



**Accounting & Consulting Group, LLP**

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Certified Public Accountants

State of New Mexico

**Village of Cloudcroft**

Annual Financial Report

June 30, 2013



**STATE OF NEW MEXICO**  
**VILLAGE OF CLOUDCROFT**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2013**



## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
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June 30, 2013

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Village of Cloudcroft  
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**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Official Roster  
June 30, 2013

<u><b>Name</b></u>	<u><b>Village Council</b></u>	<u><b>Title</b></u>
David C. Venable		Mayor
Bradley Rasch		Mayor Pro Tem
Jerry W. Sutherlin		Trustee
W.A. (Andy) Olsen		Trustee
Bruce A. Smaga		Trustee
	<u><b>Administration</b></u>	
Jini S. Turri		Village Clerk/Treasurer
Anne Turri		Accounting/Payroll Clerk
Corina Lisk		Water Billing/MVD Manager



**FINANCIAL SECTION**

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Accounting & Consulting Group, LLP  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Village of Cloudcroft, New Mexico (the "Village"), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Village's nonmajor governmental funds and the budgetary comparisons of the proprietary fund and the remaining nonmajor governmental funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013 as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for Qualified Opinion

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, 2013. 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, 2012 or the depreciation expense for the fiscal year ended June 30, 2013. 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, 2013 and the depreciation accrual for the year then ended. The effect on assets, net position, and expenses of the governmental and business-type activities is not readily determinable.

## Qualified Opinion

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion” 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, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, except for the possible effects of the matters described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village as of June 30, 2013, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for the proprietary fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, except for the possible effects of the matters described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons of the general fund and each of the Village’s nonmajor funds for the year then ended June 30, 2013 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.

## Other Matters

### *Required Supplementary Information*

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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village’s basic financial statements. The introductory section and the additional schedules listed as schedules I through III in the table of contents are required by 2.2.2 NMAC and are presented for purposes of additional analysis. They are not a required part of the basic financial statements.

The additional schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013 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* in considering the Village’s internal control over financial reporting and compliance.

*Accounting + Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Roswell, New Mexico  
November 22, 2013

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**

Village of Cloudcroft  
Statement of Net Position  
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 1,207,393	\$ 715,760	\$ 1,923,153
Receivables			
Gross receipt taxes	75,961	-	75,961
Intergovernmental	34,342	-	34,342
Other	12,708	202,730	215,438
Total current assets	1,330,404	918,490	2,248,894
Noncurrent assets			
Capital assets	14,738,581	6,716,005	21,454,586
Less: accumulated depreciation	(7,980,040)	(1,845,576)	(9,825,616)
Total noncurrent assets	6,758,541	4,870,429	11,628,970
Total assets	\$ 8,088,945	\$ 5,788,919	\$ 13,877,864

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	\$ 21,338	\$ 108,232	\$ 129,570
Accrued payroll	20,995	10,190	31,185
Current portion of accrued compensated absences	10,519	5,957	16,476
Accrued interest	-	7,239	7,239
Current portion of loans payable	-	368,636	368,636
Total current liabilities	<u>52,852</u>	<u>500,254</u>	<u>553,106</u>
Noncurrent liabilities			
Accrued compensated absences	1,192	297	1,489
Loans payable	-	51,221	51,221
Total noncurrent liabilities	<u>1,192</u>	<u>51,518</u>	<u>52,710</u>
Total liabilities	<u>54,044</u>	<u>551,772</u>	<u>605,816</u>
<b>Net position</b>			
Net investment in capital assets	6,758,541	4,450,572	11,209,113
Restricted for			
Special revenue	943,233	-	943,233
Capital projects	121,946	-	121,946
Unrestricted	211,181	786,575	997,756
Total net position	<u>8,034,901</u>	<u>5,237,147</u>	<u>13,272,048</u>
Total liabilities and net position	<u>\$ 8,088,945</u>	<u>\$ 5,788,919</u>	<u>\$ 13,877,864</u>

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Statement of Activities  
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
<b>Governmental activities</b>				
General government	\$ 635,864	\$ 29,785	\$ 69,109	\$ -
Public safety	524,007	81,089	170,744	74,880
Public works	78,437	-	-	57,343
Health and welfare	1,342	-	-	-
Culture and recreation	72,526	1,000	-	2,000
<i>Total governmental activities</i>	<u>1,312,176</u>	<u>111,874</u>	<u>239,853</u>	<u>134,223</u>
<b>Business-type activities</b>				
Water and sewer	1,237,481	1,018,897	-	218,134
<i>Total business-type activities</i>	<u>1,237,481</u>	<u>1,018,897</u>	<u>-</u>	<u>218,134</u>
<i>Total primary government</i>	<u><u>\$ 2,549,657</u></u>	<u><u>\$ 1,130,771</u></u>	<u><u>\$ 239,853</u></u>	<u><u>\$ 352,357</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

Total general revenues

Change in net position

Net position, beginning

Restatement (Note 17)

Net position, beginning as restated

Net position, ending



**Net (Expense) Revenue and Change in Net Position**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (536,970)	\$ -	\$ (536,970)
(197,294)	-	(197,294)
(21,094)	-	(21,094)
(1,342)	-	(1,342)
<u>(69,526)</u>	<u>-</u>	<u>(69,526)</u>
<u>(826,226)</u>	<u>-</u>	<u>(826,226)</u>
<u>-</u>	<u>(450)</u>	<u>(450)</u>
<u>-</u>	<u>(450)</u>	<u>(450)</u>
<u>(826,226)</u>	<u>(450)</u>	<u>(826,676)</u>
60,631	-	60,631
560,263	47,191	607,454
29,964	-	29,964
139,869	-	139,869
3,315	(2,839)	476
5,648	-	5,648
<u>82,939</u>	<u>2,598</u>	<u>85,537</u>
<u>882,629</u>	<u>46,950</u>	<u>929,579</u>
<u>56,403</u>	<u>46,500</u>	<u>102,903</u>
7,980,283	5,203,918	13,184,201
<u>(1,785)</u>	<u>(13,271)</u>	<u>(15,056)</u>
<u>7,978,498</u>	<u>5,190,647</u>	<u>13,169,145</u>
<u>\$ 8,034,901</u>	<u>\$ 5,237,147</u>	<u>\$ 13,272,048</u>

**STATE OF NEW MEXICO**

Village of Cloudcroft

Balance Sheet

Governmental Funds

June 30, 2013

	<u>General Fund</u>	<u>Fire Protection</u>	<u>Fire Department</u>	<u>EMS</u>
<i>Assets</i>				
Cash	\$ 234,705	\$ 76,567	\$ 128,106	\$ 544,174
Receivables				
Taxes	60,588	-	-	-
Intergovernmental	-	-	34,342	-
Other	3,924	-	-	8,057
<i>Total assets</i>	<u>\$ 299,217</u>	<u>\$ 76,567</u>	<u>\$ 162,448</u>	<u>\$ 552,231</u>
 <i>Liabilities</i>				
Accounts payable	\$ 12,225	\$ 4,788	\$ -	\$ 3,930
Accrued payroll	20,995	-	-	-
Deferred revenue				
Property taxes	4,287	-	-	-
<i>Total liabilities</i>	<u>37,507</u>	<u>4,788</u>	<u>-</u>	<u>3,930</u>
 <i>Fund balances</i>				
Spendable				
Restricted	-	71,779	162,448	548,301
Unassigned	261,710	-	-	-
<i>Total fund balances</i>	<u>261,710</u>	<u>71,779</u>	<u>162,448</u>	<u>548,301</u>
 <i>Total liabilities and fund balances</i>	<u>\$ 299,217</u>	<u>\$ 76,567</u>	<u>\$ 162,448</u>	<u>\$ 552,231</u>

The accompanying notes are an integral part of these financial statements

Municipal Streets	Other Governmental Funds	Total
\$ 83,858	\$ 139,983	\$ 1,207,393
1,162	14,211	75,961
-	-	34,342
-	727	12,708
<u>\$ 85,020</u>	<u>\$ 154,921</u>	<u>\$ 1,330,404</u>
\$ -	\$ 395	\$ 21,338
-	-	20,995
-	-	4,287
<u>-</u>	<u>395</u>	<u>46,620</u>
85,020	154,526	1,022,074
-	-	261,710
<u>85,020</u>	<u>154,526</u>	<u>1,283,784</u>
<u>\$ 85,020</u>	<u>\$ 154,921</u>	<u>\$ 1,330,404</u>

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STATE OF NEW MEXICO

Village of Cloudcroft

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2013

Exhibit B-1

Page 2 of 2

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

Fund balances- total governmental funds	\$	1,283,784
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		6,758,541
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities		4,287
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>(11,711)</u>
Total net position of governmental activities	\$	<u><u>8,034,901</u></u>

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Statement of Revenues, Expenditures, and Change in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Fire Protection</u>	<u>Fire Department</u>	<u>EMS</u>
<i>Revenues</i>				
Taxes				
Property	\$ 56,344	\$ -	\$ -	\$ -
Gross receipts	514,044	-	-	-
Gasoline and motor vehicle taxes	11,439	-	-	-
Other	27,519	-	-	-
Intergovernmental income				
Federal operating grants	28,436	-	-	-
State operating grants	41,782	160,730	-	8,905
State capital grants	-	-	-	-
Charges for services	41,231	-	-	81,089
Investment income	591	341	288	1,400
Fines and forfeitures	4,428	-	-	-
Miscellaneous	27,538	-	40,220	-
<i>Total revenues</i>	<u>753,352</u>	<u>161,071</u>	<u>40,508</u>	<u>91,394</u>
<i>Expenditures</i>				
Current				
General government	319,148	-	-	-
Public safety	312,115	117,870	4,050	82,357
Public works	84,256	-	-	-
Health and welfare	3,727	-	-	-
Culture and recreation	66,122	-	-	-
Capital outlay	36,079	27,568	-	52,429
<i>Total expenditures</i>	<u>821,447</u>	<u>145,438</u>	<u>4,050</u>	<u>134,786</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(68,095)</u>	<u>15,633</u>	<u>36,458</u>	<u>(43,392)</u>
<i>Other financing sources (uses)</i>				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>(68,095)</u>	<u>15,633</u>	<u>36,458</u>	<u>(43,392)</u>
<i>Fund balances, beginning</i>	322,472	56,146	125,990	591,693
<i>Restatement (Note 17)</i>	7,333	-	-	-
<i>Fund balances, beginning as restated</i>	<u>329,805</u>	<u>56,146</u>	<u>125,990</u>	<u>591,693</u>
<i>Fund balance, ending</i>	<u>\$ 261,710</u>	<u>\$ 71,779</u>	<u>\$ 162,448</u>	<u>\$ 548,301</u>

The accompanying notes are an integral part of these financial statements

Municipal Streets	Other Governmental Funds	Total
\$ -	\$ -	\$ 56,344
-	46,219	560,263
18,525	-	29,964
-	112,350	139,869
-	-	28,436
-	21,800	233,217
110,423	2,000	112,423
-	1,000	123,320
192	503	3,315
-	1,220	5,648
-	2,346	70,104
<u>129,140</u>	<u>187,438</u>	<u>1,362,903</u>
-	115,940	435,088
-	-	516,392
-	-	84,256
-	-	3,727
-	6,404	72,526
<u>163,500</u>	<u>44,333</u>	<u>323,909</u>
<u>163,500</u>	<u>166,677</u>	<u>1,435,898</u>
<u>(34,360)</u>	<u>20,761</u>	<u>(72,995)</u>
36,808	-	36,808
-	(36,808)	(36,808)
<u>36,808</u>	<u>(36,808)</u>	<u>-</u>
<u>2,448</u>	<u>(16,047)</u>	<u>(72,995)</u>
82,572	179,691	1,358,564
-	(9,118)	(1,785)
<u>82,572</u>	<u>170,573</u>	<u>1,356,779</u>
<u>\$ 85,020</u>	<u>\$ 154,526</u>	<u>\$ 1,283,784</u>

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**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Reconciliation of the Statement of Revenues, Expenditures, and Change  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2013

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

Net change in fund balances- total governmental funds	\$ (72,995)
---	-------------

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	323,909
Depreciation expense	(197,613)

Revenues in the Statement of Activities that do not provide current financial  
resources are not reported as revenue in the governmental funds:  
governmental funds:

Increase in deferred revenue	4,287
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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 position. Also, governmental funds  
report the effect 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	<u>(1,185)</u>
--	----------------

Change in net position of governmental activities	<u><u>\$ 56,403</u></u>
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## STATE OF NEW MEXICO

Exhibit C-1

Village of Cloudcroft

General Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
<i>Taxes</i>				
Property taxes	\$ 51,014	\$ 51,014	\$ 54,781	\$ 3,767
Gross receipts	565,250	565,250	566,342	1,092
Gasoline and motor vehicle	11,500	11,500	11,449	(51)
Other	25,000	25,000	20,990	(4,010)
<i>Intergovernmental income</i>				
Federal operating grants	45,448	28,436	28,436	-
Federal capital grants	-	-	-	-
State operating grants	88,957	88,957	41,903	(47,054)
State capital grants	-	-	-	-
Charges for services	58,230	58,230	42,985	(15,245)
Investment income	1,700	1,700	591	(1,109)
Fines and forfeitures	10,000	10,000	3,908	(6,092)
Miscellaneous income	22,650	22,650	27,016	4,366
<i>Total revenues</i>	<u>879,749</u>	<u>862,737</u>	<u>798,401</u>	<u>(64,336)</u>
<i>Expenditures</i>				
<i>Current</i>				
General government	319,173	361,898	316,740	45,158
Public safety	325,390	324,540	310,723	13,817
Public works	134,168	118,308	81,376	36,932
Health and welfare	3,961	6,616	3,969	2,647
Culture and recreation	83,315	83,315	66,107	17,208
Conservation and development	1,000	535	-	535
Capital outlay	44,500	40,875	36,385	4,490
<i>Total expenditures</i>	<u>911,507</u>	<u>936,087</u>	<u>815,300</u>	<u>120,787</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(31,758)</u>	<u>(73,350)</u>	<u>(16,899)</u>	<u>56,451</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	31,758	73,350	-	(73,350)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>31,758</u>	<u>73,350</u>	<u>-</u>	<u>(73,350)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(16,899)</u>	<u>(16,899)</u>
<i>Fund balance, beginning</i>	-	-	244,271	244,271
<i>Restatement (Note 17)</i>	-	-	7,333	7,333
<i>Fund balance, beginning as restated</i>	<u>-</u>	<u>-</u>	<u>251,604</u>	<u>251,604</u>
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,705</u>	<u>\$ 234,705</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (16,899)
Adjustments to revenues for taxes and other receivables				(45,049)
Adjustments to expenditures for accounts payable and accrued payroll				(6,147)
Net change in fund balance (GAAP basis)				<u>\$ (68,095)</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Fire Protection Special Revenue Fund  
Statement of Revenues, Expenditures, and Change in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
<i>Taxes</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental income</i>				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	160,730	160,730	160,730	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	500	500	341	(159)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>161,230</u>	<u>161,230</u>	<u>161,071</u>	<u>(159)</u>
<i>Expenditures</i>				
<i>Current</i>				
General government	-	-	-	-
Public safety	116,635	171,430	115,862	55,568
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	57,199	72,404	27,568	44,836
<i>Total expenditures</i>	<u>173,834</u>	<u>243,834</u>	<u>143,430</u>	<u>100,404</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(12,604)</u>	<u>(82,604)</u>	<u>17,641</u>	<u>100,245</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	12,604	82,604	-	(82,604)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>12,604</u>	<u>82,604</u>	<u>-</u>	<u>(82,604)</u>
<i>Net change in fund balance</i>	-	-	17,641	17,641
<i>Fund balance, beginning</i>	-	-	58,926	58,926
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,567</u>	<u>\$ 76,567</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 17,641
No adjustments to revenues				-
Adjustments to expenditures for accounts payable				(2,008)
Net change in fund balance (GAAP basis)				<u>\$ 15,633</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit C-3

## Village of Cloudcroft

## Fire Department Special Revenue Fund

## Statement of Revenues, Expenditures, and Change in Fund Balance

## Budget (Non-GAAP Budgetary Basis) and Actual

## For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	50	50	288	238
Fines and forfeitures	-	-	-	-
Miscellaneous income	10,000	40,656	46,534	5,878
<i>Total revenues</i>	<u>10,050</u>	<u>40,706</u>	<u>46,822</u>	<u>6,116</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	21,525	21,525	4,050	17,475
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	60,000	60,000	-	60,000
<i>Total expenditures</i>	<u>81,525</u>	<u>81,525</u>	<u>4,050</u>	<u>77,475</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(71,475)</u>	<u>(40,819)</u>	<u>42,772</u>	<u>83,591</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	71,475	40,819	-	(40,819)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>71,475</u>	<u>40,819</u>	<u>-</u>	<u>(40,819)</u>
<i>Net change in fund balance</i>	-	-	42,772	42,772
<i>Fund balance, beginning</i>	-	-	85,334	85,334
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,106</u>	<u>\$ 128,106</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 42,772
Adjustments to revenues for other receivables				(6,314)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 36,458</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit C-4

Village of Cloudcroft

EMS Special Revenue Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	8,905	8,905	8,905	-
State capital grants	-	-	-	-
Charges for services	113,000	113,000	78,101	(34,899)
Investment income	2,025	2,025	1,400	(625)
Fines and forfeitures	-	-	-	-
Miscellaneous income	10,000	10,000	-	(10,000)
<i>Total revenues</i>	<u>133,930</u>	<u>133,930</u>	<u>88,406</u>	<u>(45,524)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	139,980	147,171	80,610	66,561
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	40,500	73,309	51,135	22,174
<i>Total expenditures</i>	<u>180,480</u>	<u>220,480</u>	<u>131,745</u>	<u>88,735</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(46,550)</u>	<u>(86,550)</u>	<u>(43,339)</u>	<u>43,211</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	46,550	86,550	-	(86,550)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>46,550</u>	<u>86,550</u>	<u>-</u>	<u>(86,550)</u>
<i>Net change in fund balance</i>	-	-	(43,339)	(43,339)
<i>Fund balance, beginning</i>	-	-	587,513	587,513
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 544,174</u>	<u>\$ 544,174</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (43,339)
Adjustments to revenues for other receivables				2,988
Adjustments to expenditures for accounts payable				(3,041)
Net change in fund balance (GAAP basis)				<u>\$ (43,392)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit C-5

## Village of Cloudcroft

## Municipal Streets Special Revenue Fund

## Statement of Revenues, Expenditures, and Change in Fund Balance

## Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	20,000	20,000	20,569	569
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	110,426	110,426	110,423	(3)
Charges for services	-	-	-	-
Investment income	350	350	192	(158)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>130,776</u>	<u>130,776</u>	<u>131,184</u>	<u>408</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	167,584	167,584	163,500	4,084
<i>Total expenditures</i>	<u>167,584</u>	<u>167,584</u>	<u>163,500</u>	<u>4,084</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(36,808)</u>	<u>(36,808)</u>	<u>(32,316)</u>	<u>4,492</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Operating transfers in	36,808	36,808	36,808	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>36,808</u>	<u>36,808</u>	<u>36,808</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	4,492	4,492
<i>Fund balance, beginning</i>	-	-	79,366	79,366
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,858</u>	<u>\$ 83,858</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 4,492
Adjustments to revenues for taxes receivables				(2,044)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 2,448</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Statement of Net Position  
Proprietary Fund  
June 30, 2013

Exhibit D-1

	<u>Proprietary Fund</u>
	<u>Water and Sewer</u>
<i>Assets</i>	
<i>Current assets</i>	
Cash	\$ 715,760
Accounts receivable	202,730
<i>Total current assets</i>	918,490
 <i>Noncurrent assets</i>	
Capital assets	6,716,005
Less: accumulated depreciation	(1,845,576)
<i>Total noncurrent assets</i>	4,870,429
 <i>Total assets</i>	\$ 5,788,919
 <i>Liabilities and net position</i>	
<i>Liabilities</i>	
<i>Current liabilities</i>	
Accounts payable	\$ 108,232
Accrued payroll	10,190
Current portion of accrued compensated absences	5,957
Accrued interest	7,239
Current portion of loans payable	368,636
<i>Total current liabilities</i>	500,254
 <i>Noncurrent liabilities</i>	
Accrued compensated absences	297
Loans payable	51,221
<i>Total noncurrent liabilities</i>	51,518
 <i>Total liabilities</i>	551,772
 <i>Net position</i>	
Net investment in capital assets	4,450,572
Unrestricted	786,575
<i>Total net position</i>	5,237,147
 <i>Total liabilities and net position</i>	\$ 5,788,919

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Statement of Revenues, Expenses, and Change in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2013

Exhibit D-2

	<u>Proprietary Fund</u>
	<u>Water and Sewer</u>
<i>Operating revenues</i>	
Charges for services	\$ 1,018,897
<i>Total operating revenues</i>	<u>1,018,897</u>
<i>Operating expenses</i>	
Personnel services	312,755
Contractual services	288,709
Supplies	15,364
Maintenance and materials	225,248
Utilities	103,281
Depreciation	62,308
Other operating expenditures	229,253
<i>Total operating expenses</i>	<u>1,236,918</u>
<i>Operating income (loss)</i>	<u>(218,021)</u>
<i>Nonoperating revenues (expenses)</i>	
Gross receipts taxes	47,191
Investment income	1,597
Miscellaneous income	2,598
Interest expenses	(4,999)
<i>Total nonoperating revenues (expenses)</i>	<u>46,387</u>
Capital grants and contributions	218,134
Operating transfers in	2,230
Operating transfers (out)	(2,230)
<i>Capital grants and net transfers</i>	<u>218,134</u>
<i>Change in net position</i>	<u>46,500</u>
<i>Total net position, beginning</i>	5,203,918
<i>Restatement (Note 17)</i>	(13,271)
<i>Total net position, beginning as restated</i>	<u>5,190,647</u>
<i>Total net position, ending</i>	<u><u>\$ 5,237,147</u></u>

The accompanying notes are an integral part of these financial statements



**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2013

Exhibit D-3

	<u>Proprietary Fund</u>
	<u>Water and Sewer</u>
<i>Cash flows from operating activities</i>	
Cash received from user charges	\$ 910,792
Cash payments to employees for services	(615,265)
Cash payments to suppliers for goods and services	(507,175)
<i>Net cash provided (used) by operating activities</i>	(211,648)
 <i>Cash flows from noncapital financing activities</i>	
Gross receipts taxes	47,191
Miscellaneous income	2,598
Change in noncurrent accrued compensated absences	(182)
<i>Net cash provided (used) by noncapital financing activities</i>	49,607
 <i>Cash flows from capital and related financing activities</i>	
Capital grants and contributions	218,134
Interest paid	(564)
Principal payments on long-term debt	(2,724)
<i>Net cash provided (used) by capital and related financing activities</i>	214,846
 <i>Cash flows from investing activities</i>	
Interest on investments	1,597
<i>Net cash provided (used) by investing activities</i>	1,597
 <i>Net increase (decrease) in cash and cash equivalents</i>	54,402
 <i>Cash and cash equivalents- beginning of year</i>	661,358
 <i>Cash and cash equivalents- end of year</i>	\$ 715,760
 <i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>	
Operating income (loss)	\$ (218,021)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	62,308
Changes in assets and liabilities	
Receivables	(108,105)
Accounts payable	65,971
Accrued payroll expenses	(13,874)
Current accrued compensated absences	73
<i>Net cash provided (used) by operating activities</i>	\$ (211,648)

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, 2013

Exhibit E-1

*Assets*

Cash

\$ -

Total assets

\$ -

*Liabilities*

Accounts payable

\$ -

Total liabilities

\$ -

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies**

The Village of Cloudcroft (the 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.

During the year ended June 30, 2013, the Village adopted GASB Statements No. 60 through 64. GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, addresses issues related to service concession arrangements. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus- an amendment of GASB Statements No. 14 and No. 34*, modifies certain requirements for inclusion of component units in the financial reporting entity. The Village does not have any Service Concession Arrangements or component units. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions- an Amendment of GASB Statement No. 53*, clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The Village does not utilize hedge accounting.

**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. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. 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, 2013

**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, No. 39, or No. 61.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the Statement of Net Position 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 Position 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 Position, 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 position is reported in three parts- net investment in capital assets; 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, 2013

**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 nonoperating 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 nonoperating 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**  
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**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 *Fire Protection Special Revenue Fund* was created to account for the operations and maintenance of the fire department. (City Ordinance)

The *Fire Department Special Revenue Fund* was created to account 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 firefighting equipment and for firefighting training. (City Ordinance)

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

The *Municipal Streets Capital Projects Fund* was created to account for the repair, maintenance, and construction of municipal streets and the purchase of road maintenance equipment. (NMSA 7-1-6.26 & 27)

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.

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

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

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.

**D. Assets, Liabilities, and Net Position 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 10th and April 10th are considered delinquent and the Village may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Otero County and remitted monthly to the Village.

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the Village during the current fiscal

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

year was \$0. No interest was included as part of the cost of capital assets under construction.

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

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

**Accrued Expenses:** Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2013, 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 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 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. With the adoption of GASB Statement No. 65, debt issuance costs are no longer amortized over the life of the related. Debt issuance costs not related to prepaid insurance are recognized as an expense in the period incurred.



**STATE OF NEW MEXICO**  
Village of Cloudcroft  
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June 30, 2013

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

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

**Net Position 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, 2013, the restricted fund balance on the governmental funds balance sheet is made up of \$1,022,074 for the restricted purposes as defined by each fund.

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

- a. *Net investment in capital assets:*  
This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position:*  
Consist of net position 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 position:*  
All other net positions that do not meet the definition of "restricted" or "net investment in capital assets."

**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 nonroutine 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 depreciation on capital assets and the current portion of compensated absences.

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
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June 30, 2013

**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 Budget	Final Budget
<b>Budgeted Funds</b>		
<b>Governmental Funds</b>		
General Fund	\$ (31,758)	\$ (73,350)
Fire Protection Fund	(12,604)	(82,604)
Fire Department Fund	(71,475)	(40,819)
EMS Special Revenue Fund	(46,550)	(86,550)
Municipal Streets Fund	(36,808)	(36,808)
Other Governmental Funds	28,461	6,662
	Change in Net Position	
	Original Budget	Final Budget
<b>Proprietary Fund</b>		
Water and Sewer Fund	-	-

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2013 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**  
Village of Cloudcroft  
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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, 2013.

Deposits of funds may be made in interest or noninterest 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 financial institution must provide pledged collateral or 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in nondemand 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.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an interest on lawyer trust accounts) no longer will receive unlimited deposit insurance coverage by the FDIC. Beginning January 1, 2013, all of the Village's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

*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, 2013, \$1,455,376 of the Village's deposits of \$2,059,292 was exposed to custodial credit risk. \$1,529,543 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Village's name and \$0 was uninsured and uncollateralized.

	First National Bank	Western Bank	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Amount of deposits	\$ 1,819,790	\$ 239,502	\$ 2,059,292
FDIC Coverage	<u>(364,414)</u>	<u>(239,502)</u>	<u>(603,916)</u>
Total uninsured public funds	<u>1,455,376</u>	<u>-</u>	<u>1,455,376</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Village's name	<u>1,453,959</u>	<u>75,584</u>	<u>1,529,543</u>
Uninsured and uncollateralized	<u>\$ 1,417</u>	<u>\$ (75,584)</u>	<u>\$ (74,167)</u>
Collateral requirement (50% of uninsured funds)	\$ 727,688	\$ -	\$ 727,688
Pledged Collateral	<u>1,453,959</u>	<u>75,584</u>	<u>1,529,543</u>
Over (Under) collateralized	<u>\$ 726,271</u>	<u>\$ 75,584</u>	<u>\$ 801,855</u>

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
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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, 2013, are as follows:

**Governmental Activities:**

	<u>General</u>	<u>Fire Protection</u>	<u>Fire Department</u>	<u>EMS</u>	<u>Municipal Streets</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 7,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,179
Other taxes							
Gross receipts taxes	41,223	-	-	-	-	3,708	44,931
Gasoline and oil taxes	-	-	-	-	1,162	-	1,162
Other taxes	12,186	-	-	-	-	10,503	22,689
Other receivables							
Charges for services	-	-	-	8,057	-	-	8,057
Intergovernmental							
State	-	-	34,342	-	-	-	34,342
Federal	-	-	-	-	-	-	-
Miscellaneous	3,924	-	-	-	-	727	4,651
Totals by category	<u>\$ 64,512</u>	<u>\$ -</u>	<u>\$ 34,342</u>	<u>\$8,057</u>	<u>\$ 1,162</u>	<u>\$ 14,938</u>	<u>\$ 123,011</u>

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

**Business-type Activities:**

	<u>Water and Sewer</u>	<u>Total</u>
Charges for services	<u>\$ 202,730</u>	<u>\$ 202,730</u>
Totals by category	<u>\$ 202,730</u>	<u>\$ 202,730</u>

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

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2013

**NOTE 5. Interfund Transfers**

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>
<b>Primary Government</b>		
Infrastructure	Municipal Streets Fund	\$ 36,808
	Total	<u>\$ 36,808</u>

There were no interfund balances at June 30, 2013.

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2013, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</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>3,609,080</u>
Capital assets being depreciated				
Buildings and improvements	3,107,855	-	-	3,107,855
Equipment	2,726,266	323,909	-	3,050,175
Infrastructure	4,971,471	-	-	4,971,471
Total capital assets being depreciated	<u>10,805,592</u>	<u>323,909</u>	-	<u>11,129,501</u>
Less accumulated depreciation				
Buildings and improvements	1,302,051	56,407	-	1,358,458
Equipment	1,684,611	117,122	-	1,801,733
Infrastructure	4,795,765	24,084	-	4,819,849
Total accumulated depreciation	<u>7,782,427</u>	<u>197,613</u>	-	<u>7,980,040</u>
Total capital assets, net of depreciation	<u>\$ 6,632,245</u>	<u>\$ 126,296</u>	<u>\$ -</u>	<u>\$ 6,758,541</u>

Due to inadequate capital asset records depreciation was not broken out by function. Depreciation expense in its entirety of \$197,613 was charged to the General Government function.

**STATE OF NEW MEXICO**  
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**NOTE 6. Capital Assets (continued)**

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 723,545	\$ -	\$ -	\$ 723,545
Construction in progress	3,091,674	-	-	3,091,674
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	2,110,146	-	-	2,110,146
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	69,278	8,034	-	77,312
Equipment	407,975	32,610	-	440,585
Infrastructure	1,306,015	21,664	-	1,327,679
Total accumulated depreciation	<u>1,783,268</u>	<u>62,308</u>	<u>-</u>	<u>1,845,576</u>
Total capital assets, net of depreciation	<u>\$ 4,932,737</u>	<u>\$ (62,308)</u>	<u>\$ -</u>	<u>\$ 4,870,429</u>

**NOTE 7. Long-term Debt**

**Governmental Activities:** During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Compensated absences	\$ 10,526	\$ 13,521	\$ 12,336	\$ 11,711	\$ 10,519
Total long-term debt	<u>\$ 10,526</u>	<u>\$ 13,521</u>	<u>\$ 12,336</u>	<u>\$ 11,711</u>	<u>\$ 10,519</u>

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

**STATE OF NEW MEXICO**  
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**NOTE 7. Long-term Debt (continued)**

**Business-Type Activities:** During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the business-type statement of net assets:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Loans payable	\$ 422,581	\$ -	\$ 2,724	\$ 419,857	\$ 368,636
Compensated absences	6,363	8,892	9,001	6,254	5,957
Total long-term debt	<u>\$ 428,944</u>	<u>\$ 8,892</u>	<u>\$ 11,725</u>	<u>\$ 426,111</u>	<u>\$ 374,593</u>

**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 a 3.00% interest rate. The entire balance that has been drawn down as of June 30, 2013 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 loan 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, 2013 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 368,636	\$ 540	\$ 369,176
2015	2,779	512	3,291
2016	2,807	484	3,291
2017	2,835	456	3,291
2018	2,863	414	3,277
2019-2023	14,752	1,629	16,381
2024-2028	15,506	875	16,381
2029-2033	9,679	146	9,825
	<u>\$ 419,857</u>	<u>\$ 5,056</u>	<u>\$ 424,913</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.

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**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, 2013.
- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary level is fund level. The Village had no actual expenditures in excess of approved budgetary authority for the year ended June 30, 2013.
- 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, 2013.

**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 benefits, 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 for the plan. 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: 7.00% for law enforcement employees; and 9.15% for municipal employees. The Village is required to contribute the following percentages of the gross covered salary: 10.00% for law enforcement plan members; and 9.15% for municipal 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, 2013, 2012, and 2011 were \$42,966, \$45,194, and \$45,153, 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, 2013.

**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 entered into an agreement with a contractor for the PURe Water Project for basin repair and coating. As of June 30, 2013, the Village has an obligation of \$68,452 for this contract.



**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Notes to Financial Statements  
June 30, 2013

**NOTE 15. Restricted Net Position**

The government-wide statement of net position reports \$1,065,179 of restricted net position, all of which is restricted by enabling legislation or for future debt service payments. For descriptions of the related enabling legislation and future debt service payments for special revenue, debt service, and capital projects funds, see pages 36 and 53.

**NOTE 16. 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 17. 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 June 30, 2012	Prior Year Accrued Expenses	Restated Budgetary Fund Balance June 30, 2013
Governmental Funds			
General Fund	\$ 244,271	\$ 7,333	\$ 251,604
Federal Disaster Relief Fund	9,118	(9,118)	-
Proprietary Fund			
Water and Sewer Fund	<u>5,203,918</u>	<u>(13,271)</u>	<u>5,190,647</u>
	<u>\$ 5,457,307</u>	<u>\$(15,056)</u>	<u>\$ 5,442,251</u>

The Village restated budgetary net assets in the water and sewer fund due to an insurance payable account that was not cleared out in the prior year. The water and sewer fund was restated by \$13,271.

**NOTE 18. Subsequent Pronouncements**

In March 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 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.

In March 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 *Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Report and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contain in Pre-November 30, 1989 FASB and AICPA Pronouncements*. 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, 2013

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

In June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 67 *Financial Reporting for Pension Plans- an amendment of GASB Statements No. 25*, effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local government pension plans. The Village is analyzing the effects that this pronouncement will have on their financial statements.

In June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions- an amendment of GASB Statements No. 27*, effective for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The Village is analyzing the effects that this pronouncement will have on their financial statements.

In January 2013 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, effective for periods beginning after December 15, 2013. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The Village is analyzing the effects that this pronouncement will have on their financial statements.

In April 2013 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governmentals that extend and receive nonexchange financial guarantees. The Village is analyzing the effects that this pronouncement will have on their financial statements.

**SUPPLEMENTARY INFORMATION**

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**NONMAJOR GOVERNMENTAL FUNDS**

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**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Nonmajor Governmental Funds Descriptions  
June 30, 2013

**Special Revenue Funds**

Local Government Corrections

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

Federal Disaster Relief

Accounts for reimbursement from the Federal Emergency Management Assistance for damage to Village Infrastructure. (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)

**Capital Projects Funds**

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  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013

	Special Revenue		
	Local Government Corrections	Federal Disaster Relief	Law Enforcement Protection
<i>Assets</i>			
Cash	\$ 6,502	\$ -	\$ 694
Receivables			
Taxes	-	-	-
Other	140	-	-
<i>Total assets</i>	\$ 6,642	\$ -	\$ 694
<i>Liabilities</i>			
Accounts payable	\$ -	\$ -	\$ -
<i>Total liabilities</i>	-	-	-
<i>Fund balances</i>			
Spendable			
Restricted	6,642	-	694
<i>Total fund balances</i>	6,642	-	694
<i>Total liabilities and fund balances</i>	\$ 6,642	\$ -	\$ 694

The accompanying notes are an integral part of these financial statements



<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Lodger's Tax</u>	<u>Recreation</u>	<u>Infrastructure</u>		
\$ 34,478	\$ 65,091	\$ 33,218	\$ 139,983	
10,503	-	3,708	14,211	
-	587	-	727	
<u>\$ 44,981</u>	<u>\$ 65,678</u>	<u>\$ 36,926</u>	<u>\$ 154,921</u>	
<u>\$ -</u>	<u>\$ 395</u>	<u>\$ -</u>	<u>\$ 395</u>	
<u>-</u>	<u>395</u>	<u>-</u>	<u>395</u>	
44,981	65,283	36,926	154,526	
<u>44,981</u>	<u>65,283</u>	<u>36,926</u>	<u>154,526</u>	
<u>\$ 44,981</u>	<u>\$ 65,678</u>	<u>\$ 36,926</u>	<u>\$ 154,921</u>	

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Combining Statement of Revenues, Expenditures, and Change in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2013

	Special Revenue		
	Local Government Corrections	Federal Disaster Relief	Law Enforcement Protection
<i>Revenues</i>			
Taxes			
Gross receipts	\$ -	\$ -	\$ -
Other	-	-	-
Intergovernmental income			
State operating grants	-	-	21,800
State capital grants	-	-	-
Charges for services	-	-	-
Investment income	15	-	67
Fines and forfeitures	1,220	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>1,235</u>	<u>-</u>	<u>21,867</u>
<i>Expenditures</i>			
Current			
General government	50	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	43,063
<i>Total expenditures</i>	<u>50</u>	<u>-</u>	<u>43,063</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,185</u>	<u>-</u>	<u>(21,196)</u>
<i>Other financing sources (uses)</i>			
Operating transfers (out)	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	1,185	-	(21,196)
<i>Fund balances, beginning</i>	5,457	9,118	21,890
<i>Restatement (Note 17)</i>	-	(9,118)	-
<i>Fund balances- beginning of year, restated</i>	<u>5,457</u>	<u>-</u>	<u>21,890</u>
<i>Fund balances, ending</i>	<u>\$ 6,642</u>	<u>\$ -</u>	<u>\$ 694</u>

The accompanying notes are an integral part of these financial statements

Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
Lodger's Tax	Recreation	Infrastructure		
\$ -	\$ -	\$ 46,219	\$ 46,219	
112,350	-	-	112,350	
-	-	-	21,800	
-	2,000	-	2,000	
-	1,000	-	1,000	
190	166	65	503	
-	-	-	1,220	
-	2,346	-	2,346	
<u>112,540</u>	<u>5,512</u>	<u>46,284</u>	<u>187,438</u>	
115,890	-	-	115,940	
-	6,404	-	6,404	
-	622	648	44,333	
<u>115,890</u>	<u>7,026</u>	<u>648</u>	<u>166,677</u>	
<u>(3,350)</u>	<u>(1,514)</u>	<u>45,636</u>	<u>20,761</u>	
-	-	(36,808)	(36,808)	
-	-	(36,808)	(36,808)	
(3,350)	(1,514)	8,828	(16,047)	
48,331	66,797	28,098	179,691	
-	-	-	(9,118)	
<u>48,331</u>	<u>66,797</u>	<u>28,098</u>	<u>170,573</u>	
<u>\$ 44,981</u>	<u>\$ 65,283</u>	<u>\$ 36,926</u>	<u>\$ 154,526</u>	

## STATE OF NEW MEXICO

Statement B-1

Village of Cloudcroft

Local Government Corrections Special Revenue Fund  
Statement of Revenues, Expenditures, and Change in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2013

	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	15	(10)
Fines and forfeitures	1,786	1,100	1,100	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>1,811</u>	<u>1,125</u>	<u>1,115</u>	<u>(10)</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>1,261</u>	<u>575</u>	<u>1,065</u>	<u>490</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(1,261)	(575)	-	575
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1,261)</u>	<u>(575)</u>	<u>-</u>	<u>575</u>
<i>Net change in fund balance</i>	-	-	1,065	1,065
<i>Fund balance, beginning</i>	-	-	5,437	5,437
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,502</u>	<u>\$ 6,502</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 1,065
Adjustments to revenues for other receivables				120
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 1,185</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-2

Village of Cloudcroft

Federal Disaster Relief Special Revenue Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>-</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	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance, beginning</i>	-	-	9,118	9,118
<i>Restatement (Note 17)</i>	-	-	(9,118)	(9,118)
<i>Fund balance, beginning, restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
Adjustments to revenues for other receivables				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</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 Change in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2013

	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	150	150	67	(83)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>21,950</u>	<u>21,950</u>	<u>21,867</u>	<u>(83)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	21,950	43,063	43,063	-
<i>Total expenditures</i>	<u>21,950</u>	<u>43,063</u>	<u>43,063</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(21,113)</u>	<u>(21,196)</u>	<u>(83)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	21,113	-	(21,113)
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>21,113</u>	<u>-</u>	<u>(21,113)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(21,196)</u>	<u>(21,196)</u>
<i>Fund balance, beginning</i>	<u>-</u>	<u>-</u>	<u>21,890</u>	<u>21,890</u>
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 694</u>	<u>\$ 694</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (21,196)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (21,196)</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 Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	118,000	118,000	113,973	(4,027)
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	500	500	190	(310)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>118,500</u>	<u>118,500</u>	<u>114,163</u>	<u>(4,337)</u>
<i>Expenditures</i>				
Current				
General government	116,500	116,500	115,890	610
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	2,000	2,000	-	2,000
<i>Total expenditures</i>	<u>118,500</u>	<u>118,500</u>	<u>115,890</u>	<u>2,610</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(1,727)</u>	<u>(1,727)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(1,727)</u>	<u>(1,727)</u>
<i>Fund balance, beginning</i>	<u>-</u>	<u>-</u>	<u>36,205</u>	<u>36,205</u>
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,478</u>	<u>\$ 34,478</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (1,727)
Adjustments to revenues for taxes receivables				(1,623)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (3,350)</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 Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	2,000	2,000	2,000	-
Charges for services	1,000	1,000	1,000	-
Investment income	300	300	166	(134)
Fines and forfeitures	-	-	-	-
Miscellaneous income	6,100	6,100	1,759	(4,341)
<i>Total revenues</i>	<u>9,400</u>	<u>9,400</u>	<u>4,925</u>	<u>(4,475)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	6,700	6,700	6,342	358
Capital outlay	700	700	622	78
<i>Total expenditures</i>	<u>7,400</u>	<u>7,400</u>	<u>6,964</u>	<u>436</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,000</u>	<u>2,000</u>	<u>(2,039)</u>	<u>(4,039)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(2,000)	(2,000)	-	2,000
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>2,000</u>
<i>Net change in fund balance</i>	-	-	(2,039)	(2,039)
<i>Fund balance, beginning</i>	-	-	67,130	67,130
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,091</u>	<u>\$ 65,091</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (2,039)
Adjustments to revenues for other receivables				587
Adjustments to expenditures for accounts payable				(62)
Net change in fund balance (GAAP basis)				<u>\$ (1,514)</u>

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

Statement B-6

Village of Cloudcroft

Infrastructure Capital Projects Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	50,000	50,000	50,933	933
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	65	(135)
Fines and forfeitures	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>50,200</u>	<u>50,200</u>	<u>50,998</u>	<u>798</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	25,000	25,000	21,656	3,344
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>25,000</u>	<u>25,000</u>	<u>21,656</u>	<u>3,344</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>25,200</u>	<u>25,200</u>	<u>29,342</u>	<u>4,142</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	42,467	42,467	-	(42,467)
Operating transfers in	-	-	-	-
Operating transfers (out)	(67,667)	(67,667)	(36,808)	30,859
<i>Total other financing sources (uses)</i>	<u>(25,200)</u>	<u>(25,200)</u>	<u>(36,808)</u>	<u>(11,608)</u>
<i>Net change in fund balance</i>	-	-	(7,466)	(7,466)
<i>Fund balance, beginning</i>	-	-	40,684	40,684
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,218</u>	<u>\$ 33,218</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (7,466)
Adjustments to revenues for taxes receivable				(4,714)
Adjustments to expenditures for accounts payable				21,008
Net change in fund balance (GAAP basis)				<u>\$ 8,828</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-7

Village of Cloudcroft

Water and Sewer Fund

Statement of Revenues, Expenses, and Change in Net Position  
Budget (GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variations
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 998,400	\$ 998,131	\$ 1,018,897	\$ 20,766
<i>Total operating revenues</i>	998,400	998,131	1,018,897	20,766
<i>Operating expenses</i>				
Personnel services	330,054	320,452	312,755	7,697
Contractual services	452,525	377,322	288,709	88,613
Supplies	14,300	17,450	15,364	2,086
Maintenance and materials	158,791	203,179	225,248	(22,069)
Utilities	95,000	108,370	103,281	5,089
Depreciation	-	-	62,308	(62,308)
Capital outlay	628,903	628,903	-	628,903
Other operating expenditures	1,077,152	1,101,049	229,253	871,796
<i>Total operating expenses</i>	2,756,725	2,756,725	1,236,918	1,519,807
<i>Operating income (loss)</i>	(1,758,325)	(1,758,594)	(218,021)	1,540,573
<i>Non-operating revenues (expenses)</i>				
Designated cash (budgeted increase in cash)	14,676	1,624,816	-	(1,624,816)
Gross receipts taxes	43,630	43,436	47,191	3,755
Government contributions	1,705,302	148,877	218,134	69,257
Investment income	2,400	2,400	1,597	(803)
Miscellaneous income	10,500	3,098	2,598	(500)
Principal expenses	(28,074)	(28,073)	-	28,073
Interest expenses	(20,968)	(20,969)	(4,999)	15,970
Operating transfers in	-	2,230	2,230	-
Operating transfers (out)	30,859	(17,221)	(2,230)	14,991
<i>Total non-operating revenues (expenses)</i>	1,758,325	1,758,594	264,521	(1,494,073)
<i>Change in net position</i>	-	-	46,500	46,500
<i>Total net position, beginning</i>	-	-	5,203,918	5,203,918
<i>Restatement (Note 17)</i>	-	-	(13,271)	(13,271)
<i>Total net position, beginning as restated</i>	-	-	5,190,647	5,190,647
<i>Total net position, ending</i>	\$ -	\$ -	\$ 5,237,147	\$ 5,250,418

The accompanying notes are an integral part of these financial statements

**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Schedule of Deposit and Investment Accounts  
June 30, 2013

Schedule I

Account Name	Account Type	First National Bank	Western Bank	Total
<b>Deposits</b>				
General	Checking	\$ 1,201,637	\$ -	\$ 1,201,637
Public Funds	Checking	503,739	-	503,739
CDBG Project	Checking	-	3,817	3,817
Certificate of deposit	Certificate of deposit	50,000	-	50,000
Certificate of deposit	Certificate of deposit	64,414	-	64,414
Certificate of deposit	Certificate of deposit	-	86,460	86,460
Certificate of deposit	Certificate of deposit	-	8,221	8,221
Certificate of deposit	Certificate of deposit	-	79,179	79,179
Certificate of deposit	Certificate of deposit	-	61,825	61,825
Total amount of deposit in bank		<u>1,819,790</u>	<u>239,502</u>	<u>2,059,292</u>
Less: FDIC coverage		<u>(364,414)</u>	<u>(239,502)</u>	<u>(603,916)</u>
Total uninsured public funds		<u>1,455,376</u>	<u>-</u>	<u>1,455,376</u>
50% collateral requirements		<u>727,688</u>	<u>-</u>	<u>727,688</u>
Pledged securities		<u>1,453,959</u>	<u>75,584</u>	<u>1,529,543</u>
Over/(Under) Collateralized		<u>726,271</u>	<u>75,584</u>	<u>801,855</u>
<b>Bank balance</b>		1,819,790	239,502	2,059,292
Outstanding items		(136,321)	-	(136,321)
Deposits in transit		57	-	57
<b>Book balance</b>		<u>\$ 1,683,526</u>	<u>\$ 239,502</u>	<u>\$ 1,923,028</u>
Petty cash				<u>125</u>
Total deposits and investments				<u>\$ 1,923,153</u>
Total unrestricted cash and cash equivalents per Exhibit A-1				<u>\$ 1,923,153</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Schedule of Collateral Pledged by Depository for Public Funds  
June 30, 2013

Schedule II

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value at June 30, 2013</u>	<u>Name and Location of Safekeeper</u>
<b>First National Bank</b>					
	Bernalillo NM State Shared	06/01/21	085251AG8	\$ 540,000 **	Federal Home Loan Bank - Dallas, TX
	FHLMC Pool #D96030	05/01/23	3128E2VX1	146,601	Federal Home Loan Bank - Dallas, TX
	FHLB Pool #MA0949	01/01/32	31418ABT4	<u>767,358</u>	Federal Home Loan Bank - Dallas, TX
	<b>Total First National Bank</b>			<u>1,453,959</u>	
<b>Western Bank</b>					
	Tularosa Municipal Schools	10/15/13	89172GK0	40,000 **	Federal Home Loan Bank - Dallas, TX
	GNMA 8117	04/20/16	36202KAS4	5,802	Federal Home Loan Bank - Dallas, TX
	FNMA 71189	04/01/18	31362UC24	<u>29,782</u>	Federal Home Loan Bank - Dallas, TX
	<b>Total Western Bank</b>			<u>75,584</u>	
	<b>Total Pledged Collateral</b>			<u>\$ 1,529,543</u>	

\*\* As per NMAC 2.2.2.10 (N)(4)(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

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**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Schedule of Change in Fiduciary Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2013

Schedule III

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<i>Assets</i>				
Cash	\$ -	\$ 226,893	\$ 226,893	\$ -
Total assets	<u>\$ -</u>	<u>\$ 226,893</u>	<u>\$ 226,893</u>	<u>\$ -</u>
<i>Liabilities</i>				
Accounts Payable	\$ -	\$ 226,893	\$ 226,893	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 226,893</u>	<u>\$ 226,893</u>	<u>\$ -</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
 Village of Cloudcroft  
 Schedule of Joint Powers Agreements and  
 Memorandum of Understanding  
 June 30, 2013

<b>Participants</b>	<b>Responsible Party</b>	<b>Description</b>
<b>Joint Powers Agreements</b>		
Village of Cloudcroft and the Board of County Commissioners of Otero County, New Mexico	Both	To establish a Regional Emergency Communications Center and provide for dispatch services
Village of Cloudcroft; Energy, Minerals, and Natural Resources Department; and Forestry Division	Both	To establish the responsibilities of all parties for wildland fire protection and suppression.
<b>Memorandum of Understanding</b>		
Village of Cloudcroft and the Board of County Commissioners of Otero County, New Mexico	Both	To provide recycling collection services to residents of rural and underserved communities in New Mexico for the following materials: cardboard (OCC), mixed paper (ONP#7), aluminum cans (UBC), tin cans, and plastic bottles (#1 and #2).



<u>Begin Date</u>	<u>End Date</u>	<u>Estimated Amount of Project</u>	<u>Amount Contributed in Fiscal Year</u>	<u>Audit Responsibility</u>	<u>Fiscal Agent</u>	<u>Name of Govt Agency Report Rev &amp; Exp</u>
7/2/2007	Indefinitely	Unknown	Unknown	Both	Otero County	Department of Finance and Administration
11/2/2007	Indefinitely	Unknown	Unknown	Both	None	Department of Finance and Administration
8/7/2012	Indefinitely	Unknown	Unknown	Both	None	Department of Finance and Administration

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**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 H. Balderas  
New Mexico State Auditor  
The Village Council  
Village of Cloudcroft  
Cloudcroft, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the Village of Cloudcroft, New Mexico (the "Village"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village, presented as supplementary information. We have also audited the financial statements of each of the Village's nonmajor governmental funds and the budgetary comparisons of the proprietary fund and the remaining nonmajor governmental funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 2005-02, FS 2010-01, FS 2013-01, and FS 2013-02 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as FS 2012-01.

## The Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly this communication is not suitable for any other purpose. This report is intended solely for the information and use of management, others within the Village, the Village Council, 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  
November 22, 2013

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Schedule of Findings and Responses  
June 30, 2013

**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 2005-02 Reconciliation of Capital Outlay to Capital Asset Inventory Additions       | Revised and Repeated |
| FS 2010-01 Deficiencies in Internal Control Structure Design, Operation, and Oversight | Revised and Repeated |
| FS 2010-05 Preparation of Financial Statements   | Resolved             |
| FS 2011-02 Public Money Distribution Act   | Resolved             |
| FS 2012-01 Purchasing Act Compliance   | Revised and Repeated |

**Section III- Financial Statement Findings**

**FS 2005-02 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. The Clerk/Treasurer will also attend a GFOA training on how to properly account for capital assets and how to report them in financial statements prepared in conformity with GAAP.



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

**FS 2010-01 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.

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

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

*Effect:* Because the internal control structure is inadequate, 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 governing body did not follow the 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 and will provide more information to the Governing Body as to all aspects of internal control. The Village Clerk will also on a quarterly basis, update the Governing Body of the internal controls in place and will present policy to them for their review and approval.

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

**FS 2012-01 Purchasing Act Compliance (Other)**

*Condition:* During our audit, we tested compliance with the Purchasing Act. Of the four bids selected for testwork, one of the bids did not have the signed Campaign Contribution Disclosure Form, and one of the bids did not have written notice to the awarded bidder.

*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.”

Per Section 13-1-108, NMSA 1978, “A contract solicited by competitive sealed bids shall be awarded with reasonable promptness by written notice to the lowest responsible bidder.”

*Effect:* The Village is not in compliance with the State of NM Purchasing Act.

*Cause:* The Village is not requiring that all employees follow state statutes.

*Auditors' Recommendations:* We recommend the Village follow the state statute.

*Views of Responsible Officials and Planned Corrective Actions:* The Village Clerk/Treasurer is also the Procurement Officer for the Village and will take full responsibility to ensure that the Village stays in full compliance with the State of NM Purchasing Act.

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

**FS 2013-01 DFA Cash Report Does not Reconcile to the Village's Cash by Fund (Material Weakness)**

*Condition:* For the year ended June 30, 2013, the Village did not reconcile the cash reported by fund to the Department of Finance and Administration (DFA) to the actual cash on their books and detailed by their bank reconciliation. The DFA report is erroneously reported as greater than the Village book balances by \$49,796.

*Criteria:* Per Section 6-6-3 NMSA 1978, every local public body shall:

- Keep all the books, records, and accounts in their respective offices in the form prescribed by the local government division;
- Make all reports as may be required by the local government division; and
- Conform to the rules and regulations adopted by the local government division.

*Effect:* The information that is reported to DFA is incorrect and could lead to inappropriate funding of the Village.

*Cause:* Village management is not ensuring that cash balances by fund tie to the DFA report.

*Auditors' Recommendation:* We recommend the Village communicate with DFA regarding what the requirements are for reporting cash balances and report what is required by the DFA.

*Views of Responsible Officials and Planned Corrective Actions:* The Village of Cloudcroft reported this discrepancy to their Budget Analyst at DFA as soon as it was brought to their attention. The DFA reports are on a cash basis and our accounting program is on an accrual basis. This means our general ledger will show liabilities. The DFA report should show only actual money received and actual money paid to vendors. The adjustment has been made on our first quarter report ending September 30, 2013. The accounting clerk under the supervision of the Village Clerk will ensure that cash balances tie by fund to the DFA report and that all reports are submitted as required by DFA.

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

**FS 2013-02 Capital Asset Certification (Material Weakness)**

*Condition:* It was noted in the testwork over capital assets that the client did not conduct an annual capital asset inventory that was recorded in a written report, certified as to correctness, and signed by the Village Council.

*Criteria:* The New Mexico Administrative Code (NMAC) 2.20.1.16A & E states that “At the end of the fiscal year, each agency shall conduct a physical inventory of its fixed assets and the results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing body of the agency.”

*Effect:* Because the City is not conducting a physical inventory annually, the City may have assets they are unaware of or may have assets that have been lost or stolen that they did not know about.

*Cause:* Management has enlisted the assistance of RCI, Inc., a capital asset inventory firm to assist them in preparing a complete and comprehensive list of capital assets. A complete inventory was performed at the end of fiscal year 2012, but the City has been unable to compile a complete list with all relevant information. The City did not perform an annual inventory for certification by the City Council at the end of fiscal year 2013.

*Auditors' Recommendation:* The City should ensure that they perform an annual physical inventory over capital assets and have the City Council certify the inventory as to correctness.

*Views of Responsible Officials and Planned Corrective Actions:* The Village Clerk/Treasurer will require all departments to provide an annual inventory report which will then be presented to the Governing Body for certification as to correctness, which will in turn be signed with their approval.

**OTHER DISCLOSURES**

**STATE OF NEW MEXICO**  
Village of Cloudcroft  
Other Disclosures  
June 30, 2013

**Exit Conference**

An exit conference was held on November 22, 2013. In attendance were the following:

**Representing the Village of Cloudcroft**

Bruce A. Smaga	Trustee
Jini Turri	Village Clerk/Treasurer
Anne Turri	Accounting/Payroll Clerk

**Representing Accounting & Consulting Group, LLP**

Ryan Miller, CPA	Partner
Shelley Olson, CPA	Manager (via phone)

**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.