

Accounting & Consulting Group, LLP

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Certified Public Accountants

State of New Mexico  
Village of Cloudcroft  
Annual Financial Report  
June 30, 2012





**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2012**



## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
 Village of Cloudcroft  
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 June 30, 2012

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**STATE OF NEW MEXICO**

Village of Cloudcroft

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**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Official Roster  
June 30, 2012

<u>Name</u>	<u>Village Council</u>	<u>Title</u>
David C. Venable		Mayor
Bradley Rasch		Mayor Pro Tem
Jerry W. Sutherlin		Trustee
W.A. (Andy) Olsen		Trustee
Bruce A. Smaga		Trustee
	<u>Administration</u>	
Jini S. Turri		Village Clerk/Treasurer
Anne Turri		Accounting/Payroll Clerk
Corina Lisk		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, 2012, 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, 2012 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, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC. 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, 2012. 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, 2011 or the depreciation expense for the fiscal year ended June 30, 2012. 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, 2012 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, and the aggregate remaining fund information of the Village, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the nonmajor governmental funds of the Village as of June 30, 2012 and the respective changes in financial position, and the respective budgetary comparison for the proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, the budget statements referred to above present fairly, in all material respects the budgetary comparisons of the general fund, the major special revenue funds, and each of the Village's nonmajor funds for the year ended June 30, 2012, in conformity with the budgetary basis more fully described in Note 2 which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012 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.

Management has not presented the *Management's Discussion and Analysis* that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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  
October 26, 2012

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**

Village of Cloudcroft

Statement of Net Assets

June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash	\$ 1,235,874	\$ 661,358	\$ 1,897,232
Receivables:			
Gross receipt taxes	125,221	-	125,221
Intergovernmental	40,656	-	40,656
Other	8,896	94,625	103,521
Total current assets	<u>1,410,647</u>	<u>755,983</u>	<u>2,166,630</u>
Noncurrent assets			
Capital assets	14,414,672	6,716,005	21,130,677
Less: accumulated depreciation	<u>(7,782,427)</u>	<u>(1,783,268)</u>	<u>(9,565,695)</u>
Total noncurrent assets	<u>6,632,245</u>	<u>4,932,737</u>	<u>11,564,982</u>
Total assets	<u>\$ 8,042,892</u>	<u>\$ 5,688,720</u>	<u>\$ 13,731,612</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	\$ 32,885	\$ 42,261	\$ 75,146
Accrued payroll	19,198	10,793	29,991
Current portion of accrued compensated absences	7,574	5,884	13,458
Accrued interest	-	2,804	2,804
Current portion of loans payable	-	368,608	368,608
Total current liabilities	<u>59,657</u>	<u>430,350</u>	<u>490,007</u>
Noncurrent liabilities			
Accrued compensated absences	2,952	479	3,431
Loans payable	-	53,973	53,973
Total noncurrent liabilities	<u>2,952</u>	<u>54,452</u>	<u>57,404</u>
Total liabilities	<u>62,609</u>	<u>484,802</u>	<u>547,411</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,632,245	4,510,156	11,142,401
Restricted for:			
Special revenue	939,193	-	939,193
Capital projects	110,670	-	110,670
Unrestricted	298,175	693,762	991,937
Total net assets	<u>7,980,283</u>	<u>5,203,918</u>	<u>13,184,201</u>
Total liabilities and net assets	<u>\$ 8,042,892</u>	<u>\$ 5,688,720</u>	<u>\$ 13,731,612</u>

**STATE OF NEW MEXICO**

Village of Cloudcroft

Statement of Activities

June 30, 2012

<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	\$ 806,884	\$ 32,567	\$ 582,735	\$ -
Public safety	553,886	86,747	189,321	-
Public works	95,911	-	-	-
Health and welfare	1,746	-	-	-
Culture and recreation	76,025	1,000	-	-
<i>Total governmental activities</i>	<u>1,534,452</u>	<u>120,314</u>	<u>772,056</u>	<u>-</u>
<b>Business-type Activities:</b>				
Water and sewer	<u>1,562,088</u>	<u>1,046,470</u>	<u>201,390</u>	<u>-</u>
<i>Total business-type activities</i>	<u>1,562,088</u>	<u>1,046,470</u>	<u>201,390</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 3,096,540</u>	<u>\$ 1,166,784</u>	<u>\$ 973,446</u>	<u>\$ -</u>

**General Revenues:**

Taxes:

Property taxes, levied for general purposes

Gross receipts taxes

Gasoline and motor vehicle taxes

Other taxes

Investment income

Fines and forfeitures

Miscellaneous income

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning

Restatement (Note 20)

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>
\$ (191,582)	\$ -	\$ (191,582)
(277,818)	-	(277,818)
(95,911)	-	(95,911)
(1,746)	-	(1,746)
<u>(75,025)</u>	<u>-</u>	<u>(75,025)</u>
<u>(642,082)</u>	<u>-</u>	<u>(642,082)</u>
<u>-</u>	<u>(314,228)</u>	<u>(314,228)</u>
<u>-</u>	<u>(314,228)</u>	<u>(314,228)</u>
(642,082)	(314,228)	(956,310)
52,654	-	52,654
608,217	42,811	651,028
30,717	-	30,717
156,252	-	156,252
5,545	(649)	4,896
11,121	-	11,121
226,270	18,628	244,898
<u>13,394</u>	<u>(13,394)</u>	<u>-</u>
<u>1,104,170</u>	<u>47,396</u>	<u>1,151,566</u>
462,088	(266,832)	195,256
7,511,803	5,534,673	13,046,476
<u>6,392</u>	<u>(63,923)</u>	<u>(57,531)</u>
<u>7,518,195</u>	<u>5,470,750</u>	<u>12,988,945</u>
<u>\$ 7,980,283</u>	<u>\$ 5,203,918</u>	<u>\$ 13,184,201</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, 2012

Exhibit B-1

Page 1 of 2

	<u>General Fund</u>	<u>Federal Disaster Relief</u>	<u>EMS</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Assets</i>					
Cash	\$ 244,271	\$ 9,118	\$ 587,513	\$ 394,972	\$ 1,235,874
Receivables:					
Taxes	101,467	-	-	23,754	125,221
Intergovernmental	-	-	-	40,656	40,656
Other	3,806	-	5,070	20	8,896
<i>Total assets</i>	<u>349,544</u>	<u>9,118</u>	<u>592,583</u>	<u>459,402</u>	<u>1,410,647</u>
<i>Liabilities</i>					
Accounts payable	7,874	-	890	24,121	32,885
Accrued payroll	19,198	-	-	-	19,198
<i>Total liabilities</i>	<u>27,072</u>	<u>-</u>	<u>890</u>	<u>24,121</u>	<u>52,083</u>
<i>Fund balances</i>					
Spendable					
Restricted	-	9,118	591,693	435,281	1,036,092
Unassigned	322,472	-	-	-	322,472
<i>Total fund balances</i>	<u>322,472</u>	<u>9,118</u>	<u>591,693</u>	<u>435,281</u>	<u>1,358,564</u>
<i>Total liabilities and fund balances</i>	<u>\$ 349,544</u>	<u>\$ 9,118</u>	<u>\$ 592,583</u>	<u>\$ 459,402</u>	<u>\$ 1,410,647</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Village of Cloudcroft

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2012

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$	1,358,564
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		6,632,245
Certain liabilities, including notes 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 compensated absences not due and payable at year end		<u>(10,526)</u>
Total net assets of governmental activities	\$	<u>7,980,283</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, 2012

Exhibit B-2  
Page 1 of 2

	General Fund	Federal Disaster Relief	EMS	Other Governmental Funds	Total
<i>Revenues</i>					
<i>Taxes</i>					
Property	\$ 52,654	\$ -	\$ -	\$ -	\$ 52,654
Gross receipts	558,051	-	-	50,166	608,217
Gasoline and motor vehicle taxes	12,126	-	-	18,591	30,717
Other	25,342	-	-	130,910	156,252
<i>Intergovernmental income</i>					
Federal operating grants	28,144	508,434	-	-	536,578
State operating grants	48,434	-	9,486	177,558	235,478
Charges for services	47,368	-	86,747	1,000	135,115
Investment income	1,556	13	2,031	1,945	5,545
Fines and forfeitures	9,401	-	-	1,720	11,121
Miscellaneous	27,881	-	50,000	134,977	212,858
<i>Total revenues</i>	<u>810,957</u>	<u>508,447</u>	<u>148,264</u>	<u>516,867</u>	<u>1,984,535</u>
<i>Expenditures</i>					
<i>Current</i>					
General government	265,061	225,346	-	118,471	608,878
Public safety	290,668	-	86,344	164,241	541,253
Public works	102,161	-	-	-	102,161
Health and welfare	6,700	-	-	-	6,700
Culture and recreation	66,508	-	-	9,517	76,025
Conservation and development	1,429	-	-	-	1,429
Capital outlay	40,167	-	36,675	83,329	160,171
<i>Total expenditures</i>	<u>772,694</u>	<u>225,346</u>	<u>123,019</u>	<u>375,558</u>	<u>1,496,617</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>38,263</u>	<u>283,101</u>	<u>25,245</u>	<u>141,309</u>	<u>487,918</u>
<i>Other financing sources (uses)</i>					
Operating transfers in	150,000	380,946	156,555	-	687,501
Operating transfers (out)	(9,118)	(508,434)	(156,555)	-	(674,107)
<i>Total other financing sources (uses)</i>	<u>140,882</u>	<u>(127,488)</u>	<u>-</u>	<u>-</u>	<u>13,394</u>
<i>Net change in fund balances</i>	179,145	155,613	25,245	141,309	501,312
<i>Fund balances - beginning of year</i>	138,009	(146,495)	566,348	292,998	850,860
<i>Restatement (Note 20)</i>	5,318	-	100	974	6,392
<i>Fund balances - beginning of year, restated</i>	<u>143,327</u>	<u>(146,495)</u>	<u>566,448</u>	<u>293,972</u>	<u>857,252</u>
<i>Fund balance - end of year</i>	<u>\$ 322,472</u>	<u>\$ 9,118</u>	<u>\$ 591,693</u>	<u>\$ 435,281</u>	<u>\$ 1,358,564</u>

The accompanying notes are an integral part of these financial statements

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, 2012

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 \$ 501,312

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 160,171  
Depreciation expense (197,613)

Expenses reported in the statement of activities that do require the use of current  
financial resources and therefore are not reported as expenditures in the  
governmental funds:

Decrease in accrued interest 446

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:

Increase in accrued compensated absences (2,228)

Change in net assets of governmental activities \$ 462,088

## 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, 2012

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ 46,000	\$ 46,000	\$ 51,325	\$ 5,325
Gross receipts	565,250	565,250	558,210	(7,040)
Gasoline and motor vehicle	11,500	11,500	11,165	(335)
Other	25,000	25,000	24,474	(526)
Intergovernmental income				
Federal operating grants	-	73,592	28,144	(45,448)
Federal capital grants	-	-	-	-
State operating grants	60,900	60,707	48,313	(12,394)
State capital grants	-	-	-	-
Charges for services	59,225	59,225	44,003	(15,222)
Investment income	1,460	1,460	1,556	96
Fines and forfeitures	10,000	10,000	9,328	(672)
Miscellaneous income	26,650	26,650	27,634	984
<i>Total revenues</i>	<u>805,985</u>	<u>879,384</u>	<u>804,152</u>	<u>(75,232)</u>
<i>Expenditures</i>				
Current				
General government	288,408	302,575	279,575	23,000
Public safety	316,092	323,526	298,471	25,055
Public works	120,880	115,285	100,981	14,304
Health and welfare	6,740	6,775	6,458	317
Culture and recreation	79,717	82,666	70,036	12,630
Conservation and development	2,000	2,630	1,429	1,201
Capital outlay	48,000	40,100	38,371	1,729
<i>Total expenditures</i>	<u>861,837</u>	<u>873,557</u>	<u>795,321</u>	<u>78,236</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(55,852)</u>	<u>5,827</u>	<u>8,831</u>	<u>3,004</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	55,852	(155,827)	-	155,827
Operating transfers in	-	150,000	150,000	-
Operating transfers (out)	-	-	(9,118)	(9,118)
<i>Total other financing sources (uses)</i>	<u>55,852</u>	<u>(5,827)</u>	<u>140,882</u>	<u>146,709</u>
<i>Net change in fund balance</i>	-	-	149,713	149,713
<i>Fund balance - beginning of year</i>	-	-	89,240	89,240
<i>Restatement (Note 20)</i>	-	-	5,318	5,318
<i>Fund balance - beginning of year, restated</i>	-	-	94,558	94,558
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 244,271</u>	<u>\$ 244,271</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 149,713
Adjustments to revenues for taxes receivable				6,805
Adjustments to expenditures for payroll and supply expenses recognized in the prior year				22,627
Net change in fund balance (GAAP basis)				<u>\$ 179,145</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, 2012

	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	246,903	508,434	508,434	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	100	13	13	-
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>247,003</u>	<u>508,447</u>	<u>508,447</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	246,903	392,241	383,123	9,118
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>246,903</u>	<u>392,241</u>	<u>383,123</u>	<u>9,118</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>100</u>	<u>116,206</u>	<u>125,324</u>	<u>9,118</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(156,655)	33,794	-	(33,794)
Operating transfers in	156,555	371,828	380,946	9,118
Operating transfers (out)	-	(521,828)	(508,434)	13,394
<i>Total other financing sources (uses)</i>	<u>(100)</u>	<u>(116,206)</u>	<u>(127,488)</u>	<u>(11,282)</u>
<i>Net change in fund balance</i>	-	-	(2,164)	(2,164)
<i>Fund balance - beginning of year</i>	-	-	11,282	11,282
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,118</u>	<u>\$ 9,118</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (2,164)
No adjustments to revenues				-
Adjustments to expenditures for prior year accounts payable				157,777
Net change in fund balance (GAAP basis)				<u>\$ 155,613</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit C-3

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, 2012

	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	9,486	9,486	-
State capital grants	-	-	-	-
Charges for services	103,000	124,677	81,677	(43,000)
Investment income	4,025	4,025	2,031	(1,994)
Fines and forfeitures	-	-	-	-
Miscellaneous income	40,000	50,000	50,000	-
<i>Total revenues</i>	<u>158,537</u>	<u>188,188</u>	<u>143,194</u>	<u>(44,994)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	134,587	132,456	88,011	44,445
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	160,500	40,605	36,675	3,930
<i>Total expenditures</i>	<u>295,087</u>	<u>173,061</u>	<u>124,686</u>	<u>48,375</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(136,550)</u>	<u>15,127</u>	<u>18,508</u>	<u>3,381</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	293,105	(15,127)	-	15,127
Operating transfers in	-	156,555	156,555	-
Operating transfers (out)	(156,555)	(156,555)	(156,555)	-
<i>Total other financing sources (uses)</i>	<u>136,550</u>	<u>(15,127)</u>	<u>-</u>	<u>15,127</u>
<i>Net change in fund balance</i>	-	-	18,508	18,508
<i>Fund balance - beginning of year</i>	-	-	568,905	568,905
<i>Restatement (Note 20)</i>	-	-	100	100
<i>Fund balance - beginning of year, restated</i>	-	-	569,005	569,005
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 587,513</u>	<u>\$ 587,513</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 18,508
Adjustments to revenues for other receivables				5,070
Adjustments to expenditures for accounts payable				1,667
Net change in fund balance (GAAP basis)				<u>\$ 25,245</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, 2012

	<u>Proprietary Fund</u>
	<u>Water and Sewer</u>
<i>Assets</i>	
<i>Current assets</i>	
Cash	\$ 661,358
Receivables:	
Charges for services	94,625
<i>Total current assets</i>	<u>755,983</u>
<i>Noncurrent assets</i>	
Capital assets	6,716,005
Less: accumulated depreciation	<u>(1,783,268)</u>
<i>Total noncurrent assets</i>	<u>4,932,737</u>
<i>Total assets</i>	<u>\$ 5,688,720</u>
<i>Liabilities and net assets</i>	
<i>Liabilities</i>	
<i>Current liabilities</i>	
Accounts payable	\$ 42,261
Accrued payroll	10,793
Current portion of accrued compensated absences	5,884
Accrued interest	2,804
Current portion of loans payable	368,608
<i>Total current liabilities</i>	<u>430,350</u>
<i>Noncurrent liabilities</i>	
Accrued compensated absences	479
Loans payable	53,973
<i>Total noncurrent liabilities</i>	<u>54,452</u>
<i>Total liabilities</i>	<u>484,802</u>
<i>Net assets</i>	
Invested in capital assets, net of related debt	4,510,156
Unrestricted	<u>693,762</u>
<i>Total net assets</i>	<u>5,203,918</u>
<i>Total liabilities and net assets</i>	<u>\$ 5,688,720</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, 2012

Exhibit D-2

	<u>Proprietary Fund</u>
	<u>Water and Sewer</u>
<i>Operating revenues:</i>	
Charges for services	\$ 1,046,470
<i>Total operating revenues</i>	<u>1,046,470</u>
<i>Operating expenses:</i>	
Personnel services	312,542
Contractual services	281,676
Supplies	12,109
Maintenance and materials	166,759
Utilities	113,941
Depreciation	62,308
Other operating expenditures	612,016
<i>Total operating expenses</i>	<u>1,561,351</u>
<i>Operating income (loss)</i>	<u>(514,881)</u>
<i>Non-operating revenues (expenses)</i>	
Operating grants and contributions	201,390
Gross receipts taxes	42,811
Investment income	(649)
Miscellaneous income	18,628
Interest expenses	(737)
<i>Total non-operating revenues (expenses)</i>	<u>261,443</u>
Operating transfers in	201,879
Operating transfers (out)	(215,273)
<i>Net transfers</i>	<u>(13,394)</u>
<i>Change in net assets</i>	(266,832)
<i>Total net assets, beginning of year</i>	5,534,673
<i>Restatement (Note 20)</i>	(63,923)
<i>Total net assets, beginning of year, restated</i>	<u>5,470,750</u>
<i>Total net assets, end of year</i>	<u>\$ 5,203,918</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, 2012

Exhibit D-3

	Proprietary Fund
	Water and Sewer
<i>Cash flows from operating activities:</i>	
Cash received from user charges	\$ 969,649
Cash payments to employees for services	(598,221)
Cash payments to suppliers for goods and services	(911,334)
<i>Net cash provided (used) by operating activities</i>	(539,906)
<i>Cash flows from noncapital financing activities:</i>	
Operating grants and contributions	201,390
Gross receipts taxes	42,811
Miscellaneous income	18,628
Change in noncurrent accrued compensated absences	(1,970)
Interfund advances (payments) and transfers	(13,394)
<i>Net cash provided (used) by noncapital financing activities</i>	247,465
<i>Cash flows from capital and related financing activities</i>	
Interest paid	2,067
Proceeds from issuance of long-term debt	365,884
Principal payments on long-term debt	(2,697)
<i>Net cash provided (used) by capital and related financing activities</i>	365,254
<i>Cash flows from investing activities:</i>	
Interest on investments	(649)
<i>Net cash provided (used) by investing activities</i>	(649)
<i>Net increase (decrease) in cash and cash equivalents</i>	72,164
<i>Cash and cash equivalents - beginning of year</i>	589,194
<i>Cash and cash equivalents - end of year</i>	\$ 661,358
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>	
Operating income (loss)	\$ (514,881)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	62,308
Changes in assets and liabilities	
Receivables	(76,821)
Accounts payable	(6,509)
Accrued payroll expenses	726
Current accrued compensated absences	(200)
Prior period restatement	(4,529)
<i>Net cash provided (used) by operating activities</i>	\$ (539,906)

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, 2012

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

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2012

**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, 2012

**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.

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.

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2012

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

**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.

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.

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2012

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

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

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.

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 *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.

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.

**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.



**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2012

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

***D. Assets, Liabilities and Net Assets or Equity***

**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.

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.

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2012

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

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

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

**Accrued Expenses:** Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2012, 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.

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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:**

*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.

For committed fund balances, the Village includes amounts for specific purposes by formal action of the Village Council 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 Village Council permit general unassigned funds be spent to meet a specific fund's objectives.

*Restricted Fund Balance:* At June 30, 2012, the restricted fund balance on the governmental funds balance sheet is made up of \$1,036,092 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**  
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**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 Council, 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 Budet	Final Budget
<b>Budgeted Funds:</b>		
<b>Governmental Funds:</b>		
General Fund	\$ (55,852)	\$ 5,827
Federal Disaster Relief Special Revenue Fund	100	116,206
EMS Special Revenue Fund	(136,550)	15,127
Other Governmental Funds	(14,812)	(68,832)
<b>Change in Net Assets</b>		
	Original Budet	Final Budget
<b>Proprietary Fund:</b>		
Water and Sewer Fund	\$ -	\$ -

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the Untied States of America (GAAP), a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2012 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.

**STATE OF NEW MEXICO**  
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**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, 2012.

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

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

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

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, 2012, \$1,368,134 of the Village's deposits of \$1,922,039 was exposed to custodial credit risk. \$866,963 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Village's name and \$0 was uninsured and uncollateralized.

	First National Bank	Western Bank	Total
Amount of deposits	\$ 1,605,187	\$ 316,852	\$ 1,922,039
FDIC Coverage	<u>(300,000)</u>	<u>(253,905)</u>	<u>(553,905)</u>
Total uninsured public funds	<u>1,305,187</u>	<u>62,947</u>	<u>1,368,134</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Village's name	783,188	62,947	846,135
Uninsured and uncollateralized	<u>\$ 521,999</u>	<u>\$ -</u>	<u>\$ 521,999</u>
Collateral requirement (50% of uninsured funds)	\$ 652,594	\$ 31,474	\$ 684,068
Pledged Collateral	783,188	83,775	866,963
Over (Under) collateralized	<u>\$ 130,594</u>	<u>\$ 52,301</u>	<u>\$ 182,895</u>

**STATE OF NEW MEXICO**  
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**NOTE 3. Deposits and Investments (continued)**

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.

**NOTE 4. Receivables**

Receivables as of June 30, 2012, are as follows:

**Governmental Activities:**

	<u>General</u>	<u>Federal Disaster Relief</u>	<u>EMS</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Activities</u>
Property taxes	\$ 1,329	\$ -	\$ -	\$ -	\$ 1,329
Other taxes:					
Gross receipts taxes	93,521	-	-	8,422	101,943
Gasoline and oil taxes	-	-	-	3,206	3,206
Other taxes	6,617	-	-	12,126	18,743
Other receivables:					
Charges for services	-	-	5,070	-	5,070
Intergovernmental:					
State	-	-	-	40,656	40,656
Miscellaneous	3,806	-	-	20	3,826
Totals by category	<u>\$ 105,273</u>	<u>\$ -</u>	<u>\$ 5,070</u>	<u>\$ 64,430</u>	<u>\$ 174,773</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	\$ 94,625	\$ 94,625
Totals by category	<u>\$ 94,625</u>	<u>\$ 94,625</u>

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

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**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>
Federal Disaster Relief Fund	EMS Fund	\$ 156,555
Federal Disaster Relief Fund	General Fund	150,000
Federal Disaster Relief Fund	Water and Sewer Fund	201,879
General Fund	Federal Disaster Relief Fund	9,118
EMS Fund	Federal Disaster Relief Fund	156,555
Water and Sewer Fund	Federal Disaster Relief Fund	215,273
	Total	<u>\$ 889,380</u>

There were no interfund balances at June 30, 2012.

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2012, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</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	3,107,855	-	-	3,107,855
Equipment	2,566,095	160,171	-	2,726,266
Infrastructure	4,971,471	-	-	4,971,471
Total capital assets being depreciated	<u>10,645,421</u>	<u>160,171</u>	<u>-</u>	<u>10,805,592</u>
Less accumulated depreciation:				
Buildings and improvements	1,245,644	56,407	-	1,302,051
Equipment	1,567,489	117,122	-	1,684,611
Infrastructure	4,771,681	24,084	-	4,795,765
Total accumulated depreciation	<u>7,584,814</u>	<u>197,613</u>	<u>-</u>	<u>7,782,427</u>
Total capital assets, net of depreciation	<u>\$ 6,669,687</u>	<u>\$ (37,442)</u>	<u>\$ -</u>	<u>\$ 6,632,245</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**  
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**NOTE 6. Capital Assets (continued)**

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</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	608,140	-	-	608,140
Infrastructure	<u>2,110,146</u>	<u>-</u>	<u>-</u>	<u>2,110,146</u>
Total capital assets being depreciated	<u>2,900,786</u>	<u>-</u>	<u>-</u>	<u>2,900,786</u>
Less accumulated depreciation:				
Buildings and improvements	61,244	8,034	-	69,278
Equipment	375,365	32,610	-	407,975
Infrastructure	<u>1,284,351</u>	<u>21,664</u>	<u>-</u>	<u>1,306,015</u>
Total accumulated depreciation	<u>1,720,960</u>	<u>62,308</u>	<u>-</u>	<u>1,783,268</u>
Total capital assets, net of depreciation	<u>\$ 4,995,045</u>	<u>\$ (62,308)</u>	<u>\$ -</u>	<u>\$ 4,932,737</u>

**NOTE 7. Long-term Debt**

**Governmental Activities:** During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 8,298	\$ 13,938	\$ 11,710	\$ 10,526	\$ 7,574
Total Long-Term Debt	<u>\$ 8,298</u>	<u>\$ 13,938</u>	<u>\$ 11,710</u>	<u>\$ 10,526</u>	<u>\$ 7,574</u>

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

**Business-Type Activities:** During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the business-type statement of net assets:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Restatement</u>	<u>Balance as</u> <u>Restated at</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Loans payable	\$ -	\$ 59,394	\$ 59,394	\$ 365,884	\$ 2,697	\$ 422,581	\$ 368,608
Compensated absences	<u>8,533</u>	<u>-</u>	<u>8,533</u>	<u>7,650</u>	<u>9,820</u>	<u>6,363</u>	<u>5,884</u>
Total Long-Term Debt	<u>\$ 8,533</u>	<u>\$ 59,394</u>	<u>\$ 67,927</u>	<u>\$ 373,534</u>	<u>\$ 12,517</u>	<u>\$ 428,944</u>	<u>\$ 374,492</u>



**STATE OF NEW MEXICO**  
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June 30, 2012

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

**Loans**

On July 1, 2009, the Village entered into a loan agreement with the New Mexico Environment Department's Rural Infrastructure Program to borrow an amount not exceeding \$682,000 for their PURE Water Project. The loan is a draw down loan and does not become due and payable until the entire amount has been drawn down. The loan is financed over a period of 20 years at 3.00% interest rate. The entire balance that has been drawn down as of June 30, 2012 is considered due and payable in the next fiscal year because the agreement is not fully executed until the project is complete.

On August 20, 2010, the Village received a loan from the New Mexico Finance Authority in the amount of \$59,394 for the upgrade of the Village's water utility system. The loans is financed over a period of 20 years at 1.13-3.48% interest rate.

Debt service requirements on long-term debt for business-type activities at June 30, 2012 are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2013	\$ 368,608	\$ 567	\$ 369,175
2014	2,752	540	3,292
2015	2,779	512	3,291
2016	2,807	484	3,291
2017	2,835	456	3,291
2018-2022	14,606	1,851	16,457
2023-2027	15,352	1,106	16,458
2028-2032	12,842	323	13,165
	<u>\$ 422,581</u>	<u>\$ 5,839</u>	<u>\$ 428,420</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 no deficit fund balances as of June 30, 2012.
- 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, 2012.
- C. Designated cash appropriations in excess of available balances. The Village had no cash appropriations in excess of available balances for the year ended June 30, 2012.

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2012

**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 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 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, 2012, 2011, and 2010 were \$41,550, \$45,153, and \$46,459, respectively, which equal the amount of the required contributions for each fiscal year.

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

The Village did not participate in the Retiree Health Care Plan provided under the Retiree Health Care Act (10-7c-1 to 10-7c-17, NMSA 1978) during the year ended June 30, 2012.

**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. Commitments**

The Village had no significant outstanding commitments at June 30, 2012.

**NOTE 15. Restricted Net Assets**

The government-wide statement of net assets reports \$1,049,863 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 30 and 47.

**NOTE 16. Subsequent Events**

The date to which events occurring after June 30, 2012, the date of the most recent statement of net assets, have been evaluated for possible adjustment to the financial statements or disclosures is October 26, 2012 which is the date on which the financial statements were issued.

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2012

**NOTE 17. 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 entered into the agreement on 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 the Sacramento Mountain Senior Meal Services in the amount \$72,000. The agreements are renewed annually based on the funding restrictions of Otero County and have no beginning or ending dates.

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

**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.

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2012

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

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

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

In March 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Village is analyzing the effects that this pronouncement will have on their financial statements.

**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.

**NOTE 20. Restatements**

The Village has restated budgetary, and as a result, modified accrual fund balances and government wide net assets. The restatements were a due to incorrectly recorded accrued expenses at the budgetary level in the prior year as follows:

Fund Name	Budgetary Fund Balance 6/30/2011	Prior Year Accrued Expenses	Restated Budgetary Fund Balance 6/30/2012
General Fund	\$ 89,240	\$ 5,318	\$ 94,558
EMS Special Revenue Fund	568,905	100	569,005
Fire Protection Special Revenue Fund	61,700	371	62,071
Fire Department Special Revenue Fund	43,022	603	43,625

The Village restated budgetary net assets in the water and sewer fund due to a loan acquired in the prior year that was not recorded on the books and incorrectly recorded accrued expenses. The water and sewer fund was restated by \$63,923.

**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, 2012

**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. (City Ordinance)

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. (City Ordinance)

Recreation

Accounts for the operation and maintenance of recreational facilities in the Village. Financing is provided by rental fees of public facilities. (City Ordinance)

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)

Mexican Canyon Trestle

Accounts for the restoration and maintenance of the Mexican Canyon Trestle. (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. (City Ordinance)

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2012

Special Revenue

	Local Government Corrections	Fire Protection	Law Enforcement Protection	Lodger's Tax	Recreation
<i>Assets</i>					
Cash	\$ 5,437	\$ 58,926	\$ 21,890	\$ 36,205	\$ 67,130
Receivables:					
Taxes	-	-	-	12,126	-
Intergovernmental	-	-	-	-	-
Other	20	-	-	-	-
<i>Total assets</i>	<u>5,457</u>	<u>58,926</u>	<u>21,890</u>	<u>48,331</u>	<u>67,130</u>
<i>Liabilities</i>					
Accounts payable	-	2,780	-	-	333
Accrued payroll	-	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>2,780</u>	<u>-</u>	<u>-</u>	<u>333</u>
<i>Fund balances</i>					
Spendable					
Restricted	5,457	56,146	21,890	48,331	66,797
<i>Total fund balances</i>	<u>5,457</u>	<u>56,146</u>	<u>21,890</u>	<u>48,331</u>	<u>66,797</u>
<i>Total liabilities and fund balances</i>	<u>\$ 5,457</u>	<u>\$ 58,926</u>	<u>\$ 21,890</u>	<u>\$ 48,331</u>	<u>\$ 67,130</u>

The accompanying notes are an integral part of these financial statements

Special Revenue		Capital Projects			Total Nonmajor Governmental Funds
Fire Department	Mexican Canyon Trestle	Municipal Streets	Infrastructure		
\$ 85,334	\$ -	\$ 79,366	\$ 40,684		\$ 394,972
-	-	3,206	8,422		23,754
40,656	-	-	-		40,656
-	-	-	-		20
<u>125,990</u>	<u>-</u>	<u>82,572</u>	<u>49,106</u>		<u>459,402</u>
-	-	-	21,008		24,121
-	-	-	-		-
<u>-</u>	<u>-</u>	<u>-</u>	<u>21,008</u>		<u>24,121</u>
125,990	-	82,572	28,098		435,281
<u>125,990</u>	<u>-</u>	<u>82,572</u>	<u>28,098</u>		<u>435,281</u>
<u>\$ 125,990</u>	<u>\$ -</u>	<u>\$ 82,572</u>	<u>\$ 49,106</u>		<u>\$ 459,402</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, 2012

	Special Revenue				
	Local Government Corrections	Fire Protection	Law Enforcement Protection	Lodger's Tax	Recreation
<i>Revenues</i>					
<i>Taxes</i>					
Gross receipts	\$ -	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-	-
Other	-	-	-	130,910	-
<i>Intergovernmental income</i>					
State operating grants	-	155,758	21,800	-	-
Charges for services	-	-	-	-	1,000
Investment income	18	487	90	312	284
Fines and forfeitures	1,720	-	-	-	-
Miscellaneous	-	-	-	-	5,961
<i>Total revenues</i>	<u>1,738</u>	<u>156,245</u>	<u>21,890</u>	<u>131,222</u>	<u>7,245</u>
<i>Expenditures</i>					
<i>Current</i>					
General government	50	-	-	118,421	-
Public safety	-	113,652	3,614	-	-
Culture and recreation	-	-	-	-	9,517
Capital outlay	-	30,715	-	-	1,495
<i>Total expenditures</i>	<u>50</u>	<u>144,367</u>	<u>3,614</u>	<u>118,421</u>	<u>11,012</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,688</u>	<u>11,878</u>	<u>18,276</u>	<u>12,801</u>	<u>(3,767)</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>	<u>-</u>
<i>Net change in fund balances</i>	1,688	11,878	18,276	12,801	(3,767)
<i>Fund balances - beginning of year</i>	3,769	43,897	3,614	35,530	70,564
<i>Restatement (Note 20)</i>	-	371	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>3,769</u>	<u>44,268</u>	<u>3,614</u>	<u>35,530</u>	<u>70,564</u>
<i>Fund balances - end of year</i>	<u>\$ 5,457</u>	<u>\$ 56,146</u>	<u>\$ 21,890</u>	<u>\$ 48,331</u>	<u>\$ 66,797</u>

The accompanying notes are an integral part of these financial statements

Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
Fire Department	Mexican Canyon Trestle	Municipal Streets	Infrastructure	
\$ -	\$ -	\$ -	\$ 50,166	\$ 50,166
-	-	18,591	-	18,591
-	-	-	-	130,910
-	-	-	-	177,558
-	-	-	-	1,000
324	-	273	157	1,945
-	-	-	-	1,720
129,016	-	-	-	134,977
<u>129,340</u>	<u>-</u>	<u>18,864</u>	<u>50,323</u>	<u>516,867</u>
-	-	-	-	118,471
46,975	-	-	-	164,241
-	-	-	-	9,517
-	937	-	50,182	83,329
<u>46,975</u>	<u>937</u>	<u>-</u>	<u>50,182</u>	<u>375,558</u>
<u>82,365</u>	<u>(937)</u>	<u>18,864</u>	<u>141</u>	<u>141,309</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
82,365	(937)	18,864	141	141,309
43,022	937	63,708	27,957	292,998
603	-	-	-	974
<u>43,625</u>	<u>937</u>	<u>63,708</u>	<u>27,957</u>	<u>293,972</u>
<u>\$ 125,990</u>	<u>\$ -</u>	<u>\$ 82,572</u>	<u>\$ 28,098</u>	<u>\$ 435,281</u>

## STATE OF NEW MEXICO

Statement B-1

## Village of Cloudcroft

Local Government Corrections Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2012

	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	25	18	(7)
Fines and forfeitures	1,000	1,700	1,700	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>1,025</u>	<u>1,725</u>	<u>1,718</u>	<u>(7)</u>
<i>Expenditures</i>				
Current				
General government	550	550	50	500
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>550</u>	<u>550</u>	<u>50</u>	<u>500</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>475</u>	<u>1,175</u>	<u>1,668</u>	<u>493</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(475)	(1,175)	-	1,175
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(475)</u>	<u>(1,175)</u>	<u>-</u>	<u>1,175</u>
<i>Net change in fund balance</i>	-	-	1,668	1,668
<i>Fund balance - beginning of year</i>	-	-	3,769	3,769
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,437</u>	<u>\$ 5,437</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 1,668
Adjustments to revenues for other receivables				20
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 1,688</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, 2012

	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	123,334	155,785	155,758	(27)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	1,000	487	487	-
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>124,334</u>	<u>156,272</u>	<u>156,245</u>	<u>(27)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	98,685	137,836	128,675	9,161
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	75,000	35,849	30,715	5,134
<i>Total expenditures</i>	<u>173,685</u>	<u>173,685</u>	<u>159,390</u>	<u>14,295</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(49,351)</u>	<u>(17,413)</u>	<u>(3,145)</u>	<u>14,268</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	49,351	17,413	-	(17,413)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>49,351</u>	<u>17,413</u>	<u>-</u>	<u>(17,413)</u>
<i>Net change in fund balance</i>	-	-	(3,145)	(3,145)
<i>Fund balance - beginning of year</i>	-	-	61,700	61,700
<i>Restatement (Note 20)</i>	-	-	371	371
<i>Fund balance - beginning of year, restated</i>	-	-	62,071	62,071
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,926</u>	<u>\$ 58,926</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (3,145)
No adjustments to revenues				-
Adjustments to expenditures for accounts payable				15,023
Net change in fund balance (GAAP basis)				<u>\$ 11,878</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, 2012

	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	21,800	21,800	21,800	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	175	175	90	(85)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>21,975</u>	<u>21,975</u>	<u>21,890</u>	<u>(85)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	3,614	3,614	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	21,975	21,975	-	21,975
<i>Total expenditures</i>	<u>21,975</u>	<u>25,589</u>	<u>3,614</u>	<u>21,975</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(3,614)</u>	<u>18,276</u>	<u>21,890</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	3,614	-	(3,614)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>3,614</u>	<u>-</u>	<u>(3,614)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>18,276</u>	<u>18,276</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,614</u>	<u>3,614</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,890</u>	<u>\$ 21,890</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 18,276
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 18,276</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, 2012

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	116,000	118,784	118,784	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	500	500	312	(188)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>116,500</u>	<u>119,284</u>	<u>119,096</u>	<u>(188)</u>
<i>Expenditures</i>				
Current				
General government	116,500	118,500	118,421	79
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>116,500</u>	<u>118,500</u>	<u>118,421</u>	<u>79</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>784</u>	<u>675</u>	<u>(109)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(784)	-	784
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(784)</u>	<u>-</u>	<u>784</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>675</u>	<u>675</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>35,530</u>	<u>35,530</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,205</u>	<u>\$ 36,205</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 675
Adjustments to revenues for other receivables				12,126
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 12,801</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, 2012

	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	2,100	2,100	-	(2,100)
Charges for services	1,000	1,000	1,000	-
Investment income	300	300	284	(16)
Fines and forfeitures	-	-	-	-
Miscellaneous income	7,750	8,107	5,961	(2,146)
<i>Total revenues</i>	<u>11,150</u>	<u>11,507</u>	<u>7,245</u>	<u>(4,262)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	9,565	9,565	9,407	158
Capital outlay	1,500	1,500	1,495	5
<i>Total expenditures</i>	<u>11,065</u>	<u>11,065</u>	<u>10,902</u>	<u>163</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>85</u>	<u>442</u>	<u>(3,657)</u>	<u>(4,099)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(85)	(442)	-	442
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(85)</u>	<u>(442)</u>	<u>-</u>	<u>442</u>
<i>Net change in fund balance</i>	-	-	(3,657)	(3,657)
<i>Fund balance - beginning of year</i>	-	-	70,787	70,787
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,130</u>	<u>\$ 67,130</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (3,657)
No adjustments to revenues				-
Adjustments to expenditures for accounts payable				(110)
Net change in fund balance (GAAP basis)				<u>\$ (3,767)</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, 2012

	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	324	324	-
Fines and forfeitures	-	-	-	-
Miscellaneous income	25,000	88,360	88,360	-
<i>Total revenues</i>	<u>25,050</u>	<u>88,684</u>	<u>88,684</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	31,161	76,903	46,975	29,928
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>31,161</u>	<u>76,903</u>	<u>46,975</u>	<u>29,928</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,111)</u>	<u>11,781</u>	<u>41,709</u>	<u>29,928</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	6,111	(11,781)	-	11,781
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>6,111</u>	<u>(11,781)</u>	<u>-</u>	<u>11,781</u>
<i>Net change in fund balance</i>	-	-	41,709	41,709
<i>Fund balance - beginning of year</i>	-	-	43,022	43,022
<i>Restatement (Note 20)</i>	-	-	603	603
<i>Fund balance - beginning of year, restated</i>	-	-	43,625	43,625
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,334</u>	<u>\$ 85,334</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 41,709
Adjustments to revenues for other receivables				40,656
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 82,365</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-7

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, 2012

	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	80,856	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>80,856</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	80,856	80,856	80,856	-
<i>Total expenditures</i>	<u>80,856</u>	<u>80,856</u>	<u>80,856</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(80,856)</u>	<u>(80,856)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	80,856	-	(80,856)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>80,856</u>	<u>-</u>	<u>(80,856)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(80,856)</u>	<u>(80,856)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>80,856</u>	<u>80,856</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)				\$ (80,856)
No adjustments to revenues				-
Adjustments to expenditures for capital outlay				79,919
Net change in fund balance (GAAP basis)				<u>\$ (937)</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, 2012

	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	22,075	22,075	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	70,777	70,777	-	(70,777)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	350	350	273	(77)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>92,027</u>	<u>93,202</u>	<u>22,348</u>	<u>(70,854)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	92,027	92,027	-	92,027
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>92,027</u>	<u>92,027</u>	<u>-</u>	<u>92,027</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>1,175</u>	<u>22,348</u>	<u>21,173</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(17,694)	(18,869)	-	18,869
Operating transfers in	17,694	17,694	-	(17,694)
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(1,175)</u>	<u>-</u>	<u>1,175</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>22,348</u>	<u>22,348</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>57,018</u>	<u>57,018</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,366</u>	<u>\$ 79,366</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 22,348
Adjustments to revenues for taxes receivable				(3,484)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 18,864</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, 2012

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	64,000	64,000	50,148	(13,852)
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	157	(43)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>64,200</u>	<u>64,200</u>	<u>50,305</u>	<u>(13,895)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	24,110	46,506	29,171	17,335
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>24,110</u>	<u>46,506</u>	<u>29,171</u>	<u>17,335</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>40,090</u>	<u>17,694</u>	<u>21,134</u>	<u>3,440</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	(40,090)	(17,694)	-	17,694
<i>Total other financing sources (uses)</i>	<u>(40,090)</u>	<u>(17,694)</u>	<u>-</u>	<u>17,694</u>
<i>Net change in fund balance</i>	-	-	21,134	21,134
<i>Fund balance - beginning of year</i>	-	-	19,550	19,550
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,684</u>	<u>\$ 40,684</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 21,134
Adjustments to revenues for taxes receivable				18
Adjustments to expenditures for accounts payable				(21,011)
Net change in fund balance (GAAP basis)				<u>\$ 141</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, 2012

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 991,025	\$ 1,006,441	\$ 1,046,470	\$ 40,029
<i>Total operating revenues</i>	<u>991,025</u>	<u>1,006,441</u>	<u>1,046,470</u>	<u>40,029</u>
<i>Operating expenses:</i>				
Personnel services	331,699	343,205	312,542	30,663
Contractual services	367,500	380,660	281,676	98,984
Supplies	15,000	14,255	12,109	2,146
Maintenance and materials	243,150	214,977	166,759	48,218
Utilities	95,000	108,352	113,941	(5,589)
Depreciation	-	-	62,308	(62,308)
Other operating expenditures	878,490	889,516	612,016	277,500
<i>Total operating expenses</i>	<u>1,930,839</u>	<u>1,950,965</u>	<u>1,561,351</u>	<u>389,614</u>
<i>Operating income (loss)</i>	<u>(939,814)</u>	<u>(944,524)</u>	<u>(514,881)</u>	<u>429,643</u>
<i>Non-operating revenues (expenses)</i>				
Designated cash (budgeted increase in cash)	54,884	50,860	-	(50,860)
Gross receipts taxes	43,630	43,630	42,811	(819)
Government contributions	882,000	883,390	201,390	(682,000)
Investment income	3,150	3,300	(649)	(3,949)
Miscellaneous income	9,000	16,194	18,628	2,434
Principal expenses	(31,850)	(31,707)	-	31,707
Interest expenses	(21,000)	(21,143)	(737)	20,406
Operating transfers in	-	215,273	201,879	(13,394)
Operating transfers (out)	-	(215,273)	(215,273)	-
<i>Total non-operating revenues (expenses)</i>	<u>939,814</u>	<u>944,524</u>	<u>248,049</u>	<u>(696,475)</u>
<i>Change in net assets</i>	-	-	(266,832)	(266,832)
<i>Total net assets, beginning of year</i>	-	-	5,534,673	5,534,673
<i>Restatement (Note 20)</i>	-	-	(63,923)	(63,923)
<i>Total net assets, beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>5,470,750</u>	<u>5,470,750</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,203,918</u>	<u>\$ 5,267,841</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, 2012

Schedule I

Bank Account Type/Name	First National Bank	Western Bank	Totals
Checking Accounts	\$ 1,555,187	\$ 3,905	\$ 1,559,092
Certificates of Deposits	50,000	312,947	362,947
Total	1,605,187	316,852	1,922,039
Reconciling items	(24,932)	-	(24,932)
Reconciled balance	\$ 1,580,255	\$ 316,852	1,897,107
Add: Petty Cash			125
Total deposits and investments			\$ 1,897,232
Cash and investments per financial statements			
Governmental Activities per Exhibit A-1			\$ 1,235,874
Business-type Activities per Exhibit A-1			661,358
Total cash and investments			\$ 1,897,232

See accompanying independent auditors' report

## STATE OF NEW MEXICO

Schedule II

Village of Cloudcroft

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2012

<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>					
	FHLMC Pool #D96030	05/01/23	3128E2VX1	\$ 243,188	Federal Home Loan Bank - Dallas, TX
	Bernalillo NM State Shared	06/01/21	085251AG8	<u>540,000</u> **	Federal Home Loan Bank - Dallas, TX
<b>Total First National Bank</b>				<u>783,188</u>	
<b>Western Bank</b>					
	GNMA 8117	04/20/16	36202KAS4	8,245	Federal Home Loan Bank - Dallas, TX
	Tularosa Schools	10/15/13	89172GK0	40,000 **	Federal Home Loan Bank - Dallas, TX
	FNMA 71189	04/01/18	31362UC24	<u>35,530</u>	Federal Home Loan Bank - Dallas, TX
<b>Total Western Bank</b>				<u>83,775</u>	
<b>Total Pledged Collateral</b>				<u>\$ 866,963</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, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<i>Assets</i>				
Cash	\$ -	\$ 241,161	\$ 241,161	\$ -
Total assets	<u>\$ -</u>	<u>\$ 241,161</u>	<u>\$ 241,161</u>	<u>\$ -</u>
<i>Liabilities</i>				
Accounts Payable	\$ -	\$ 241,161	\$ 241,161	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 241,161</u>	<u>\$ 241,161</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 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, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents and have issued our report thereon dated October 26, 2012. 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, 2012 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 of America, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC.

Internal Control Over Financial Reporting

Management of the Village is responsible for establishing and maintaining effective 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, and FS 2010-5 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 certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as items FS 2011-2 and FS 2012-1.

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  
Roswell, New Mexico  
October 26, 2012



**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Schedule of Findings and Responses  
June 30, 2012

**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? | No        |
| 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 2010-5 – Preparation of Financial Statements  | Repeated           |
| FS 2011-1 – Lack of Adequate Documentation for Expenditures                            | Resolved           |
| FS 2011-2 – Public Money Distribution Act  | Repeated           |

**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 is working on implementing a system that will accurately track capital assets including depreciation for all assets by category. The implementation is not yet complete.

*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 finalize the implementation of their capital asset software. We also recommend that the Village assign one employee to be responsible for updating 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:* The Village of Cloudcroft will implement procedures to accurately account for all of its capital assets. The Village will also become more familiar with its capital asset software to be able to produce specific reports regarding its inventory. The Village has assigned Jini Turri, Clerk/Treasurer as the employee responsible for updating the inventory for additions and deletions and also to record the necessary adjustments to depreciation and accumulated depreciation.

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

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

*Condition:* During our testwork we noted the following deficiencies in internal control design, operation, and oversight:

- Lack of effective oversight by the governing body over financial reporting and internal controls.
- Material journal entries were required for accounts receivable and accounts payable.
- During our internal control testwork over payroll disbursements we discovered that the police chief was not having his timesheets approved and reasons for overtime pay were not being documented.

*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.

*Effect:* Because the internal control structure is inadequate, 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 has documented comprehensive internal control procedures. The Village is still working on implementing a few elements of the procedures. 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 their comprehensive internal control structure is fully implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Views of Responsible Officials and Planned Corrective Actions:* The Village of Cloudcroft will strive to implement a comprehensive internal control structure. The Village Clerk will also on a quarterly basis, update the Governing Body of the internal controls in place.

**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 will attempt to find and attend the trainings as recommended. The Village will also, with the help of the Auditor's office, 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 2011-2 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 of Cloudcroft will develop a process to bring us into compliance with Section 6-10-36, NMSA 1978.

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

**FS 2012-1 Purchasing Act Compliance (Other)**

*Condition:* During our audit, we tested compliance with the NM State Purchasing Act. Out of the five bids selected for testwork, four of the bids did not have the required signed Campaign Contribution Disclosure Form.

*Criteria:* Per Section 13-1-191.1, NMSA 1978, “A prospective contractor subject to this section shall disclose all campaign contributions given by the prospective contractor or a family member or representative of the prospective contractor to an applicable public official of the state or a local public body during the two years prior to the date on which a proposal is submitted or, in the case of a sole source or small purchase contract, the two years prior to the date on which the contractor signs the contract, if the aggregate total of contributions given by the prospective contractor or a family member or representative of the prospective contractor to the public official exceeds two hundred fifty dollars (\$250) over the two-year period. The disclosure shall indicate the date, the amount, the nature and the purpose of the contribution. The disclosure statement shall be on a form developed and made available electronically by the department of finance and administration to all state agencies and local public bodies. The state agency or local public body that procures the services or items of tangible personal property shall indicate on the form the name or names of every applicable public official, if any, for which disclosure is required by a prospective contractor for each competitive sealed proposal, sole source or small purchase contract. The form shall be filed with the state agency or local public body as part of the competitive sealed proposal, or in the case of a sole source or small purchase contract, on the date on which the contractor signs the contract.”

*Effect:* Prospective contractors may be contributing money to elected officials’ campaigns and not disclosing it.

*Cause:* The Village has not been requiring that the form be signed by contractors bidding on work in the Village.

*Auditors’ Recommendations:* We recommend that the Village develop a process to bring them in compliance with Section 13-1-191.1, NMSA 1978.

*Views of Responsible Officials and Planned Corrective Actions:* The Village of Cloudcroft will assure that all Contractor’s performing work within the Village will sign the required Campaign Contribution Disclosure Form, in compliance with Section 13-1-191.1, NMSA 1978.

**OTHER DISCLOSURES**

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**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Other Disclosures  
June 30, 2012

**Exit Conference**

An exit conference was held on October 26, 2012. In attendance were the following:

**Representing the Village of Cloudcroft:**

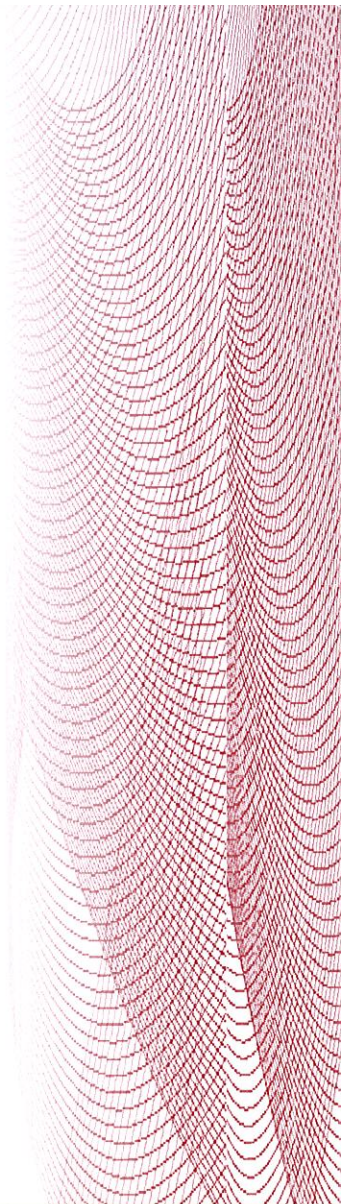
Dave Venable	Mayor
Jini Turri	Village Clerk/Treasurer
Anne Turri	Accounting/Payroll Clerk

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

Shelley Olson	Supervisor
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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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