

Accounting & Consulting Group, LLP

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Certified Public Accountants

**State of New Mexico**

**Village of Cloudcroft**

**Annual Financial Report**

**For The Year Ended June 30, 2011**





**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2011**



## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
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June 30, 2011

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**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Official Roster  
June 30, 2011

<u>Name</u>	<u>Village Council</u>	<u>Title</u>
David C. Venable		Mayor
Bradley Rasch		Trustee
Joy M. Crowley		Trustee
Jerry W. Sutherlin		Trustee
Lisa King		Trustee
	<u>Administration</u>	
Jini S. Turri		Village Clerk/Treasurer
Anne Turri		Accounting/Payroll clerk
Nancy Hubbard		Data Entry Clerk/MVD Manager



**FINANCIAL SECTION**

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Accounting & Consulting Group, LLP  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Hector Balderas  
New Mexico State Auditor  
The Village Council  
Village of Cloudcroft  
Cloudcroft, New Mexico

We have audited 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, 2011, 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, 2011 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.

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.

We were not able to verify balances due to inadequate accounting records relating to the Village's capital assets, accumulated depreciation, and depreciation expense accounts as of and for the year ended June 30, 2011. 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, 2010 or the depreciation expense for the fiscal year ended June 30, 2011. We were unable to determine these amounts through the use of alternative procedures and, as such, are unable to express an opinion on capital assets as of June 30, 2011 and the depreciation accrual for the year then ended. The effect on assets, net assets, and expenses of the governmental and business-type activities is not readily determinable.

In our opinion, except for the effects of the lack of evidence verifying the amount of capital assets, accumulated depreciation, and current year depreciation expenses as described in the preceding paragraph the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, or the aggregate remaining fund information of the Village, as of June 30, 2011, 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 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the nonmajor governmental funds of the Village as of June 30, 2011 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011 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.

Our audit was conducted 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 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and other opinion units listed above and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements, and those additional opinion units, taken as a whole. 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  
Roswell, New Mexico  
November 9, 2011

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**

Village of Cloudcroft

Statement of Net Assets

June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash	\$ 1,045,873	\$ 589,194	\$ 1,635,067
Receivables:			
Gross receipt taxes	106,875	2,101	108,976
Other	6,690	15,703	22,393
Total current assets	<u>1,159,438</u>	<u>606,998</u>	<u>1,766,436</u>
Noncurrent assets			
Capital assets	14,254,501	6,716,005	20,970,506
Less: accumulated depreciation	<u>(7,584,814)</u>	<u>(1,720,960)</u>	<u>(9,305,774)</u>
Total noncurrent assets	<u>6,669,687</u>	<u>4,995,045</u>	<u>11,664,732</u>
Total assets	<u>\$ 7,829,125</u>	<u>\$ 5,602,043</u>	<u>\$ 13,431,168</u>

The accompanying notes are an integral part of these financial statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 283,153	\$ 48,770	\$ 331,923
Accrued payroll	25,425	10,067	35,492
Current portion of accrued compensated absences	4,020	6,084	10,104
Accrued interest	446	-	446
Total current liabilities	<u>313,044</u>	<u>64,921</u>	<u>377,965</u>
Noncurrent liabilities			
Accrued compensated absences	4,278	2,449	6,727
Total noncurrent liabilities	<u>4,278</u>	<u>2,449</u>	<u>6,727</u>
Total liabilities	<u>317,322</u>	<u>67,370</u>	<u>384,692</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,669,687	4,995,045	11,664,732
Restricted for:			
Special revenue	1,965,038	-	1,965,038
Debt service	17,323	-	17,323
Capital projects	91,665	-	91,665
Unrestricted	<u>(1,231,910)</u>	<u>539,628</u>	<u>(692,282)</u>
Total net assets	<u>7,511,803</u>	<u>5,534,673</u>	<u>13,046,476</u>
Total liabilities and net assets	<u>\$ 7,829,125</u>	<u>\$ 5,602,043</u>	<u>\$ 13,431,168</u>

**STATE OF NEW MEXICO**

Village of Cloudcroft

Statement of Activities

June 30, 2011

<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>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,164,344	\$ 35,215	\$ 264,520	\$ 699,747
Public safety	613,303	107,223	197,177	-
Public works	216,888	-	88,961	-
Health and welfare	1,812	-	-	-
Culture and recreation	81,395	1,000	-	3,650
Interest on long-term debt	667	-	-	-
<i>Total governmental activities</i>	<u>2,078,409</u>	<u>143,438</u>	<u>550,658</u>	<u>703,397</u>
<b>Business-type Activities:</b>				
Water and sewer	1,384,550	942,326	255,991	178,735
<i>Total business-type activities</i>	<u>1,384,550</u>	<u>942,326</u>	<u>255,991</u>	<u>178,735</u>
<i>Total primary government</i>	<u>\$ 3,462,959</u>	<u>\$ 1,085,764</u>	<u>\$ 806,649</u>	<u>\$ 882,132</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

Total general revenues and transfers

Change in net assets

Net assets, beginning

Restatement

Net assets, beginning, restated

Net assets, ending

The accompanying notes are an integral part of these financial statements



**Net (Expense) Revenue and Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (164,862)	\$ -	\$ (164,862)
(308,903)	-	(308,903)
(127,927)	-	(127,927)
(1,812)	-	(1,812)
(76,745)	-	(76,745)
<u>(667)</u>	<u>-</u>	<u>(667)</u>
<u>(680,916)</u>	<u>-</u>	<u>(680,916)</u>
-	(7,498)	(7,498)
<u>-</u>	<u>(7,498)</u>	<u>(7,498)</u>
(680,916)	(7,498)	(688,414)
50,002	-	50,002
608,356	45,087	653,443
56,302	-	56,302
143,059	-	143,059
6,768	2,235	9,003
16,157	-	16,157
102,571	3,199	105,770
<u>983,215</u>	<u>50,521</u>	<u>1,033,736</u>
302,299	43,023	345,322
7,206,167	5,494,987	12,701,154
3,337	(3,337)	-
<u>7,209,504</u>	<u>5,491,650</u>	<u>12,701,154</u>
<u>\$ 7,511,803</u>	<u>\$ 5,534,673</u>	<u>\$ 13,046,476</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**

Village of Cloudcroft

Balance Sheet

Governmental Funds

June 30, 2011

	<u>General Fund</u>	<u>Federal Disaster Relief</u>	<u>Mexican Canyon Trestle</u>	<u>EMS</u>
<i>Assets</i>				
Cash	\$ 89,840	\$ 11,282	\$ 80,856	\$ 568,905
Receivables:				
Taxes	98,468	-	-	-
<i>Total assets</i>	<u>188,308</u>	<u>11,282</u>	<u>80,856</u>	<u>568,905</u>
 <i>Liabilities</i>				
Accounts payable	24,874	157,777	79,919	2,557
Accrued payroll	25,425	-	-	-
<i>Total liabilities</i>	<u>50,299</u>	<u>157,777</u>	<u>79,919</u>	<u>2,557</u>
 <i>Fund balances</i>				
Spendable				
Restricted	-	-	937	566,348
Unassigned	138,009	(146,495)	-	-
<i>Total fund balances</i>	<u>138,009</u>	<u>(146,495)</u>	<u>937</u>	<u>566,348</u>
 <i>Total liabilities and fund balances</i>	<u>\$ 188,308</u>	<u>\$ 11,282</u>	<u>\$ 80,856</u>	<u>\$ 568,905</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ 294,990	\$ 1,045,873
<u>15,097</u>	<u>113,565</u>
<u>310,087</u>	<u>1,159,438</u>
18,026	283,153
-	25,425
<u>18,026</u>	<u>308,578</u>
292,061	859,346
-	(8,486)
<u>292,061</u>	<u>850,860</u>
<u>\$ 310,087</u>	<u>\$ 1,159,438</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, 2011

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	\$	850,860
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		6,669,687
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)
Accrued compensated absences not due and payable at year end		<u>(8,298)</u>
Total net assets of governmental activities	\$	<u><u>7,511,803</u></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, 2011

	General Fund	Federal Disaster Relief	Mexican Canyon Trestle	EMS
<i>Revenues</i>				
Taxes				
Property	\$ 50,002	\$ -	\$ -	\$ -
Gross receipts	541,551	-	-	-
Gasoline and motor vehicle taxes	24,418	-	-	-
Other	21,647	-	-	-
Intergovernmental income				
Federal operating grants	-	223,755	-	-
State operating grants	47,057	-	-	10,749
State capital grants	-	-	699,747	-
Charges for services	35,215	-	-	107,223
Investment income	1,402	333	536	2,584
Fines and forfeitures	12,747	-	-	-
Miscellaneous	23,441	-	-	45,763
<i>Total revenues</i>	<u>757,480</u>	<u>224,088</u>	<u>700,283</u>	<u>166,319</u>
<i>Expenditures</i>				
Current				
General government	339,329	499,190	-	-
Public safety	294,376	-	-	77,469
Public works	90,912	-	-	-
Health and welfare	1,812	-	-	-
Culture and recreation	66,629	-	-	-
Capital outlay	149,961	-	866,781	180,700
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>943,019</u>	<u>499,190</u>	<u>866,781</u>	<u>258,169</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(185,539)</u>	<u>(275,102)</u>	<u>(166,498)</u>	<u>(91,850)</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>	(185,539)	(275,102)	(166,498)	(91,850)
<i>Fund balances - beginning of year</i>	323,548	128,607	167,435	658,198
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restate</i>	<u>323,548</u>	<u>128,607</u>	<u>167,435</u>	<u>658,198</u>
<i>Fund balance - end of year</i>	<u>\$ 138,009</u>	<u>\$ (146,495)</u>	<u>\$ 937</u>	<u>\$ 566,348</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ -	\$ 50,002
66,805	608,356
31,884	56,302
121,412	143,059
-	223,755
269,097	326,903
3,650	703,397
1,000	143,438
1,913	6,768
3,410	16,157
33,367	102,571
<u>532,538</u>	<u>2,380,708</u>
125,537	964,056
231,093	602,938
139,413	230,325
-	1,812
14,766	81,395
118,114	1,315,556
20,660	20,660
667	667
<u>650,250</u>	<u>3,217,409</u>
<u>(117,712)</u>	<u>(836,701)</u>
136,002	136,002
<u>(136,002)</u>	<u>(136,002)</u>
-	-
(117,712)	(836,701)
406,436	1,684,224
3,337	3,337
<u>409,773</u>	<u>1,687,561</u>
<u>\$ 292,061</u>	<u>\$ 850,860</u>

The accompanying notes are an integral part of these financial statements

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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, 2011

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 \$ (836,701)

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	1,315,556
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	397
Principal payments on loans payable	<u>20,660</u>
Change in net assets of governmental activities	<u>\$ 302,299</u>

## 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, 2011

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ 46,000	\$ 46,000	\$ 50,001	\$ 4,001
Gross receipts	625,000	625,000	542,428	(82,572)
Gasoline and motor vehicle	21,500	21,500	24,418	2,918
Other	30,000	30,306	22,106	(8,200)
Intergovernmental income				
Federal operating grants	35,000	35,000	-	(35,000)
Federal capital grants	-	-	-	-
State operating grants	60,900	60,900	47,057	(13,843)
State capital grants	-	-	-	-
Charges for services	37,735	37,735	35,215	(2,520)
Investment income	1,310	1,153	1,402	249
Fines and forfeitures	4,000	4,000	12,747	8,747
Miscellaneous income	23,800	23,800	23,441	(359)
<i>Total revenues</i>	<u>885,245</u>	<u>885,394</u>	<u>758,815</u>	<u>(126,579)</u>
<i>Expenditures</i>				
Current				
General government	286,896	467,368	423,668	43,700
Public safety	300,846	297,933	285,858	12,075
Public works	171,215	140,824	89,989	50,835
Health and welfare	2,750	2,850	1,812	1,038
Culture and recreation	79,301	79,601	60,481	19,120
Conservation and development	4,000	4,000	-	4,000
Capital outlay	42,000	48,000	43,460	4,540
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>887,008</u>	<u>1,040,576</u>	<u>905,268</u>	<u>135,308</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,763)</u>	<u>(155,182)</u>	<u>(146,453)</u>	<u>8,729</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,763	155,182	-	(155,182)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,763</u>	<u>155,182</u>	<u>-</u>	<u>(155,182)</u>
<i>Net change in fund balance</i>	-	-	(146,453)	(146,453)
<i>Fund balance - beginning of year</i>	-	-	235,693	235,693
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,240</u>	<u>\$ 89,240</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (146,453)
Adjustments to revenues for taxes receivable				(1,336)
Adjustments to expenditures for payroll and supply expenses recognized in the prior year				(37,750)
Net change in fund balance (GAAP basis)				<u>\$ (185,539)</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, 2011

	Budgeted Amounts		Actual Amounts	Variances 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	140,000	396,903	223,755	(173,148)
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	75	75	333	258
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>140,075</u>	<u>396,978</u>	<u>224,088</u>	<u>(172,890)</u>
<i>Expenditures</i>				
Current				
General government	150,075	396,903	341,413	55,490
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>150,075</u>	<u>396,903</u>	<u>341,413</u>	<u>55,490</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(10,000)</u>	<u>75</u>	<u>(117,325)</u>	<u>(117,400)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	10,000	(75)	-	75
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>10,000</u>	<u>(75)</u>	<u>-</u>	<u>75</u>
<i>Net change in fund balance</i>	-	-	(117,325)	(117,325)
<i>Fund balance - beginning of year</i>	-	-	128,607	128,607
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,282</u>	<u>\$ 11,282</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (117,325)
No adjustments to revenues				-
No adjustments to expenditures				(157,777)
Net change in fund balance (GAAP basis)				<u>\$ (275,102)</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, 2011

	Budgeted Amounts		Actual Amounts	Variances 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	635,717	635,717	699,747	64,030
Charges for services	-	-	-	-
Investment income	500	500	536	36
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>636,217</u>	<u>636,217</u>	<u>700,283</u>	<u>64,066</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	803,151	803,151	786,862	16,289
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>803,151</u>	<u>803,151</u>	<u>786,862</u>	<u>16,289</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(166,934)</u>	<u>(166,934)</u>	<u>(86,579)</u>	<u>80,355</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	166,934	166,934	-	(166,934)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>166,934</u>	<u>166,934</u>	<u>-</u>	<u>(166,934)</u>
<i>Net change in fund balance</i>	-	-	(86,579)	(86,579)
<i>Fund balance - beginning of year</i>	-	-	167,435	167,435
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,856</u>	<u>\$ 80,856</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (86,579)
No adjustments to revenues				-
No adjustments to expenditures				(79,919)
Net change in fund balance (GAAP basis)				<u>\$ (166,498)</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, 2011

	Budgeted Amounts		Actual Amounts	Variances 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	11,512	11,512	10,749	(763)
State capital grants	-	-	-	-
Charges for services	103,000	103,000	107,223	4,223
Investment income	4,025	4,025	2,584	(1,441)
Fines and forfeitures	-	-	-	-
Miscellaneous income	40,000	45,763	45,763	-
<i>Total revenues</i>	<u>158,537</u>	<u>164,300</u>	<u>166,319</u>	<u>2,019</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	131,987	87,785	79,978	7,807
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	136,500	180,702	180,700	2
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>268,487</u>	<u>268,487</u>	<u>260,678</u>	<u>7,809</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(109,950)</u>	<u>(104,187)</u>	<u>(94,359)</u>	<u>9,828</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	109,950	104,187	-	(104,187)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>109,950</u>	<u>104,187</u>	<u>-</u>	<u>(104,187)</u>
<i>Net change in fund balance</i>	-	-	(94,359)	(94,359)
<i>Fund balance - beginning of year</i>	-	-	663,264	663,264
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 568,905</u>	<u>\$ 568,905</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (94,359)
No adjustments to revenues				-
Adjustments to expenditures for supply expenses				2,509
Net change in fund balance (GAAP basis)				<u>\$ (91,850)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit D-1

Village of Cloudcroft  
Statement of Net Assets  
Proprietary Fund  
June 30, 2011

	<u>Proprietary Fund</u>
	<u>Water and Sewer</u>
<i>Assets</i>	
<i>Current assets</i>	
Cash	\$ 589,194
Receivables:	
Charges for services	15,703
Gross receipts taxes	<u>2,101</u>
<i>Total current assets</i>	<u>606,998</u>
 <i>Noncurrent assets</i>	
Capital assets	6,716,005
Less: accumulated depreciation	<u>(1,720,960)</u>
<i>Total noncurrent assets</i>	<u>4,995,045</u>
 <i>Total assets</i>	 <u><u>\$ 5,602,043</u></u>
 <i>Liabilities and net assets</i>	
<i>Liabilities</i>	
<i>Current liabilities</i>	
Accounts payable	\$ 48,770
Accrued payroll	10,067
Current portion of accrued compensated absences	<u>6,084</u>
<i>Total current liabilities</i>	<u>64,921</u>
 <i>Noncurrent liabilities</i>	
Accrued compensated absences	<u>2,449</u>
<i>Total noncurrent liabilities</i>	<u>2,449</u>
 <i>Total liabilities</i>	 <u>67,370</u>
 <i>Net assets</i>	
Invested in capital assets, net of related debt	4,995,045
Unrestricted	<u>539,628</u>
<i>Total net assets</i>	<u>5,534,673</u>
 <i>Total liabilities and net assets</i>	 <u><u>\$ 5,602,043</u></u>

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, 2011

Exhibit D-2

	<u>Proprietary Fund</u>
	<u>Water and Sewer</u>
<i>Operating revenues:</i>	
Charges for services	\$ 942,326
<i>Total operating revenues</i>	<u>942,326</u>
<i>Operating expenses:</i>	
Personnel services	295,507
Contractual services	236,797
Supplies	15,080
Maintenance and materials	136,904
Utilities	110,221
Depreciation	62,308
Other operating expenditures	526,602
<i>Total operating expenses</i>	<u>1,383,419</u>
<i>Operating income (loss)</i>	<u>(441,093)</u>
<i>Non-operating revenues (expenses)</i>	
Operating grants and contributions	255,991
Gross receipts taxes	45,087
Investment income	2,235
Miscellaneous income	3,199
Interest expenses	(1,131)
<i>Total non-operating revenues (expenses)</i>	<u>305,381</u>
Capital grants and contributions	178,735
Operating transfers in	77,826
Operating transfers (out)	(77,826)
<i>Capital grants and net transfers</i>	<u>178,735</u>
<i>Change in net assets</i>	43,023
<i>Total net assets, beginning of year</i>	5,494,987
<i>Restatement</i>	<u>(3,337)</u>
<i>Total net assets, beginning of year, restated</i>	<u>5,491,650</u>
<i>Total net assets, end of year</i>	<u>\$ 5,534,673</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, 2011

Exhibit D-3

	<u>Proprietary Fund</u>
	<u>Water and Sewer</u>
<i>Cash flows from operating activities:</i>	
Cash received from user charges	\$ 1,018,794
Cash payments to employees for services	(551,933)
Cash payments to suppliers for goods and services	(763,720)
<i>Net cash provided (used) by operating activities</i>	(296,859)
<i>Cash flows from noncapital financing activities:</i>	
Operating grants and contributions	255,991
Gross receipts taxes	45,087
Miscellaneous income	21,912
Change in noncurrent accrued compensated absences	(17,830)
<i>Net cash provided (used) by noncapital financing activities</i>	305,160
<i>Cash flows from capital and related financing activities</i>	
Capital grants and contributions	178,735
Interest paid	(2,180)
Principal payments on long-term debt	(39,050)
Acquisition of capital assets	(106,309)
<i>Net cash provided (used) by capital and related financing activities</i>	31,196
<i>Cash flows from investing activities:</i>	
Interest on investments	2,235
<i>Net cash provided (used) by investing activities</i>	2,235
<i>Net increase (decrease) in cash and cash equivalents</i>	41,732
<i>Cash and cash equivalents - beginning of year</i>	547,462
<i>Cash and cash equivalents - end of year</i>	\$ 589,194
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>	
Operating income (loss)	\$ (441,093)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	62,308
Changes in assets and liabilities	
Receivables	76,468
Accounts payable	25,087
Accrued payroll expenses	(17,130)
Current accrued compensated absences	(2,499)
<i>Net cash provided (used) by operating activities</i>	\$ (296,859)

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, 2011

Exhibit E-1

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

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2011

**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, 2011

**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, 2011

**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, 2011

**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, 2011

**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, 2011

**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 10<sup>th</sup> and April 10<sup>th</sup> 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  
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June 30, 2011

**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, 2011, 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:**

*Fund Balance Classification Policies and Procedures:* For restricted fund balances, the Village includes amounts that can be spent only for the specific purposes stipulated by Statute, Ordinance, Resolutions or enabling Legislation. Fund balances in this category represent the remaining amount that is restricted for future use in the specific fund.

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**Net Assets or Fund Equity (continued)**

For committed fund balances, the Village includes amounts for specific purposes by formal action of the Governing Body of the Village of Cloudcroft.

For assigned fund balances, the Village includes amounts that are intended to be spent for specific purposes, but are not restricted or committed.

Regarding the Village's spending policies, in all cases, restricted, then committed, and then assigned fund balances are to be expended in that order, prior to infusion and expenditures of any general (unassigned) funds designated for supplementing any given department. In this manner, only after restricted, committed, or assigned funds are expended will the Governing Body permit general unassigned funds be spent to meet a specific fund's objectives.

*Restricted Fund Balance:* At June 30, 2011, the restricted fund balance on the governmental funds balance sheet is made up of \$859,346 for the restricted purposes as defined by each fund.

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.

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2011

**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.

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	Final
	Budget	Budget
Budgeted Funds:		
General Fund	\$ (1,763)	\$ (155,182)
Federal Disaster Relief Special Revenue Fund	(10,000)	75
Mexican Canyon Trestle Special Revenue Fund	(166,934)	(166,934)
EMS Special Revenue Fund	(109,950)	(104,187)
Other Governmental Funds	(64,985)	(151,594)
Water and Sewer Fund	(171,383)	(93,111)

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 United 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, 2011 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, 2011.

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.

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2011

**NOTE 3. Deposits and Investments (continued)**

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.

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. From December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the account balance and the ownership capacity of the funds. This coverage is available to all depositors, including consumers, businesses, and government entities. The unlimited coverage is separate from, and in addition to, the insurance coverage provided for a depositor's other accounts held at an FDIC-insured bank.

*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, 2011, \$62,779 of the Village's deposits of \$1,678,570 was exposed to custodial credit risk. \$62,779 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.

	<u>First National Bank</u>	<u>Western Bank</u>	<u>Total</u>
Amount of deposits	\$ 1,365,791	\$ 312,779	\$ 1,678,570
FDIC Coverage	<u>(1,365,791)</u>	<u>(250,000)</u>	<u>(1,615,791)</u>
Total uninsured public funds	<u>-</u>	<u>62,779</u>	<u>62,779</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Village's name	<u>-</u>	<u>62,779</u>	<u>62,779</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ 31,390	\$ 31,390
Pledged Collateral	<u>1,003,045</u>	<u>94,267</u>	<u>1,097,312</u>
Over (Under) collateralized	<u>\$ 1,003,045</u>	<u>\$ 62,878</u>	<u>\$ 1,065,923</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  
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June 30, 2011

**NOTE 4. Receivables**

Receivables as of June 30, 2011, are as follows:

**Governmental Activities:**

	<u>General</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Activities</u>
Gross receipts taxes	\$ 98,468	8,407	\$ 106,875
Gas taxes	-	6,690	6,690
Totals by category	<u>\$ 98,468</u>	<u>\$ 15,097</u>	<u>\$ 113,565</u>

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

**Business-type Activities:**

	<u>Water and Sewer</u>	<u>Total Business-type Activities</u>
Charges for services	\$ 15,703	\$ 15,703
Gross receipts taxes	2,101	2,101
Totals by category	<u>\$ 17,804</u>	<u>\$ 17,804</u>

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:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Infrastructure Capital Projects Fund	Municipal Streets Fund	<u>\$ 29,654</u>
	Total	<u>\$ 29,654</u>

There were no interfund balances at June 30, 2011.

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**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2011, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2011</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,196,455	\$ -	\$ -	\$ 3,196,455
Construction in progress	412,625	-	-	412,625
Total capital assets not being depreciated	<u>3,609,080</u>	<u>-</u>	<u>-</u>	<u>3,609,080</u>
Capital assets being depreciated:				
Buildings and improvements	2,241,074	866,781	-	3,107,855
Equipment	2,117,320	448,775	-	2,566,095
Infrastructure	4,971,471	-	-	4,971,471
Total capital assets being depreciated	<u>9,329,865</u>	<u>1,315,556</u>	<u>-</u>	<u>10,645,421</u>
Less accumulated depreciation:				
Buildings and improvements	1,189,237	56,407	-	1,245,644
Equipment	1,450,367	117,122	-	1,567,489
Infrastructure	4,747,597	24,084	-	4,771,681
Total accumulated depreciation	<u>7,387,201</u>	<u>197,613</u>	<u>-</u>	<u>7,584,814</u>
Total capital assets, net of depreciation	<u>\$ 5,551,744</u>	<u>\$ 1,117,943</u>	<u>\$ -</u>	<u>\$ 6,669,687</u>

Due to inadequate capital asset records depreciation was not broken out by function. Depreciation expense in its entirety was charged to the General Government function.

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
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June 30, 2011

**NOTE 6. Capital Assets (continued)**

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 723,545	\$ -	\$ -	\$ 723,545
Construction in progress	<u>3,091,674</u>	<u>-</u>	<u>-</u>	<u>3,091,674</u>
Total capital assets not being depreciated	<u>3,815,219</u>	<u>-</u>	<u>-</u>	<u>3,815,219</u>
Capital assets being depreciated:				
Buildings and improvements	182,500	-	-	182,500
Equipment	501,831	106,309	-	608,140
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>106,309</u>	<u>-</u>	<u>2,900,786</u>
Less accumulated depreciation:				
Buildings and improvements	53,210	8,034	-	61,244
Equipment	342,755	32,610	-	375,365
Infrastructure	<u>1,262,687</u>	<u>21,664</u>	<u>-</u>	<u>1,284,351</u>
Total accumulated depreciation	<u>1,658,652</u>	<u>62,308</u>	<u>-</u>	<u>1,720,960</u>
Total capital assets, net of depreciation	<u>\$ 4,951,044</u>	<u>\$ 44,001</u>	<u>\$ -</u>	<u>\$ 4,995,045</u>

**NOTE 7. Long-term Debt**

**Governmental Activities**

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
Loans payable	\$ 20,660	\$ -	\$ 20,660	\$ -	\$ -
Compensated absences	<u>8,695</u>	<u>3,623</u>	<u>4,020</u>	<u>8,298</u>	<u>4,020</u>
Total Long-Term Debt	<u>\$ 29,355</u>	<u>\$ 3,623</u>	<u>\$ 24,680</u>	<u>\$ 8,298</u>	<u>\$ 4,020</u>

Typically, the general fund has been used to liquidate the compensated absences.

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2011

**NOTE 7. Long-term Debt (continued)**

**Business-Type Activities**

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the business-type statement of net assets:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Bonds payable	\$ 17,000	\$ -	\$ 17,000	\$ -	\$ -
Compensated absences	28,862	5,673	26,002	8,533	6,084
Total Long-Term Debt	<u>\$ 45,862</u>	<u>\$ 5,673</u>	<u>\$ 43,002</u>	<u>\$ 8,533</u>	<u>\$ 6,084</u>

**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 had a deficit fund balance in the following fund as of June 30, 2011:

Federal Disaster Relief	\$146,495
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- 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, 2011.
- C. Designated cash appropriations in excess of available balances. The Village did not have any funds that exceeded approved budgetary authority for the year ended June 30, 2011.

**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](http://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, 2011, 2010, and 2009 were \$45,153, \$46,459, and \$47,010, respectively, which equal the amount of the required contributions for each fiscal year.



**STATE OF NEW MEXICO**  
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**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, 2011.

**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.

Participants	Village of Cloudcroft and the Sacramento Mountains Historical Museum and Pioneer Village
Party Responsible for Operations	Village of Cloudcroft
Description	To plan, design and reconstruct the Mountain Park Depot and Post Office Facility and to plan, design, construct, relocate, and renovate a building as a one room school exhibit in Cloudcroft in Otero County.
Beginning and Ending Dates	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

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**NOTE 15. Commitments**

The Village has committed to pay for several construction contracts that were not completed at June 30, 2011 in the amount of \$999,542 as follows:

<u>Project</u>	<u>Year Ending</u>	<u>Amount</u>
PURe Water Project	2013	\$ 502,209
Chautauqua Canyon Lift Station Re-Location	2012	199,604
Pumphouse Canyon Water Diversion	2012	217,811
Trestle Project	2012	79,918
Total commitments		<u>\$ 999,542</u>

**NOTE 16. Restricted Net Assets**

The government-wide statement of net assets reports \$2,074,026 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 36 and 55.

**NOTE 17. Subsequent Events**

The date to which events occurring after June 30, 2011, 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, 2011 which is the date on which the financial statements were issued.

**NOTE 18. Subsequent Pronouncements**

In November 2010 the Governmental Accounting Standards Board (GASB) issued GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangement*, effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The Village is analyzing the effects that this pronouncement will have on their financial statements.

In December 2010 the Governmental Accounting Standards Board (GASB) issued GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations,
2. Accounting Principles Board Opinions, and
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The Village is analyzing the effects that this pronouncement will have on their financial statements.

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**NOTE 18. Subsequent Pronouncements (continued)**

In June 2011 the Governmental Accounting Standards Board (GASB) issued GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

In April 2011 the Financial Accounting Standards Board (FASB) issued FASB Codification Accounting Standards Update No. 2011-03, *Reconsideration of Effective Control for Repurchase Agreements*, effective for periods beginning on or after December 15, 2011. The main objective of this Update is to improve the accounting for repurchase agreements (repos) and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The amendments in this Update remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion.

**NOTE 19. Concentrations**

The Village depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the Village is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

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**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, 2011

**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, 2011

	Special Revenue			
	Local Government Corrections	Fire Protection	Law Enforcement Protection	Lodger's Tax
<i>Assets</i>				
Cash	\$ 3,769	\$ 61,700	\$ 3,614	\$ 35,530
Receivables:				
Taxes	-	-	-	-
<i>Total assets</i>	3,769	61,700	3,614	35,530
 <i>Liabilities</i>				
Accounts payable	-	17,803	-	-
<i>Total liabilities</i>	-	17,803	-	-
 <i>Fund balances</i>				
Spendable				
Restricted	3,769	43,897	3,614	35,530
<i>Total fund balances</i>	3,769	43,897	3,614	35,530
 <i>Total liabilities and fund balances</i>	\$ 3,769	\$ 61,700	\$ 3,614	\$ 35,530

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	
\$ 70,787	\$ 43,022	\$ -	\$ 57,018	\$ 19,550	\$ 294,990
-	-	-	6,690	8,407	15,097
<u>70,787</u>	<u>43,022</u>	<u>-</u>	<u>63,708</u>	<u>27,957</u>	<u>310,087</u>
223	-	-	-	-	18,026
<u>223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,026</u>
70,564	43,022	-	63,708	27,957	292,061
<u>70,564</u>	<u>43,022</u>	<u>-</u>	<u>63,708</u>	<u>27,957</u>	<u>292,061</u>
<u>\$ 70,787</u>	<u>\$ 43,022</u>	<u>\$ -</u>	<u>\$ 63,708</u>	<u>\$ 27,957</u>	<u>\$ 310,087</u>

**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, 2011

	Special Revenue			
	Local Government Corrections	Fire Protection	Law Enforcement Protection	Lodger's Tax
<i>Revenues</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	121,259
Intergovernmental income				
State operating grants	-	158,936	21,200	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	8	739	73	303
Fines and forfeitures	3,410	-	-	-
Miscellaneous	-	5,963	289	2,532
<i>Total revenues</i>	<u>3,418</u>	<u>165,638</u>	<u>21,562</u>	<u>124,094</u>
<i>Expenditures</i>				
Current				
General government	530	-	-	125,007
Public safety	-	230,146	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	32,842	29,979	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>530</u>	<u>262,988</u>	<u>29,979</u>	<u>125,007</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,888</u>	<u>(97,350)</u>	<u>(8,417)</u>	<u>(913)</u>
<i>Other financing sources (uses)</i>				
Operating transfers in	-	-	-	106,348
Operating transfers (out)	-	-	-	(106,348)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	2,888	(97,350)	(8,417)	(913)
<i>Fund balances - beginning of year</i>	881	141,247	12,031	36,443
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>881</u>	<u>141,247</u>	<u>12,031</u>	<u>36,443</u>
<i>Fund balances - end of year</i>	<u>\$ 3,769</u>	<u>\$ 43,897</u>	<u>\$ 3,614</u>	<u>\$ 35,530</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	
\$ -	\$ -	\$ 8,910	\$ -	\$ 57,895	\$ 66,805
-	-	-	31,884	-	31,884
153	-	-	-	-	121,412
-	-	-	88,961	-	269,097
3,650	-	-	-	-	3,650
1,000	-	-	-	-	1,000
301	102	35	125	227	1,913
-	-	-	-	-	3,410
2,932	21,651	-	-	-	33,367
<u>8,036</u>	<u>21,753</u>	<u>8,945</u>	<u>120,970</u>	<u>58,122</u>	<u>532,538</u>
-	-	-	-	-	125,537
-	947	-	-	-	231,093
-	-	52	139,361	-	139,413
14,766	-	-	-	-	14,766
1,945	-	-	-	53,348	118,114
-	-	20,660	-	-	20,660
-	-	667	-	-	667
<u>16,711</u>	<u>947</u>	<u>21,379</u>	<u>139,361</u>	<u>53,348</u>	<u>650,250</u>
<u>(8,675)</u>	<u>20,806</u>	<u>(12,434)</u>	<u>(18,391)</u>	<u>4,774</u>	<u>(117,712)</u>
-	-	-	29,654	-	136,002
-	-	-	-	(29,654)	(136,002)
-	-	-	29,654	(29,654)	-
<u>(8,675)</u>	<u>20,806</u>	<u>(12,434)</u>	<u>11,263</u>	<u>(24,880)</u>	<u>(117,712)</u>
79,239	22,216	9,097	52,445	52,837	406,436
-	-	3,337	-	-	3,337
<u>79,239</u>	<u>22,216</u>	<u>12,434</u>	<u>52,445</u>	<u>52,837</u>	<u>409,773</u>
<u>\$ 70,564</u>	<u>\$ 43,022</u>	<u>\$ -</u>	<u>\$ 63,708</u>	<u>\$ 27,957</u>	<u>\$ 292,061</u>

The accompanying notes are an integral part of these financial statements

## 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, 2011

	Budgeted Amounts		Actual Amounts	Variances 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	25	6	8	2
Fines and forfeitures	1,000	1,000	3,410	2,410
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>1,025</u>	<u>1,006</u>	<u>3,418</u>	<u>2,412</u>
<i>Expenditures</i>				
Current				
General government	50	530	530	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>50</u>	<u>530</u>	<u>530</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>975</u>	<u>476</u>	<u>2,888</u>	<u>2,412</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(975)	(476)	-	476
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(975)</u>	<u>(476)</u>	<u>-</u>	<u>476</u>
<i>Net change in fund balance</i>	-	-	2,888	2,888
<i>Fund balance - beginning of year</i>	-	-	881	881
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,769</u>	<u>\$ 3,769</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 2,888
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 2,888</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, 2011

	Budgeted Amounts		Actual Amounts	Variances 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	158,936	158,936	158,936	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	1,450	1,450	739	(711)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	5,963	5,963	-
<i>Total revenues</i>	<u>160,386</u>	<u>166,349</u>	<u>165,638</u>	<u>(711)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	131,435	260,593	212,343	48,250
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	55,936	40,778	32,842	7,936
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>187,371</u>	<u>301,371</u>	<u>245,185</u>	<u>56,186</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(26,985)</u>	<u>(135,022)</u>	<u>(79,547)</u>	<u>55,475</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	26,985	135,022	-	(135,022)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>26,985</u>	<u>135,022</u>	<u>-</u>	<u>(135,022)</u>
<i>Net change in fund balance</i>	-	-	(79,547)	(79,547)
<i>Fund balance - beginning of year</i>	-	-	141,247	141,247
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,700</u>	<u>\$ 61,700</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (79,547)
No adjustments to revenues				-
Adjustments to expenditures for supply expenses recognized in the prior year				(17,803)
Net change in fund balance (GAAP basis)				<u>\$ (97,350)</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, 2011

	Budgeted Amounts		Actual Amounts	Variances 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	21,100	21,100	21,200	100
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	175	175	73	(102)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	289	289	-
<i>Total revenues</i>	<u>21,275</u>	<u>21,564</u>	<u>21,562</u>	<u>(2)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	33,100	33,100	29,979	3,121
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>33,100</u>	<u>33,100</u>	<u>29,979</u>	<u>3,121</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(11,825)</u>	<u>(11,536)</u>	<u>(8,417)</u>	<u>3,119</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	11,825	11,536	-	(11,536)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>11,825</u>	<u>11,536</u>	<u>-</u>	<u>(11,536)</u>
<i>Net change in fund balance</i>	-	-	(8,417)	(8,417)
<i>Fund balance - beginning of year</i>	-	-	12,031	12,031
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,614</u>	<u>\$ 3,614</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (8,417)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (8,417)</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, 2011

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	118,000	118,000	121,259	3,259
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	500	500	303	(197)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	2,532	2,532	-
<i>Total revenues</i>	<u>118,500</u>	<u>121,032</u>	<u>124,094</u>	<u>3,062</u>
<i>Expenditures</i>				
Current				
General government	118,500	125,159	125,007	152
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>118,500</u>	<u>125,159</u>	<u>125,007</u>	<u>152</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(4,127)</u>	<u>(913)</u>	<u>3,214</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	4,127	-	(4,127)
Operating transfers in	92,500	92,500	106,348	13,848
Operating transfers (out)	(92,500)	(92,500)	(106,348)	(13,848)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>4,127</u>	<u>-</u>	<u>(4,127)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(913)</u>	<u>(913)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>36,443</u>	<u>36,443</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,530</u>	<u>\$ 35,530</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (913)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (913)</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, 2011

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	153	153	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	2,100	2,100	3,650	1,550
Charges for services	1,000	1,000	1,000	-
Investment income	300	300	301	1
Fines and forfeitures	-	-	-	-
Miscellaneous income	14,750	14,750	2,932	(11,818)
<i>Total revenues</i>	<u>18,150</u>	<u>18,303</u>	<u>8,036</u>	<u>(10,267)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	9,100	15,564	14,543	1,021
Capital outlay	9,050	2,586	1,945	641
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>18,150</u>	<u>18,150</u>	<u>16,488</u>	<u>1,662</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>153</u>	<u>(8,452)</u>	<u>(8,605)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(153)	-	153
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(153)</u>	<u>-</u>	<u>153</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(8,452)</u>	<u>(8,452)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>79,239</u>	<u>79,239</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,787</u>	<u>\$ 70,787</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (8,452)
No adjustments to revenues				-
Adjustments to expenditures for capital outlay expenses recognized in the prior year				(223)
Net change in fund balance (GAAP basis)				<u>\$ (8,675)</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, 2011

	Budgeted Amounts		Actual Amounts	Variances 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	102	52
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	21,651	21,651	-
<i>Total revenues</i>	<u>50</u>	<u>21,701</u>	<u>21,753</u>	<u>52</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	4,100	4,100	947	3,153
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>4,100</u>	<u>4,100</u>	<u>947</u>	<u>3,153</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,050)</u>	<u>17,601</u>	<u>20,806</u>	<u>3,205</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	4,050	(17,601)	-	17,601
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>4,050</u>	<u>(17,601)</u>	<u>-</u>	<u>17,601</u>
<i>Net change in fund balance</i>	-	-	20,806	20,806
<i>Fund balance - beginning of year</i>	-	-	22,216	22,216
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,022</u>	<u>\$ 43,022</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 20,806
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 20,806</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, 2011

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	21,384	21,384	8,910	(12,474)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	145	145	35	(110)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>21,529</u>	<u>21,529</u>	<u>8,945</u>	<u>(12,584)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	150	150	52	98
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	20,660	20,660	20,660	-
Interest	719	719	667	52
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>21,529</u>	<u>21,529</u>	<u>21,379</u>	<u>150</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(12,434)</u>	<u>(12,434)</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>(12,434)</u>	<u>(12,434)</u>
<i>Fund balance - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>12,434</u>	<u>12,434</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (12,434)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (12,434)</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, 2011

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	20,900	20,900	25,194	4,294
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	60,000	88,961	88,961	-
State capital grants	300,000	300,000	-	(300,000)
Charges for services	-	-	-	-
Investment income	500	500	125	(375)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>381,400</u>	<u>410,361</u>	<u>114,280</u>	<u>(296,081)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	324,500	324,500	139,361	185,139
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	80,000	80,000	-	80,000
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>404,500</u>	<u>404,500</u>	<u>139,361</u>	<u>265,139</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(23,100)</u>	<u>5,861</u>	<u>(25,081)</u>	<u>(30,942)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	23,100	(35,515)	-	35,515
Operating transfers in	-	29,654	29,654	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>23,100</u>	<u>(5,861)</u>	<u>29,654</u>	<u>35,515</u>
<i>Net change in fund balance</i>	-	-	4,573	4,573
<i>Fund balance - beginning of year</i>	-	-	52,445	52,445
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,018</u>	<u>\$ 57,018</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 4,573
Adjustments to revenues for tax revenue recognized in the prior year				6,690
Adjustments to expenditures for supply expenses recognized in the prior year				-
Net change in fund balance (GAAP basis)				<u>\$ 11,263</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, 2011

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	66,000	66,000	49,488	(16,512)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	200	200	227	27
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>66,200</u>	<u>66,200</u>	<u>49,715</u>	<u>(16,485)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	66,200	91,200	53,348	37,852
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>66,200</u>	<u>91,200</u>	<u>53,348</u>	<u>37,852</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(25,000)</u>	<u>(3,633)</u>	<u>21,367</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	29,654	54,654	-	(54,654)
Operating transfers in	-	-	-	-
Operating transfers (out)	(29,654)	(29,654)	(29,654)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>25,000</u>	<u>(29,654)</u>	<u>(54,654)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(33,287)</u>	<u>(33,287)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>52,837</u>	<u>52,837</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,550</u>	<u>\$ 19,550</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (33,287)
Adjustments to revenues for gross receipt tax revenue recognized in the prior year				8,407
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (24,880)</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, 2011

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ 1,010,225	\$ 1,010,225	\$ 942,326	\$ (67,899)
<i>Total operating revenues</i>	<u>1,010,225</u>	<u>1,010,225</u>	<u>942,326</u>	<u>(67,899)</u>
<i>Operating expenses:</i>				
Personnel services	326,199	334,486	295,507	38,979
Contractual services	205,500	305,500	236,797	68,703
Supplies	14,500	15,777	15,080	697
Maintenance and materials	424,600	195,470	136,904	58,566
Utilities	37,400	108,400	110,221	(1,821)
Depreciation	-	-	62,308	(62,308)
Capital outlay	300,000	306,310	-	306,310
Other operating expenditures	1,602,266	1,471,685	526,602	945,083
<i>Total operating expenses</i>	<u>2,910,465</u>	<u>2,737,628</u>	<u>1,383,419</u>	<u>1,354,209</u>
<i>Operating income (loss)</i>	<u>(1,900,240)</u>	<u>(1,727,403)</u>	<u>(441,093)</u>	<u>1,286,310</u>
<i>Non-operating revenues (expenses)</i>				
Designated cash (budgeted increase in cash)	171,383	93,111	-	(93,111)
Property taxes	-	-	-	-
Gross receipts taxes	45,000	45,000	45,087	87
Other taxes	-	-	-	-
Government contributions	1,689,103	1,615,967	434,726	(1,181,241)
Investment income	3,100	3,126	2,235	(891)
Fines and forfeitures	-	-	-	-
Proceeds from debt issuance	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
Miscellaneous income	1,000	9,199	3,199	(6,000)
Principal expenses	(37,250)	(37,250)	-	37,250
Interest expenses	(1,750)	(1,750)	(1,131)	619
Operating transfers in	72,504	77,826	77,826	-
Operating transfers (out)	(42,850)	(77,826)	(77,826)	-
<i>Total non-operating revenues (expenses)</i>	<u>1,900,240</u>	<u>1,727,403</u>	<u>484,116</u>	<u>(1,243,287)</u>
<i>Change in net assets</i>	-	-	43,023	43,023
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>5,491,650</u>	<u>5,491,650</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,534,673</u>	<u>\$ 5,534,673</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, 2011

Schedule I

Bank Account Type/Name	First National Bank	Western Bank	Totals
Checking Accounts	\$ 1,315,791	\$ 3,931	\$ 1,319,722
Certificates of Deposits	50,000	308,848	358,848
Total	1,365,791	312,779	1,678,570
Reconciling items	(43,628)	-	(43,628)
Reconciled balance	\$ 1,322,163	\$ 312,779	1,634,942
Add: Petty Cash			125
Total deposits and investments			\$ 1,635,067
Cash and investments per financial statements			
Governmental Activities per Exhibit A-1			\$ 1,045,873
Business-type Activities per Exhibit A-1			589,194
Agency funds per Exhibit E-1			-
Total cash and investments			\$ 1,635,067

See accompanying independent auditors' report

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Schedule of Collateral Pledged by Depository for Public Funds  
June 30, 2011

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>
<b>First National Bank</b>					
	FNMA Pool	4/1/2010	31374TQF9	\$ 12,435	Federal Home Loan Bank - Dallas, TX
	FHLMC Pool	5/1/2023	3128E2VX1	308,140	Federal Home Loan Bank - Dallas, TX
	FNMA Pool	9/1/2026	31410XHL3	142,470	Federal Home Loan Bank - Dallas, TX
	Bernalillo NM State Shared	6/1/2021	085251AG8	540,000 **	Federal Home Loan Bank - Dallas, TX
<b>Total First National Bank</b>				<u>1,003,045</u>	
<b>Western Bank</b>					
	GNMA 8117	4/20/2016	36202KAS4	12,521	Federal Home Loan Bank - Dallas, TX
	Tularosa Schools	10/15/2013	89172GK0	40,249 **	Federal Home Loan Bank - Dallas, TX
	FNMA 71189	4/1/2018	31362UC24	41,497	Federal Home Loan Bank - Dallas, TX
<b>Total Western Bank</b>				<u>94,267</u>	
<b>Total Pledged Collateral</b>				<u>\$ 1,097,312</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

STATE OF NEW MEXICO

Schedule III

Village of Cloudcroft

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2011

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<i>Assets</i>				
Cash	\$ 883	\$ -	\$ 883	\$ -
Total assets	<u>\$ 883</u>	<u>\$ -</u>	<u>\$ 883</u>	<u>\$ -</u>
<i>Liabilities</i>				
Accounts Payable	\$ 883	\$ -	\$ 883	\$ -
Total liabilities	<u>\$ 883</u>	<u>\$ -</u>	<u>\$ 883</u>	<u>\$ -</u>

See accompanying independent auditors' report

**COMPLIANCE SECTION**

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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 have audited 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, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents and have issued our report thereon dated November 9, 2011. 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, 2011 as listed in the table of contents. We qualified our opinion because we were unable to verify capital assets, accumulated depreciation and current year depreciation expense. 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 responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 responses as items FS 2005-2, FS 2010-1, FS 2010-5, and FS 2011-1 to be material weaknesses.

## 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 responses as item FS 2011-2.

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

This report is intended solely for the information and use of management, 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  
November 9, 2011



**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Schedule of Findings and Responses  
June 30, 2011

Schedule IV  
Page 1 of 6

**Section I – Summary of Audit Results**

*Financial Statements:*

- |  |           |
|--|-----------|
| 1. Type of auditors' report issued   | Qualified |
| 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?                     | No        |

**Section II – Prior Year Audit Findings**

- |  |                    |
|--|--------------------|
| FS-2005-2 – Reconciliation of Capital Outlay to Capital Asset Inventory Additions      | Repeated           |
| FS 2010-1 – Deficiencies in Internal Control Structure Design, Operation and Oversight | Revised & Repeated |
| FS 2010-2 – Internal Controls Over Cash  | Resolved           |
| FS 2010-3 – Computer Controls  | Resolved           |
| FS 2010-4 – Cash Activity Not Recorded   | Resolved           |
| FS 2010-5 – Preparation of Financial Statements  | Repeated           |
| FS 2010-6 – Cash Appropriations in Excess of Available Cash Balances                   | Resolved           |
| FA 2010-1 – Internal Control over Compliance with Federal Awards                       | Resolved           |

**Section III – Financial Statement Findings**

**FS 2005-2 — Reconciliation of Capital Outlay to Capital Asset Inventory Additions (Material Weakness)**

*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.

*Views of Responsible Officials and Planned Corrective Actions:* On or about August 17, 2011, the Village of Cloudcroft hired Records Consultants Inc., (RCI) a fixed asset management company to perform a fixed asset inventory of the Village along with actual historical costs research of property and buildings owned by the Village. The RCI Fixed Asset Management Program (FAMP) is specifically designed to assist public entities in complying with the inventory and depreciation requirements contained in GASB 34. Dave Venable, the Mayor, and Jini S. Turri, the Village Clerk/Treasurer, will be responsible for updating the Village inventory for additions and deletions as necessary.

**Section III – Financial Statement Findings (continued)**

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

*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 system generated checks and are more susceptible to fraud.
- The Village does not track and cannot produce a list of voided checks.
- 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.
- There is a lack of segregation of duties between initiating, approving and posting journal entries to the general ledger.

*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.

*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.

*Views of Responsible Officials and Planned Corrective Actions:* The Village of Cloudcroft formed an Accounting & Financial Policies Manual effective April 12, 2011, and per Auditor’s recommendations, will ensure that a more comprehensive internal control structure is designed, documented and implemented. The Village will adjust the funds within its budget that are necessary to track federal and state grant revenues and expenditures.

**Section III – Financial Statement Findings (continued)**

**FS 2010-5 — Preparation of Financial Statements (Material Weakness)**

*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.

*Views of Responsible Officials and Planned Corrective Actions:* The Village of Cloudcroft management and personnel attempted in FY 2010-2011, to find the specified trainings as recommended by the Auditor's office and found limited training available. The Village asks that the Auditor's provide them with information about available training in the areas recommended. The Village will make every attempt upon notice of trainings to attend and successfully complete such trainings. The Village will also upon receipt of these trainings, develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

**Section III – Financial Statement Findings (continued)**

**FS 2011-1 Lack of Adequate Documentation for Expenditures (Material Weakness)**

*Condition:* The Village's policy is to have a written purchase order for all purchases over \$100, however, during our extended cash procedures test work we noted 3 instances out of 25 totaling \$2,619 when the Village did not have a completed purchase order before the purchase was made. In addition, there was 1 other instance totaling \$6,984 where the Village was missing supporting documentation in the file.

*Criteria:* NMSA Sections 13-1-28 to 13-1-199 requires the Village to establish and implement written policies and procedures for purchasing.

*Effect:* Having lack of authorization for purchases made increases the risk for misappropriation, budget over expending, or fraudulent activities.

*Cause:* There was an oversight in the internal control process, and items were not authorized through a purchase order before the purchase was made.

*Auditors' Recommendations:* We recommend that the Village provide all supporting documentation in the vendor files as well as following policies regarding the use of purchase orders.

*Views of Responsible Officials and Planned Corrective Actions:* The Mayor and Village Clerk/Treasurer will perform random audits of its vendor files to ensure that staff is providing all required supporting documentation in the vendor files. The Mayor and Clerk/Treasurer will also strictly enforce their policies regarding the use of purchase orders.

**Section III – Financial Statement Findings (continued)**

**FS 2011-2 Public Money Distribution Act (Other)**

*Condition:* During our audit, we questioned the client regarding the NM State Statute pertaining to public money deposits on interest bearing accounts. The client informed us they are aware of the statute but are not taking any action to ensure it is being followed.

*Criteria:* Per Section 6-10-36, NMSA 1978, “Public money placed in interest-bearing deposits in banks and savings and loan associations shall be equitably distributed among all banks and savings and loan associations having their main or staffed branch offices within the geographical boundaries of the governmental unit that have qualified as public depositories by reason of insurance of the account by an agency of the United States or by depositing collateral security or by giving bond as provided by law and that desire a deposit of public money pursuant to this section. The deposits shall be in the proportion that each bank’s or saving and loan association’s deposits bears to the total deposits of all banks and savings and loan associations that have their main office or staffed branch within the geographical boundaries of the governmental unit and that desire a deposit of public money pursuant to this section. The deposits of the main office of a savings and loan association and its staffed branch offices within the geographical boundaries of a governmental unit is the total deposits of the association multiplied by the percentage that deposits of the main office and the staffed branch offices located within the geographical boundaries of the governmental unit are of the total deposits of the association, net of any public fund deposits....”

*Effect:* The Village has not equitably distributed their funds among all banks within their geographical boundaries.

*Cause:* A process is not in place to calculate the total amount of interest bearing deposits should go to each bank in the geographical boundaries of the Village of Cloudcroft.

*Auditors’ Recommendations:* We recommend that the Village develop a process to bring them in compliance with Section 6-10-36, NMSA 1978.

*Views of Responsible Officials and Planned Corrective Actions:* The Village will develop a process to become in compliance with Section 6-10-36, NMSA 1978.

**STATE OF NEW MEXICO**

Village of Cloudcroft

Other Disclosures

June 30, 2011

**OTHER DISCLOSURES**

**Exit Conference**

An exit conference was held on November 9, 2011. In attendance were the following:

**Representing the Village of Cloudcroft:**

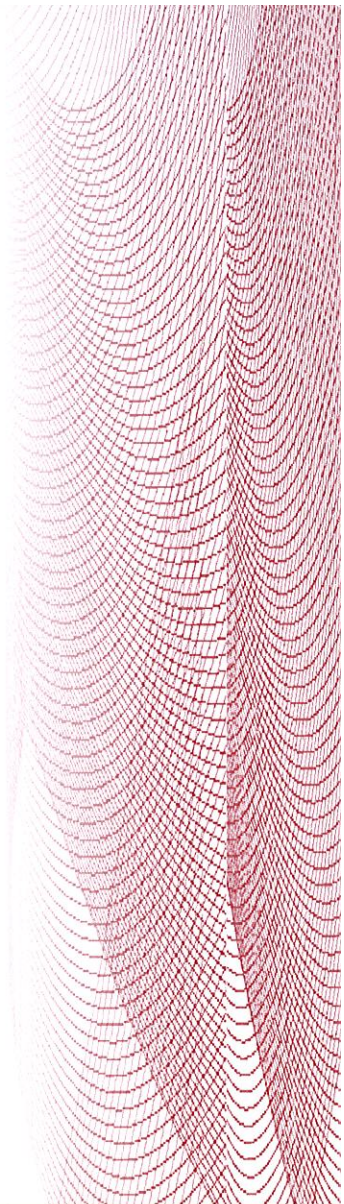
Dave Venable	Mayor
Joy Crowley	Trustee
Jini Turri	Village Clerk/Treasurer
Anne Turri	Accounting/Payroll Clerk

**Representing Accounting & Consulting Group, LLP:**

Shelley Olson	In-charge Staff
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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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