010, the Village had the following revenue bond outstanding:

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2010
Joint Water and Sewer	Jan-71	Jan-11	5.00%	\$ 310,000	<u>\$ 17,000</u>

The annual requirements to amortize the revenue bond as of June 30, 2010, including interest payments, is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2011	\$ 17,000	\$ 850	\$ 17,850
	<u>\$ 17,000</u>	<u>\$ 850</u>	<u>\$ 17,850</u>

In prior years, the Water and Sewer funds have typically been used to liquidate long-term liabilities.

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 8. Risk Management

The Village is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions 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.

NOTE 9. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. The Village did not have any deficit fund balances as of June 30, 2010
- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary level is fund level. The Village did not have any funds that exceeded approved budgetary authority for the year ended June 30, 2010:
- C. Designated cash appropriations in excess of available balances. The following fund’s budget exceeded approved budgetary authority for the year ended June 30, 2010:

	Designated Cash	Beginning Year Cash & AR Available	Cash Appropriation in excess of available balance
Municipal Streets Capital Projects Fund	\$ 90,000	\$ 89,519	\$ (481)

NOTE 10. PERA Pension Plan

Plan Description. 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 Employee 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 benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy: Plan members are required to contribute the following percentages of their gross salary: 7% for law enforcement and fire protection employees; and 9.15% for municipal employees. The Village was required to contribute the following percentages of the gross covered salary: 10% for law enforcement and fire protection plan members; and 9.15% for village plan members. The contribution requirements of plan members and the Village are established in State Statute 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 fiscal years ended June 30, 2010, 2009, and 2008 were \$46,459, \$47,010, and \$52,770, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan

The Village did not participate in the Retiree Health Care Plan provided under the Retiree Health Care Act (10-7c-1 to 10-7c-17, NMSA 1978) during the year ended June 30, 2010.

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 12. Contingent Liabilities

There is not any pending litigation that would warrant disclosure in the notes to the financial statements.

NOTE 13. Federal and State Grants

In the normal course of operations, the Village receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 14. 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 and Health Services in the amount \$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.

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.

Paricipants	Village of Cloudcroft and the Sacramento Moutains Historical Museum and Pioneer Village
Party Responsible for Operations	Village of Cloudcroft
Description	To plan, design and reconstruct the Mountian 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	6/30/2008 - 6/30/2012 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

STATE OF NEW MEXICO
Village of Cloudcroft
Notes to Financial Statements
June 30, 2010

NOTE 15. Commitments

The Village has committed to pay for several construction contracts that were not completed at June 30, 2010 in the amount of \$645,618 as follows:

<u>Project</u>	<u>Year Ending</u>	<u>Amount</u>
PURE Water Project	2011	\$ 421,754
Photo Voltaic Project	2011	60,000
Chautauqua Canyon Lift Station	2011	21,738
Library Roof Repair	2011	7,511
CDBG Street Drainage Project	2011	25,000
NM DOT Street Project	2011	118,615
Total commitments		<u>\$ 654,618</u>

NOTE 16. Restricted Net Assets

The government-wide statement of net assets reports \$1,408,890 of restricted net assets, all of which is restricted by enabling legislation or for future debt service payments. For descriptions of the related enabling legislation and future debt service payments for special revenue, debt service, and capital projects funds, see pages 35 and 55.

NOTE 17. Subsequent Events

The date to which events occurring after June 30, 2010, the date of the most recent statement of net assets, have been evaluated for possible adjustment to the financial statements or disclosures is December 1, 2010 which is the date on which the financial statements were issued.

NOTE 18. Subsequent Pronouncements

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010 with earlier implementation encouraged. GASB Statement No. 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purpose for which specific amounts can be spent. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The Village is analyzing the effect that this standard will have on the financial statements.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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STATE OF NEW MEXICO
Village of Cloudcroft
Nonmajor Governmental Funds Descriptions
June 30, 2010

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)

Fire Protection

To account for the operations and maintenance of the fire department

Law Enforcement Protection

To account 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)

Lodger's Tax

Accounts for lodger's tax received and various activities to promote tourism in the Village.

Recreation

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 and repairs to fire fighting equipment and for firefighting training. (City Ordinance)

Debt Service Funds

Debt Service

This 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)

Capital Projects Funds

Municipal Streets

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

Infrastructure

To account for the repair, maintenance, construction, and improvements to water, sewer, road systems, buildings, and grounds.

STATE OF NEW MEXICO
Village of Cloudcroft
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2010

	Special Revenue			
	Local Government Corrections	Fire Protection	Law Enforcement Protection	Lodger's Tax
<i>Assets</i>				
Cash	\$ 881	\$ 141,247	\$ 12,031	\$ 36,443
<i>Total assets</i>	881	141,247	12,031	36,443
<i>Fund balances</i>				
Unreserved				
Special revenue funds	881	141,247	12,031	36,443
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
<i>Total fund balances</i>	881	141,247	12,031	36,443
<i>Total liabilities and fund balances</i>	\$ 881	\$ 141,247	\$ 12,031	\$ 36,443

The accompanying notes are an integral part of these financial statements

Special Revenue		Debt Service	Capital Projects		Total Nonmajor Governmental Funds
Recreation	Fire Department	Debt Service	Municipal Streets	Infrastructure	
\$ 79,239	\$ 22,216	\$ 9,097	\$ 52,445	\$ 52,837	\$ 406,436
<u>79,239</u>	<u>22,216</u>	<u>9,097</u>	<u>52,445</u>	<u>52,837</u>	<u>406,436</u>
79,239	22,216	-	-	-	292,057
-	-	9,097	-	-	9,097
-	-	-	52,445	52,837	105,282
<u>79,239</u>	<u>22,216</u>	<u>9,097</u>	<u>52,445</u>	<u>52,837</u>	<u>406,436</u>
\$ 79,239	\$ 22,216	\$ 9,097	\$ 52,445	\$ 52,837	\$ 406,436

STATE OF NEW MEXICO
Village of Cloudcroft
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2010

	Special Revenue			
	Local Government Corrections	Fire Protection	Law Enforcement Protection	Lodger's Tax
<i>Revenues</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	118,102
Intergovernmental income				
State operating grants	-	163,052	21,800	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	30	1,373	117	391
Fines and forfeitures	1,890	-	-	-
Miscellaneous	-	45	-	-
<i>Total revenues</i>	<u>1,920</u>	<u>164,470</u>	<u>21,917</u>	<u>118,493</u>
<i>Expenditures</i>				
Current				
General government	5,000	-	-	114,636
Public safety	-	107,696	9,886	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	37,544	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,000</u>	<u>145,240</u>	<u>9,886</u>	<u>114,636</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,080)</u>	<u>19,230</u>	<u>12,031</u>	<u>3,857</u>
<i>Other financing sources (uses)</i>				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(3,080)	19,230	12,031	3,857
<i>Fund balances - beginning of year</i>	<u>3,961</u>	<u>122,017</u>	<u>-</u>	<u>32,586</u>
<i>Fund balances - end of year</i>	<u>\$ 881</u>	<u>\$ 141,247</u>	<u>\$ 12,031</u>	<u>\$ 36,443</u>

The accompanying notes are an integral part of these financial statements

Special Revenue		Debt Service	Capital Projects		Total Nonmajor Governmental Funds
Recreation	Fire Department	Debt Service	Municipal Streets	Infrastructure	
\$ -	\$ -	\$ 23,166	\$ -	\$ 46,760	\$ 69,926
-	-	-	18,015	-	18,015
1,097	-	-	-	-	119,199
15,147	-	-	54,000	-	253,999
44,612	-	-	-	-	44,612
21,000	-	-	-	-	21,000
410	143	30	489	240	3,223
-	-	-	-	-	1,890
21,143	1,224	-	-	-	22,412
<u>103,409</u>	<u>1,367</u>	<u>23,196</u>	<u>72,504</u>	<u>47,000</u>	<u>554,276</u>
-	-	-	-	-	119,636
-	473	-	-	-	118,055
-	-	101	9,810	-	9,911
8,567	-	-	-	-	8,567
55,199	-	-	94,069	37,803	224,615
-	-	20,010	-	-	20,010
-	-	1,266	-	-	1,266
<u>63,766</u>	<u>473</u>	<u>21,377</u>	<u>103,879</u>	<u>37,803</u>	<u>502,060</u>
<u>39,643</u>	<u>894</u>	<u>1,819</u>	<u>(31,375)</u>	<u>9,197</u>	<u>52,216</u>
-	-	-	-	6,052	6,052
-	-	-	(5,117)	(5,117)	(10,234)
-	-	-	(5,117)	935	(4,182)
39,643	894	1,819	(36,492)	10,132	48,034
<u>39,596</u>	<u>21,322</u>	<u>7,278</u>	<u>88,937</u>	<u>42,705</u>	<u>358,402</u>
<u>\$ 79,239</u>	<u>\$ 22,216</u>	<u>\$ 9,097</u>	<u>\$ 52,445</u>	<u>\$ 52,837</u>	<u>\$ 406,436</u>

STATE OF NEW MEXICO

Statement B-1

Village of Cloudcroft

Local Government Corrections Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	75	30	(45)
Fines and forfeitures	3,000	3,000	1,890	(1,110)
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>3,000</u>	<u>3,075</u>	<u>1,920</u>	<u>(1,155)</u>
<i>Expenditures</i>				
Current				
General government	5,000	5,000	5,000	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,000)</u>	<u>(1,925)</u>	<u>(3,080)</u>	<u>(1,155)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	2,000	1,925	-	(1,925)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,000</u>	<u>1,925</u>	<u>-</u>	<u>(1,925)</u>
<i>Net change in fund balance</i>	-	-	(3,080)	(3,080)
<i>Fund balance - beginning of year</i>	-	-	3,961	3,961
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 881</u>	<u>\$ 881</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (3,080)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (3,080)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-2

Village of Cloudcroft

Fire Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	134,620	163,052	163,052	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	1,000	1,000	1,373	373
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	45	45
<i>Total revenues</i>	<u>135,620</u>	<u>164,052</u>	<u>164,470</u>	<u>418</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	142,456	139,044	109,824	29,220
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Capital outlay	72,794	104,638	38,201	66,437
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>215,250</u>	<u>243,682</u>	<u>148,025</u>	<u>95,657</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(79,630)</u>	<u>(79,630)</u>	<u>16,445</u>	<u>96,075</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	79,630	79,630	-	(79,630)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>79,630</u>	<u>79,630</u>	<u>-</u>	<u>(79,630)</u>
<i>Net change in fund balance</i>	-	-	16,445	16,445
<i>Fund balance - beginning of year</i>	-	-	124,802	124,802
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,247</u>	<u>\$ 141,247</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 16,445
No adjustments to revenues				-
Adjustments to expenditures for supply expenses recognized in the prior year				2,785
Net change in fund balance (GAAP basis)				<u>\$ 19,230</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

Village of Cloudcroft

Law Enforcement Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	21,800	21,800	21,800	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	175	175	117	(58)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>21,975</u>	<u>21,975</u>	<u>21,917</u>	<u>(58)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	21,975	12,975	9,886	3,089
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Capital outlay	-	9,000	-	9,000
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>21,975</u>	<u>21,975</u>	<u>9,886</u>	<u>12,089</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>12,031</u>	<u>12,031</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>12,031</u>	<u>12,031</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,031</u>	<u>\$ 12,031</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 12,031
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 12,031</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

Village of Cloudcroft

Lodger's Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	118,000	118,000	118,102	102
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	500	500	391	(109)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>118,500</u>	<u>118,500</u>	<u>118,493</u>	<u>(7)</u>
<i>Expenditures</i>				
Current				
General government	26,000	117,000	114,636	2,364
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Capital outlay	-	1,500	-	1,500
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>26,000</u>	<u>118,500</u>	<u>114,636</u>	<u>3,864</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>92,500</u>	<u>-</u>	<u>3,857</u>	<u>3,857</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Operating transfers in	-	92,500	92,500	-
Operating transfers (out)	(92,500)	(92,500)	(92,500)	-
<i>Total other financing sources (uses)</i>	<u>(92,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	3,857	3,857
<i>Fund balance - beginning of year</i>	-	-	32,586	32,586
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,443</u>	<u>\$ 36,443</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 3,857
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 3,857</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

Village of Cloudcroft

Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	1,000	1,000	1,097	97
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	14,643	15,147	504
State capital grants	26,375	29,972	44,612	14,640
Charges for services	-	24,000	21,000	(3,000)
Investment income	-	200	410	210
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	2,175	21,143	18,968
<i>Total revenues</i>	<u>27,375</u>	<u>71,990</u>	<u>103,409</u>	<u>31,419</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	9,891	8,636	1,255
Conservation and development	-	-	-	-
Capital outlay	27,375	62,099	58,478	3,621
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>27,375</u>	<u>71,990</u>	<u>67,114</u>	<u>4,876</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>36,295</u>	<u>36,295</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>36,295</u>	<u>36,295</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>42,944</u>	<u>42,944</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,239</u>	<u>\$ 79,239</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 36,295
No adjustments to revenues				-
Adjustments to expenditures for capital outlay expenses recognized in the prior year				3,348
Net change in fund balance (GAAP basis)				<u>\$ 39,643</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

Village of Cloudcroft

Fire Department Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	50	50	143	93
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	300	1,224	924
<i>Total revenues</i>	<u>50</u>	<u>350</u>	<u>1,367</u>	<u>1,017</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	5,522	5,822	473	5,349
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>5,522</u>	<u>5,822</u>	<u>473</u>	<u>5,349</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,472)</u>	<u>(5,472)</u>	<u>894</u>	<u>6,366</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	5,472	5,472	-	(5,472)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>5,472</u>	<u>5,472</u>	<u>-</u>	<u>(5,472)</u>
<i>Net change in fund balance</i>	-	-	894	894
<i>Fund balance - beginning of year</i>	-	-	21,322	21,322
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,216</u>	<u>\$ 22,216</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 894
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 894</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

Village of Cloudcroft

Debt Service Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	21,384	21,384	23,166	1,782
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	250	250	30	(220)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>21,634</u>	<u>21,634</u>	<u>23,196</u>	<u>1,562</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	256	256	101	155
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	20,010	20,010	20,010	-
Interest	1,368	1,368	1,266	102
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>21,634</u>	<u>21,634</u>	<u>21,377</u>	<u>257</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	1,819	1,819
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	1,819	1,819
<i>Fund balance - beginning of year</i>	-	-	7,278	7,278
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,097</u>	<u>\$ 9,097</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 1,819
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 1,819</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-8

Village of Cloudcroft

Municipal Streets Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	18,250	18,250	21,449	3,199
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	60,000	54,000	54,000	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	1,050	650	489	(161)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>79,300</u>	<u>72,900</u>	<u>75,938</u>	<u>3,038</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	20,000	20,000	10,392	9,608
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Capital outlay	149,300	122,900	94,069	28,831
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>169,300</u>	<u>142,900</u>	<u>104,461</u>	<u>38,439</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(90,000)</u>	<u>(70,000)</u>	<u>(28,523)</u>	<u>41,477</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	90,000	75,118	-	(75,118)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	(5,118)	(5,117)	1
<i>Total other financing sources (uses)</i>	<u>90,000</u>	<u>70,000</u>	<u>(5,117)</u>	<u>(75,117)</u>
<i>Net change in fund balance</i>	-	-	(33,640)	(33,640)
<i>Fund balance - beginning of year</i>	-	-	86,085	86,085
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,445</u>	<u>\$ 52,445</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (33,640)
Adjustments to revenues for tax revenue recognized in the prior year				(3,434)
Adjustments to expenditures for supply expenses recognized in the prior year				582
Net change in fund balance (GAAP basis)				<u>\$ (36,492)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-9

Village of Cloudcroft

Infrastructure Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	60,000	55,086	(4,914)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	400	240	(160)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>60,400</u>	<u>55,326</u>	<u>(5,074)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Capital outlay	-	80,400	37,803	42,597
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>80,400</u>	<u>37,803</u>	<u>42,597</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(20,000)</u>	<u>17,523</u>	<u>37,523</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	19,065	-	(19,065)
Operating transfers in	-	6,053	6,052	(1)
Operating transfers (out)	-	(5,118)	(5,117)	1
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>20,000</u>	<u>935</u>	<u>(19,065)</u>
<i>Net change in fund balance</i>	-	-	18,458	18,458
<i>Fund balance - beginning of year</i>	-	-	34,379	34,379
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,837</u>	<u>\$ 52,837</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 18,458
Adjustments to revenues for gross receipt tax revenue recognized in the prior year				(8,326)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 10,132</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-10

Village of Cloudcroft

Water and Sewer Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ 987,975	\$ 1,004,275	\$ 1,044,860	\$ 40,585
<i>Total operating revenues</i>	<u>987,975</u>	<u>1,004,275</u>	<u>1,044,860</u>	<u>40,585</u>
<i>Operating expenses:</i>				
Personnel services	375,800	347,375	367,759	(20,384)
Contractual services	279,371	279,371	277,337	2,034
Supplies	9,783	9,783	9,717	66
Maintenance and materials	243,837	276,732	142,943	133,789
Utilities	95,056	95,056	93,329	1,727
Depreciation	-	-	62,308	(62,308)
Capital outlay	-	-	-	-
Other operating expenditures	1,068,604	1,070,604	483,207	587,397
<i>Total operating expenses</i>	<u>2,072,451</u>	<u>2,078,921</u>	<u>1,436,600</u>	<u>642,321</u>
<i>Operating income (loss)</i>	<u>(1,084,476)</u>	<u>(1,074,646)</u>	<u>(391,740)</u>	<u>682,906</u>
<i>Non-operating revenues (expenses)</i>				
Designated cash (budgeted increase in cash)	(40,644)	(50,930)	-	50,930
Property taxes	-	-	-	-
Gross receipts taxes	54,780	45,000	45,298	298
Other taxes	-	-	-	-
Government contributions	1,109,915	1,109,915	526,529	(583,386)
Investment income	2,850	2,850	3,058	208
Fines and forfeitures	-	-	-	-
Proceeds from debt issuance	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
Miscellaneous income	5,020	5,020	5,020	-
Principal expenses	(39,050)	(39,050)	-	39,050
Interest expenses	(2,342)	(2,342)	(2,341)	1
Operating transfers in	66,392	76,628	10,234	(66,394)
Operating transfers (out)	(72,445)	(72,445)	(6,052)	66,393
<i>Total non-operating revenues (expenses)</i>	<u>1,084,476</u>	<u>1,074,646</u>	<u>581,746</u>	<u>(492,900)</u>
<i>Change in net assets</i>	-	-	190,006	190,006
<i>Total net assets, beginning of year</i>	-	-	5,304,981	5,304,981
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,494,987</u>	<u>\$ 5,494,987</u>

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Village of Cloudcroft
Schedule of Deposit and Investment Accounts
June 30, 2010

Schedule I

Bank Account Type/Name	First National Bank	Western Bank	Bank of NY Mellon	Totals
Checking Accounts	\$ 2,061,704	\$ -	\$ -	\$ 2,061,704
Checking Account	-	3,955	-	3,955
Certificates of Deposits	-	303,697	-	303,697
NMFA Reserve Account**	-	-	13,277	13,277
Total	<u>2,061,704</u>	<u>307,652</u>	<u>13,277</u>	<u>2,382,633</u>
Reconciling items	<u>(232,143)</u>	<u>-</u>	<u>-</u>	<u>(232,143)</u>
Reconciled balance	<u>\$ 1,829,561</u>	<u>\$ 307,652</u>	<u>\$ 13,277</u>	<u>2,150,490</u>
Total deposits and investments				<u>\$ 2,150,490</u>
Cash and investments per financial statements				
Governmental Activities per Exhibit A-1				\$ 1,588,868
Business-type Activities per Exhibit A-1				547,462
Governmental Activities Investments per Exhibit A-1				13,277
Agency funds per Exhibit E-1				<u>883</u>
Total cash and investments				<u>\$ 2,150,490</u>

**Accounts are U.S. Treasury MMA Mutual Funds

See accompanying independent auditors' report

STATE OF NEW MEXICO
Village of Cloudcroft
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2010

Schedule II

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value at June 30, 2010</u>	<u>Name and Location of Safekeeper</u>
First National Bank					
	GNMA II Pool	9/20/2010	36202CJ95	\$ 196	Federal Home Loan Bank - Dallas, TX
	FNMA Pool	4/1/2014	323654	21,490	Federal Home Loan Bank - Dallas, TX
	FHLMC Pool	5/1/2023	D96030	401,758	Federal Home Loan Bank - Dallas, TX
	FNMA Pool	9/1/2026	900335	281,962	Federal Home Loan Bank - Dallas, TX
	Bernalillo NM State Shared**	6/1/2021	085251AG8	<u>541,080</u>	Federal Home Loan Bank - Dallas, TX
	Total First National Bank			<u>1,246,486</u>	
Western Bank					
	GNMA 8117	4/20/2016	36202KAS4	14,673	Federal Home Loan Bank - Dallas, TX
	Tularosa Schools **	10/15/2020	89172GK0	42,500	Federal Home Loan Bank - Dallas, TX
	FNMA 71189	4/18/2018	31362UC24	<u>4,605</u>	Federal Home Loan Bank - Dallas, TX
	Total Western Bank			<u>61,778</u>	
	Total Pledged Collateral			<u>\$ 1,308,264</u>	

** As per NMSA 2.2.2.10 (N)(4)(5)(e), the value of collateral consisting of obligations of the State of New Mexico, its agencies, institutions, counties, municipalities, or other subdivisions, shall be par value

See accompanying independent auditors' report

STATE OF NEW MEXICO
Village of Cloudcroft
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2010

Schedule III

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<i>Assets</i>				
Cash	\$ 883	\$ -	\$ -	\$ 883
Total assets	<u>\$ 883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 883</u>
<i>Liabilities</i>				
Accounts Payable	\$ 883	\$ -	\$ -	\$ 883
Total liabilities	<u>\$ 883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 883</u>

NOTE: This statement should include additions and deletions to the assets and liabilities, however, that information is unavailable due to the inadequacies in the Village's records.

See accompanying independent auditors' report

COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

**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***

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Village Council
Village of Cloudcroft
Cloudcroft, New Mexico

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and major special revenue funds and the aggregate remaining fund information of the Village of Cloudcroft, New Mexico (Village), as of and for the year ended June 30, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents and have issued our report thereon dated December 1, 2010. We were also engaged to audit the financial statements of each of the Village's nonmajor governmental funds, the budgetary comparisons for the proprietary fund and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010 as listed in the table of contents. 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.

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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 2005-2, FS 2010-1, FS 2010-2, FS 2010-3, and FS 2010-4 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item FS 2010-5 to be a significant deficiency.

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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted a certain other matter that is required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as item FS 2010-6.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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, others within Village, the audit committee, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
December 1, 2010

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
The Village Council
Village of Cloudcroft
Cloudcroft, New Mexico

Compliance

We were engaged to audit the Village of Cloudcroft, New Mexico's (Village) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular *A-133 Compliance Supplement* that could have a direct and material effect on the Village's major federal program for the year ended June 30, 2010. The Village's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

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

We were unable to obtain sufficient documentation supporting the amount of federal expenditures. We were also unable to obtain sufficient documentation supporting the compliance of the Village with any potential major programs regarding compliance requirements, nor were we able to support the Village's compliance through use of other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding Village's compliance with the requirements of any potential major programs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the Village complied with the requirements referred to above that are applicable to any major program for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FA 2010-1 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

This report is intended solely for the information and use of management, others within the Village, the audit committee, the State Auditor, the New Mexico State Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
December 1, 2010

STATE OF NEW MEXICO
 Village of Cloudcroft
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2010

Federal Grantor/Passthrough Grantor/Program Title	Grant Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
CDBG	07-C-RS-I-01-G-32	Undetermined	Undetermined
Total U.S. Department of Housing and Urgan Development			
Department of Homeland Security			
FEMA	Undetermined	Undetermined	<u>Undetermined</u>
Total Department of Homeland Security			
Total Federal Financial Assistance			<u>Undetermined</u>

(1) Major program

See accompanying independent auditors' report

Notes to Schedule of Expenditures of Federal Awards1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Village of Cloudcroft, New Mexico (Village) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements

2 Subrecipients

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

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	Undetermined
Total expenditures funded by other sources	<u>1,696,774</u>
Total expenditures	<u><u>\$ 1,696,774</u></u>

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STATE OF NEW MEXICO
Village of Cloudcroft
Schedule of Findings and Questioned Costs
June 30, 2010

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Disclaimer |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | Yes |

Federal Awards:

- | | | | | | | | |
|--|------------------------|------------------------|--------|--------------|--------------|--------------|--|
| 1. Internal control over major programs: | | | | | | | |
| a. Material weaknesses identified? | Yes | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | No | | | | | | |
| 2. Type of auditors’ report issued on compliance for major programs | Disclaimer | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes | | | | | | |
| 4. Identification of major programs: | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 50%;"><u>CFDA</u></td> <td style="text-align: center; width: 50%;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;">Number</td> <td style="text-align: center;">Undetermined</td> </tr> <tr> <td style="text-align: center;">Undetermined</td> <td style="text-align: center;">Undetermined</td> </tr> </table> | <u>CFDA</u> | <u>Federal Program</u> | Number | Undetermined | Undetermined | Undetermined | |
| <u>CFDA</u> | <u>Federal Program</u> | | | | | | |
| Number | Undetermined | | | | | | |
| Undetermined | Undetermined | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 | | | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | | | |

Section II – Prior Year Audit Findings

FS 2005-2 – Reconciliation of Capital Outlay to Capital Asset Inventory Additions – Repeated

Section III – Financial Statement Findings

FS 2005-2 — Reconciliation of Capital Outlay to Capital Asset Inventory Additions

Condition: During our testwork of capital assets we noted the following:

- Capital asset listing and depreciation were not updated from the prior year.
- Assets purchased prior to 2005 that were below \$1,000 were included in the inventory.
- Depreciation was not calculated in the current year.

Criteria: The Villages internal controls and New Mexico Statutes require capital asset schedules of the Village to be maintained and accounted for in an accurate method.

Effect: The capital asset listing and depreciation schedule of the Village of Cloudcroft is over or understated. The Village is also not in compliance with State laws.

Cause: The Village of Cloudcroft does not have a system that will accurately track capital assets including depreciation for all assets by category.

Auditors' Recommendations: We recommend that the Village of Cloudcroft implement procedures to ensure that all capital assets are accounted for in the inventory listing and that the Village procure software for the tracking of their capital assets. We also recommend that the Village assign one employee to be responsible for updated the inventory for additions and deletions as necessary and recording the necessary adjustments to depreciation and accumulated depreciation.

Agency's Response: The Village of Cloudcroft is currently 30% complete in entering all fixed asset and capitol asset inventory into the SAGE FAS (Fixed Asset Management) Program. The program will manage all assets and depreciate the assets based on their life span. Each department within the Village Municipality is also updating and deleting all inventory items to be entered into the FAS program. The Village has designated one specific person, the Village Clerk, to be responsible for this duty.

Section III – Financial Statement Findings (continued)

FS 2010-1 — Deficiencies in Internal Control Structure Design, Operation, and Oversight

Condition: The Village does not have a comprehensive documented internal control structure. We noted the following areas in which the Village does not have sufficient key internal controls in place:

- The Village uses manual checks for many items instead of generating checks from their accounting system. These checks do not go through the same procedures as the system generated checks and are more susceptible to fraud.
- The Village does not keep a check register for the manual checks.
- The Village does not track and cannot produce a list of voided checks.
- The Village does not always obtain two signatures on checks as required by their policies.
- Management could not provide the auditors with the dollar amount of the expenditures by federal program necessary to complete the Schedule of Expenditures of Federal Awards (SEFA).
- Lack of effective oversight by the governing body over financial reporting and internal controls.
- Material journal entries were required for accounts receivable, accrued payroll and accounts payable.
- Management has not established written policies for the identification, evaluation, or mitigation of risks affecting the entity.
- Management has not developed written fraud risk assessment and monitoring processes.
- Management does not monitor controls over financial reporting through independent evaluations and ongoing monitoring.
- While performing per diem and mileage testwork ACG noted that 1 out of 5 samples did not have supporting documentation attached in the amount of \$255.
- The Village was unable to prepare an accounts payable listing.
- The Village does not have controls over pledged collateral to verify that they are adequately mitigating custodial credit risk related to deposits.
- A purchase order was issued for supplies and a volunteer firefighter went to Wal-Mart and made the purchase on the Village's Wal-Mart account even though they were not an approved employee on the charge account. The purchase was actually for twenty (20) \$10 gift cards to disburse at the Fire Department banquet.

Criteria: *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Effect: Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

Cause: The Village recently had key management turnover and did not have documented policies in place to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS 115 to provide effective oversight of internal control and the financial reporting process.

Section III – Financial Statement Findings (continued)

FS 2010-1 — Deficiencies in Internal Control Structure Design, Operation, and Oversight (continued)

Auditors' Recommendations: We recommend that the Village of Cloudcroft ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process. Management should either maintain a separate fund for the federal grant money or track the federal expenses in a different line item. Management should: (1) maintain the listing of federal awards throughout the year, (2) keep State grants separate from federal grants; and (3) anytime the Village receives a new grant, check with the grant contact person to determine whether the grant is federal or State funds.

Agency's Response: The Village of Cloudcroft currently has designated in its budget, separate funds for State or Federally funded projects, with line items for revenue and expenditures. The Village will modify what it currently has in place, by further designating specific line for revenue as to whether it is State funds or Federal funds. It will further modify the line items for expenditures, as to which funds the expenditures were paid out of. The Village will also create a spreadsheet that tracks all State and federally funded projects.

FS 2010-2 — Internal Controls Over Cash

Condition: During our cash testwork, we noted the following internal control deficiencies:

- Often the same person who reviews the cash counts and daily receipts reconciliation is the same person who prepares the deposit and takes it to the bank.
- No one checks the deposit slip against the reconciliation report.
- The Village does not have someone review the bank statement before it is reconciled and the bank reconciliation is not reviewed.

Criteria: Appropriate segregation of duties in cash receipting processing is required to maintain proper and sufficient internal controls and properly report all revenues and expenditures as required by Section 6-6-3, NMSA 1978.

Effect: Lack of proper segregation of duties and key control processes creates an increased risk of fraudulent activity, and also an increased risk of errors that may not be prevented, detected, or corrected on a timely basis.

Cause: Due to limited resources, the Village relies on one individual to perform many duties.

Auditors' Recommendations: We recommend that the Village develop a formal review process for the receipting and deposit cycle. Also, implement and document policies and procedures to maintain proper internal controls that include segregation of duties.

Agency's Response: The Village of Cloudcroft will segregate duties between all the Clerks to further prevent the risk of only one Clerk processing cash counts, reconciliations and deposits.

Section III – Financial Statement Findings (continued)

FS 2010-3 — Computer Controls

Condition: During our testwork we noted that:

- Adequate controls for access to computer programs and data have not been established by management to restrict access to properly authorized individuals. Lack of such controls exist in the following areas:
 - Physical access – passwords are not being used to gain access to data.
 - Data backup – no data backups are being made.

Criteria: State of New Mexico Statewide Guideline S-GUIDE-002.003 (per NMSA 1978 Section 15-1C-1 et. Seq. and NMAC 1.12.6 and NMAC 1.12.2) establishes an Enterprise Security Policy for the protection of information technology (IT) assets and resources including data and information. The policy establishes that protection must be provided for IT assets, resources, and data/information from unauthorized access, use, disclosure, disruption, modification, or destruction in order to provide integrity, confidentiality, availability, accountability, and assurance, and establishes that controls must be maintained over information systems, resources, and data/information sufficient to contain risk of loss or misuse of information.

Effect: Lack of policies, access restriction, monitoring, physical security, proper backup procedures, and contingency plans leave the Village at risk for loss or misuse of computer hardware, data and information. Adequate protection has not been established to safeguard IT assets and resources.

Cause: The Village has not put policies or the proper restrictions in place in order to properly safeguard IT assets and resources.

Auditors' Recommendations: We recommend that the Village purchase a data backup method, make copies of the financial data that can be copied and archive to an off-site location. We also recommend that windows IDs and passwords be used and that passwords be implemented for SAGE data.

Agency's Response: The Village of Cloudcroft has purchased memory sticks for every computer for daily backup. At the end of the day, each computer will be backed up and the memory stick will be locked in the Village vault. Passwords were in place at time of audit, but the Village Clerk who provided the initial information was not aware of such information.

Section III – Financial Statement Findings (continued)

FS 2010-4 — Cash Activity Not Recorded

Condition: The client was unable to provide an updated trial balance for their agency fund. The trial balance provided was the same trial balance as received in the prior year. It does not appear that this activity was recorded.

Criteria: State of New Mexico, Office of the State Auditor, Audit Rule 2008, Section 2.2.2.10AA, requires that a Schedule of Changes in Assets and Liabilities for the Agency Funds be included as supporting information for all agencies that have Agency Funds.

A governmental accounting system must make it possible to present fairly and with full disclosure the funds of the governmental unit in conformity with generally accepted accounting principles per NCGAS 1 paragraph 1. Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restriction, or limitation.

Effect: The Village is unable to track payments or cash to the agencies. The Village could be underfunding or overfunding the agencies in which they are responsible for maintaining agency funds.

Cause: The Village does not have adequate internal controls over record keeping and financial reporting.

Auditors' Recommendations: We recommend that the Village work with their accounting system support team to determine how to accurately record and print trial balances from the general ledger.

Agency's Response: The Village of Cloudcroft collects money from motor vehicle customers for motor vehicle transactions and deposits the money daily into the NM Taxation & Revenue Motor Vehicle bank account. The Village has been manually tracking such money (deposits). The Village will create a procedure to track the money through general ledger entries, to track total money brought in and deposited into the MVD account and total money taken out of the bank account by MVD.

Section III – Financial Statement Findings (continued)

FS 2010-5 — Preparation of Financial Statements

Condition: The financial statements and related disclosures are not being prepared by the Village.

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 115, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Cause: The Village's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting including the preparation of financial statements and related footnote disclosures.

Auditors' Recommendation: We recommend the Village's management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
 - Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the Village develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Agency's Response: The Village of Cloudcroft will make its best effort to find adequate training for management and personnel in the area of preparing financial statements, understanding financial accounting standards and reporting, etc.

STATE OF NEW MEXICO
 Village of Cloudcroft
 Schedule of Findings and Questioned Costs
 June 30, 2010

Section III – Financial Statement Findings (continued)

FS 2010-6 — Cash Appropriations in Excess of Available Cash Balances

Condition: The Village designated cash appropriations in excess of available balances in the following fund:

	Designated Cash	Beginning Year Cash & AR Available	Cash Appropriation in excess of available balance
Municipal Streets Capital Projects Fund	\$ 90,000	\$ 89,519	\$ (481)

Criteria: Per Section 6-6-11, NMSA 1978, it is unlawful for any municipal governing body for any purpose to become indebted or contract any debts of any kind of nature whatsoever during any current year which, at the end of such current year, it is not and cannot then be paid out of the money actually collected and belonging to that current year, and any indebtedness for any current year which is not paid and cannot be paid, as above provided for, is void.

Effect: The Village will have to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Cause: The Village does not have a procedure in place to ensure sufficient beginning cash balances exist to absorb budget deficits.

Auditor's Recommendation: The Village should design and implement policies, procedures, and controls to ensure all funds have adequate budget authority for appropriations.

Agency's Response: The Village of Cloudcroft in an attempt to explain this cash appropriation in excess of available balance, states that when the budget was created, the beginning year cash availability amount was rounded off from \$89,519 to \$90,000.

Section IV – Federal Award Findings

FA 2010-1 — Internal Control over Compliance with Federal Awards

Condition: The Village does not have adequate controls in place to provide effective safeguarding, monitoring, or oversight over federal awards. The Village does not have the ability to monitor the federal awards received or the appropriate usage of the federal awards. The Village is not able to properly prepare a Schedule of Expenditures of Federal Awards showing the federal awards and the related expenditures.

Criteria: Per OMB Circular A-133, the Village has the following responsibilities as a recipient of federal awards:

- Identify, in its accounts, all Federal Awards received and expended and the Federal Programs under which they were received. Federal Program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal Agency, and name of the pass-through entity.
- Maintain internal control over Federal Programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each of its Federal Programs.
- Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal Programs.
- Prepare appropriate financial statements, including the schedule of expenditures of federal awards.
- Ensure that the audits required by this part are properly performed and submitted when due.
- Follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan.

Per the Code of Federal Regulations Section 215.21, the Village has the following responsibilities as a recipient of federal awards:

- Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
- Written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable federal cost principles and the terms and conditions of the award.
- Account records including cost accounting reports that are supported by source documentation.

Effect: The Village could be improperly spending federal awards and could have to repay federal awards.

Questioned Costs: Unknown

Cause: The Village was unaware of the requirements to properly monitor and spend federal awards for the designated purposes.

Auditor's Recommendation: The Village should design and implement policies, procedures, and controls to ensure that federal award funds are properly spent and monitored for all compliance requirements of the federal programs.

Agency's Response: The Village of Cloudcroft in preparation for this audit was asked to produce the dollar amount of State and Federal funding we received for various projects. In doing so, the Village Clerk was aware that FEMA and ARRA funds are considered Federal funds, but when asked by the audit team about CDBG funding, had previous knowledge that CDBG funds were considered State funds. The audit team informed the Clerk that in fact CDBG funds are considered Federal funds. The Clerk contacted the administrator of the CDBG funding for the Village and was again told that CDBG funds are considered State funds, therefore due to this conflicting information, the Village has received an audit finding and still is not clear as to the issue.

In reference to compliance of Federal awards, the Village has always complied with every law, regulation or provision of the contracts, under the direction of the award administrators.

STATE OF NEW MEXICO
Village of Cloudcroft
Other Disclosures
June 30, 2010

OTHER DISCLOSURES

Exit Conference

An exit conference was held on December 1, 2010. In attendance were the following:

Representing the Village of Cloudcroft:

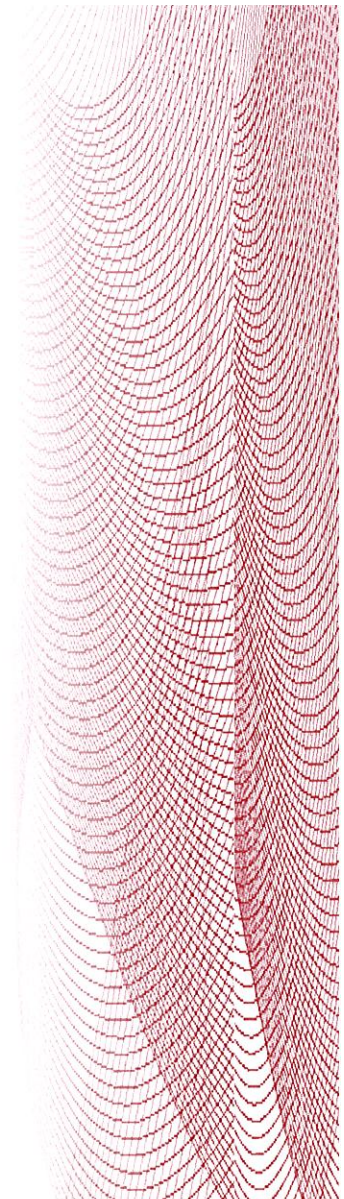
Dave Venable	Mayor
Jini Turri	Town Clerk/Treasurer
Linda Sargent	Deputy Clerk

Representing Accounting & Consulting Group, LLP:

Ryan Miller, CPA	Partner
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Auditor Prepared Financial Statements

Although it would be preferred and desirable for the Village to prepare its own financial statements, the Village's personnel did not have the time to prepare them. Accounting & Consulting Group, LLP prepared the financial statements of the Village of Cloudcroft from the original books and records provided to them by the management of the Village. Management is responsible for the financial statements.



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