

**Village of Cloudcroft,
New Mexico**

**Financial Statements with Independent
Auditor's Report**

June 30, 2017



AXIOM

*Certified Public Accountants
and Business Advisors LLC*

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
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**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Official Roster
June 30, 2017**

Name

Title

Village Council

David C. Venable
Bruce A. Smaga
James Maynard
Bill Denney
Cindy Voight

Mayor
Mayor Pro Tem
Trustee
Trustee
Trustee

Administration

Jini S. Turri
Sheila Tanner

Village Administrator/Clerk/Treasurer
Accounting/Payroll/Deputy Clerk

INDEPENDENT AUDITOR'S REPORT

To Mr. Wayne Johnson
New Mexico State Auditor
and
The Village Council
Village of 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 Cloudcroft, New Mexico (the "Village"), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Village's basic financial statements 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Opinions

In our opinion 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, 2017, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that 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.

Accounting principles generally accepted in the United States of America require that the Schedule of the Village's Proportionate Share of the Net Pension Liability, and the Schedule of the Village's Contributions on pages 43 and 44-46, respectively, be presented to supplement the basic financial statements. Such information, although not a part 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village basic financial statements. The combining individual non-major fund financial statements, budgetary comparison schedules and other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining individual non-major fund financial statements, budgetary comparison schedules and other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining individual non-major fund financial statements, budgetary comparison schedules and the other schedules required by Section 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 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.



Albuquerque, New Mexico
December 15, 2017

FINANCIAL SECTION

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Net Position
June 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and investments	\$ 1,255,629	784,813	2,040,442
Receivables:			
Taxes	143,002	-	143,002
Other	6,496	161,800	168,296
Total current assets	<u>1,405,127</u>	<u>946,613</u>	<u>2,351,740</u>
Noncurrent assets			
Capital assets	11,565,412	11,805,484	23,370,896
Less: Accumulated Depreciation	(8,290,769)	(5,488,411)	(13,779,180)
Total noncurrent assets	<u>3,274,643</u>	<u>6,317,073</u>	<u>9,591,716</u>
Total assets	<u>4,679,770</u>	<u>7,263,686</u>	<u>11,943,456</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	369,615	143,010	512,625
Total deferred outflows of resources	<u>369,615</u>	<u>143,010</u>	<u>512,625</u>
LIABILITIES			
Current liabilities			
Accounts payable	37,793	49,810	87,603
Accrued payroll liabilities	1,732	520	2,252
Current portion of compensated absences	7,153	5,948	13,101
Deposits held in trust	-	6,358	6,358
Accrued interest	16,231	-	16,231
Current portion of long-term debt	37,267	38,358	75,625
Total current liabilities	<u>100,176</u>	<u>100,994</u>	<u>201,170</u>
Noncurrent liabilities			
Accrued compensated absences	4,971	6,240	11,211
Noncurrent portion of long-term debt	486,637	1,083,487	1,570,124
Net pension liability	795,304	379,176	1,174,480
Total noncurrent liabilities	<u>1,286,912</u>	<u>1,468,903</u>	<u>2,755,815</u>
Total liabilities	<u>1,387,088</u>	<u>1,569,897</u>	<u>2,956,985</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax	-	-	-
Pension related	14,701	3,764	18,465
Total deferred inflows of resources	<u>14,701</u>	<u>3,764</u>	<u>18,465</u>
NET POSITION			
Net investment in capital assets	2,750,739	5,195,228	7,945,967
Restricted for:			
Special revenues	528,141	-	528,141
Capital projects	70,871	-	70,871
Other purposes	75,496	-	75,496
Unrestricted	222,349	637,807	860,156
Total net position	<u>\$ 3,647,596</u>	<u>5,833,035</u>	<u>9,480,631</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 714,732	43,998	128,629	-	(542,105)	-	(542,105)
Public safety	685,014	51,903	334,003	-	(299,108)	-	(299,108)
Public works	100,911	-	-	2,147	(98,764)	-	(98,764)
Health and welfare	2,346	-	-	-	(2,346)	-	(2,346)
Culture and recreation	82,940	1,000	-	-	(81,940)	-	(81,940)
Personnel Services	5,469	-	-	-	(5,469)	-	(5,469)
Contractual Services	17,319	-	-	-	(17,319)	-	(17,319)
Supplies	9,416	-	-	-	(9,416)	-	(9,416)
Maintenance and Materials	24,141	-	-	-	(24,141)	-	(24,141)
Utilities	5,968	-	-	-	(5,968)	-	(5,968)
Conservation and development	9,884	-	-	-	(9,884)	-	(9,884)
Interest on long-term debt	49,147	-	-	-	(49,147)	-	(49,147)
Total governmental activities	1,707,287	96,901	462,632	2,147	(1,145,607)	-	(1,145,607)
Business-Type Activities:							
Water and sewer	958,698	816,796	-	63,122	-	(78,780)	(78,780)
Sanitation and environmental solid waste	230,622	173,237	-	-	-	(57,385)	(57,385)
Water replacement	1,289	62,390	-	-	-	61,101	61,101
Total business-type activities	1,190,609	1,052,423	-	63,122	-	(75,064)	(75,064)
Total primary government	\$ 2,897,896	1,149,324	462,632	65,269	(1,145,607)	(75,064)	(1,220,671)
Taxes							
Property taxes	\$ 59,054	-	-	-	-	-	59,054
Gross receipts tax	743,372	49,796	-	-	-	-	793,168
Gasoline and motor vehicle taxes	36,998	-	-	-	-	-	36,998
Other taxes	124,169	-	-	-	-	-	124,169
Investment income	1,201	709	-	-	-	-	1,910
Fines and forfeitures	666	-	-	-	-	-	666
Miscellaneous income	54,258	1,600	-	-	-	-	55,858
Transfers	474,390	(474,390)	-	-	-	-	-
Total general revenues and transfers	1,494,108	(422,285)	-	-	-	-	1,071,823
Change in net position	348,501	(497,349)	-	-	-	-	(148,848)
Net position, beginning	3,299,095	6,330,384	-	-	-	-	9,629,479
Net position, ending	\$ 3,647,596	5,833,035	-	-	-	-	9,480,631

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Balance Sheet - Governmental Funds
June 30, 2017

	General Fund 100	Special Revenue		Capital Projects	Other Non-Major Funds	Total Governmental Funds
		EMS 206	Fire Protection 209	Infrastructure 295		
ASSETS						
Cash and cash equivalents	\$ 665,633	197,984	74,824	138,404	178,784	1,255,629
Receivables						
Taxes	120,334	-	-	9,852	12,816	143,002
Other	6,496	-	-	-	-	6,496
Total assets	\$ 792,463	197,984	74,824	148,256	191,600	1,405,127
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 24,141	4,763	5,452	99	3,338	37,793
Accrued payroll	1,732	-	-	-	-	1,732
Total liabilities	25,873	4,763	5,452	99	3,338	39,525
DEFERRED INFLOWS						
Property taxes	4,162	-	-	-	-	4,162
Total deferred inflows	4,162	-	-	-	-	4,162
FUND BALANCES						
Spendable						
Restricted for:						
Special revenue funds	-	193,221	69,372	-	188,262	450,855
Capital project funds	-	-	-	148,157	-	148,157
Other purposes	75,496	-	-	-	-	75,496
Unassigned	686,932	-	-	-	-	686,932
Total fund balances	762,428	193,221	69,372	148,157	188,262	1,361,440
Total liabilities, deferred inflows and fund balances	\$ 792,463	197,984	74,824	148,256	191,600	1,405,127

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2017

Fund balances - total governmental funds	\$ 1,361,440
Amounts reported for governmental activities in the statement of net position different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,274,643
Delinquent property taxes not collected within sixty days after year end are not available to pay for current period expenditures and, therefore, are deferred in the funds	4,162
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to employer contributions subsequent to measurement date	369,615
Deferred outflows of resources related to property tax	
Deferred inflows of resources related to pension	(14,701)
Certain liabilities, including loans payable, net pension liability, and current and long term portions of accrued compensated absences, are not due and payable in the current period and , therefore, are not reported in the funds	
Accrued interest payable	(16,231)
Accrued compensated absences not due and payable at year end	(12,124)
Loans payable	(523,904)
Net pension liability	<u>(795,304)</u>
Net position of governmental activities (Statement of Net Position)	\$ <u><u>3,647,596</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	General Fund 100	Special Revenue			Other Non-Major Funds	Total Governmental Funds
		EMS 206	Fire Protection 209	Infrastructure 295		
Revenues						
Taxes:						
Property	\$ 60,876	-	-	-	-	60,876
Gross receipts	681,962	-	-	61,410	-	743,372
Gasoline and motor vehicle taxes	12,790	-	-	-	24,208	36,998
Other	30,122	-	-	-	94,047	124,169
Intergovernmental income						
State operating grants	90,000	9,683	250,900	-	112,049	462,632
State capital grants	-	-	-	-	2,147	2,147
Charges for services	43,998	51,903	-	-	1,000	96,901
Investment income	672	229	-	116	184	1,201
Fines and forfeitures	526	-	-	-	140	666
Miscellaneous	44,849	-	-	-	9,409	54,258
Total revenues	965,795	61,815	250,900	61,526	243,184	1,583,220
Expenditures						
Current						
General government	373,254	9,263	75,844	-	184,257	642,618
Public safety	337,654	87,545	80,962	-	3,441	509,602
Public works	57,578	-	-	-	10,215	67,793
Health and welfare	2,346	-	-	-	-	2,346
Culture and recreation	41,058	-	-	-	16,407	57,465
Personnel Services	-	-	5,469	-	-	5,469
Contractual Services	9,499	-	-	-	7,820	17,319
Supplies	2,235	-	-	-	7,181	9,416
Maintenance and Materials	1,624	-	-	-	22,517	24,141
Utilities	5,968	-	-	-	-	5,968
Conservation and development	9,785	-	-	99	-	9,884
Capital outlay	74,145	50,509	26,730	9,005	-	160,389
Debt service						
Principal	-	-	-	-	36,949	36,949
Interest and administrative fees	-	-	-	-	35,163	35,163
Total expenditures	915,146	147,317	189,005	9,104	323,950	1,584,522
Excess (deficiency) of revenues over (under) expenditures before other financings sources (uses)	50,649	(85,502)	61,895	52,422	(80,766)	(1,302)
Other Financing Sources (Uses)						
Operating transfers in	88,578	-	-	-	101,998	190,576
Operating transfers (out)	(91,467)	-	(50,999)	-	(22,664)	(165,130)
Total other financing sources (uses)	(2,889)	-	(50,999)	-	79,334	25,446
Net change in fund balances	47,760	(85,502)	10,896	52,422	(1,432)	24,144
Fund balances, beginning of year	714,668	278,723	58,476	95,735	189,694	1,337,296
Fund balances, end of year	\$ 762,428	193,221	69,372	148,157	188,262	1,361,440

See Notes to Financial Statements.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended June 30, 2017**

Net change in fund balances- total governmental funds	\$	24,144
Amounts reported for governmental activities in the Statement of Activities are different because:		
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 outlay		160,389
Depreciation expense		(254,753)
Transfer of capital assets from enterprise funds		448,944
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:		
Pension expense		(47,347)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the governmental funds:		
Decrease in deferred property taxes		(1,822)
Expenditures in the Statement of Activities that do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Increase in accrued compensated absences		(4,019)
Increase in accrued interest		(13,984)
Principal payments on notes		36,949
		<hr/>
Change in net position of governmental activities	\$	<u><u>348,501</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
General Fund 100
Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	\$ 57,899	61,280	60,876	(404)
Gross receipts	655,000	1,012,265	681,962	(330,303)
Gasoline and motor vehicle	30,000	30,689	12,790	(17,899)
Other taxes	35,000	35,000	30,122	(4,878)
State operating grants	90,000	90,000	90,000	-
Charges for services	19,125	19,288	12,045	(7,243)
Investment income	350	674	672	(2)
Fines and forfeitures	1,825	1,825	526	(1,299)
Miscellaneous income	15,280	49,912	44,849	(5,063)
<i>Total revenues</i>	<u>904,479</u>	<u>1,300,933</u>	<u>933,842</u>	<u>(367,091)</u>
Expenditures				
Current				
General government	327,278	349,704	357,118	(7,414)
Public safety	346,865	371,279	337,654	33,625
Public works	122,250	95,954	57,578	38,376
Health and welfare	-	-	2,346	(2,346)
Culture and recreation	63,544	69,099	41,058	28,041
Conservation and Development	19,493	20,278	29,111	(8,833)
Capital outlay	-	-	74,145	(74,145)
<i>Total expenditures</i>	<u>879,430</u>	<u>906,314</u>	<u>899,010</u>	<u>7,304</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>25,049</u>	<u>394,619</u>	<u>34,832</u>	<u>(359,787)</u>
Other Financing Sources (Uses):				
Transfers, in	50,000	-	88,578	88,578
Transfers, out	-	41,479	(91,467)	(132,946)
<i>Total other financing sources (uses)</i>	<u>50,000</u>	<u>41,479</u>	<u>(2,889)</u>	<u>(44,368)</u>
Net changes in fund balances	<u>\$ 75,049</u>	<u>436,098</u>	<u>31,943</u>	<u>(404,155)</u>
Reconciliation to GAAP basis:				
Adjustments to revenues			\$ 31,953	
Adjustments to expenditures			(16,136)	
Net Change in Fund Balances (GAAP Basis)			<u>\$ 47,760</u>	

See Notes to Financial Statements

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
EMS Special Revenue Fund 206
Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental				
State operating grants	\$ 9,638	9,683	9,683	-
Charges for services	-	-	52,138	52,138
Investment Income	-	-	-	-
Miscellaneous income	-	-	229	229
<i>Total revenues</i>	<u>9,638</u>	<u>9,683</u>	<u>62,050</u>	<u>52,367</u>
Expenditures				
Current				
Public safety	9,638	9,638	9,263	375
<i>Total expenditures</i>	<u>9,638</u>	<u>9,638</u>	<u>9,263</u>	<u>375</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	-	-	52,787	52,742
Net changes in fund balances	<u>\$ -</u>	<u>-</u>	52,787	<u>52,742</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			\$ (235)	
Adjustments to expenditures			(138,054)	
Net Change in Fund Balances (GAAP Basis)			<u>\$ (85,502)</u>	

See Notes to Financial Statements

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Fire Protection Special Revenue Fund 209
Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental				
State operating grants	\$ 250,899	250,931	250,899	(32)
<i>Total revenues</i>	<u>250,899</u>	<u>250,931</u>	<u>250,899</u>	<u>(32)</u>
Expenditures				
Current				
General government	-	-	86,440	(86,440)
Public safety	193,475	193,475	94,612	98,863
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>193,475</u>	<u>193,475</u>	<u>181,052</u>	<u>12,423</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>57,424</u>	<u>57,456</u>	<u>69,847</u>	<u>12,391</u>
Other Financing Sources (Uses):				
Transfers, in	-	-	-	-
Transfers, out	(50,995)	(50,995)	(50,998)	(3)
<i>Total other financing sources (uses)</i>	<u>(50,995)</u>	<u>(50,995)</u>	<u>(50,998)</u>	<u>(3)</u>
Net changes in fund balances	<u>\$ 6,429</u>	<u>6,461</u>	<u>18,849</u>	<u>12,388</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			\$ -	
Adjustments to expenditures			(7,953)	
Net Change in Fund Balances (GAAP Basis)			<u>\$ 10,896</u>	

See Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Net Position
Proprietary Funds
June 30, 2017**

	Business-Type Activities Enterprise Funds			
	Water and Sewer 500	Sanitation and Environmental Solid Waste 503	Water Replacement 506	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 513,049	146,273	125,491	784,813
Receivables				
Other	118,507	34,480	8,813	161,800
Total current assets	<u>631,556</u>	<u>180,753</u>	<u>134,304</u>	<u>946,613</u>
Noncurrent assets				
Capital assets	11,805,484	-	-	11,805,484
Less: accumulated depreciation	(5,488,411)	-	-	(5,488,411)
Total noncurrent assets	<u>6,317,073</u>	<u>-</u>	<u>-</u>	<u>6,317,073</u>
Total assets	<u>6,948,629</u>	<u>180,753</u>	<u>134,304</u>	<u>7,263,686</u>
Deferred Outflows				
Pension related	143,010	-	-	143,010
Total deferred outflows of resources	<u>143,010</u>	<u>-</u>	<u>-</u>	<u>143,010</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 48,870	940	-	49,810
Accrued payroll	520	-	-	520
Current portion of accrued compensated absences	5,948	-	-	5,948
Deposits held in trust	6,358	-	-	6,358
Accrued interest	-	-	-	-
Current portion of loans payable	38,358	-	-	38,358
Total current liabilities	<u>100,054</u>	<u>940</u>	<u>-</u>	<u>100,994</u>
Noncurrent Liabilities				
Accrued compensated absences	6,240	-	-	6,240
Loans payable	1,083,487	-	-	1,083,487
Net Pension Liability	379,176	-	-	379,176
Total noncurrent liabilities	<u>1,468,903</u>	<u>-</u>	<u>-</u>	<u>1,468,903</u>
Total Liabilities	<u>1,568,957</u>	<u>940</u>	<u>-</u>	<u>1,569,897</u>
Deferred inflows of resources				
Pension related	3,764	-	-	3,764
Total deferred inflows of resources	<u>3,764</u>	<u>-</u>	<u>-</u>	<u>3,764</u>
Net Position				
Net investment in capital assets	5,195,228	-	-	5,195,228
Unrestricted	323,690	179,813	134,304	637,807
Total Net Position	<u>\$ 5,518,918</u>	<u>179,813</u>	<u>134,304</u>	<u>5,833,035</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities			Total
	Enterprise Funds			
	Water and Sewer 500	Sanitation and Environmental Solid Waste 503	Water Replacement 506	
<i>Operating Revenues</i>				
Charges for Services	\$ 816,796	173,237	62,390	1,052,423
Total operating revenues	816,796	173,237	62,390	1,052,423
<i>Operating Expenses</i>				
Personnel services	334,853	-	-	334,853
Contractual services	43,059	153,364	-	196,423
Supplies	12,255	-	-	12,255
Maintenance and materials	65,576	-	1,289	66,865
Utilities	103,938	-	-	103,938
Depreciation	196,257	-	-	196,257
Other operating expenses	208,280	77,258	-	285,538
<i>Total operating expenses</i>	964,218	230,622	1,289	1,196,129
<i>Operating (loss) income</i>	(147,422)	(57,385)	61,101	(143,706)
<i>Non-operating revenues</i>				
Interest income	423	182	104	709
Interest expense	5,520	-	-	5,520
Gross receipts tax revenue	15,352	34,444	-	49,796
Miscellaneous	1,600	-	-	1,600
Total non-operating revenues	22,895	34,626	104	57,625
Income Before Contributions and Transfers	(124,527)	(22,759)	61,205	(86,081)
Other Financing Sources (Uses)				
Capital grants and contributions	63,122	-	-	63,122
Operating transfers in	34,688	-	-	34,688
Operating transfers (out)	(495,714)	-	(13,364)	(509,078)
Net transfers	(397,904)	-	(13,364)	(411,268)
Change in net position	(522,431)	(22,759)	47,841	(497,349)
<i>Beginning net position</i>	6,041,349	202,572	86,463	6,330,384
<i>Net position, end of year</i>	\$ 5,518,918	179,813	134,304	5,833,035

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities			Total
	Enterprise Funds			
	Water and Sewer 500	Sanitation and Environmental Solid Waste 503	Water Replacement 506	
Cash Flows From Operating Activities				
Cash received from customers and others	\$ 819,256	167,967	62,354	1,049,577
Cash payments to vendors and employees	(680,069)	(244,546)	(1,289)	(925,904)
Net cash provided (used) by operating activities	<u>139,187</u>	<u>(76,579)</u>	<u>61,065</u>	<u>123,673</u>
Cash Flows From Non-Capital Financing				
Gross receipts tax	-	34,444	-	34,444
Net transfers	4,870	-	(13,364)	(8,494)
Net cash provided (used) by non-capital financing activities	<u>4,870</u>	<u>34,444</u>	<u>(13,364)</u>	<u>25,950</u>
Cash Flows From Capital and Related Financing Activities				
Capital grants and contributions	63,122	-	-	63,122
Loan Proceeds	168,134	-	-	168,134
Principal payments on long-term debt	(37,523)	-	-	(37,523)
Interest paid	5,520	-	-	5,520
Purchases of capital assets	(247,502)	-	-	(247,502)
Net cash provided by capital and related financing activities	<u>(48,249)</u>	<u>-</u>	<u>-</u>	<u>(48,249)</u>
Cash Flows From Investing Activities				
Interest income	423	182	104	709
Net cash provided (used) by investing activities	<u>423</u>	<u>182</u>	<u>104</u>	<u>709</u>
Net increase (decrease) in cash and cash equivalents	96,231	(41,953)	47,805	102,083
Cash and cash equivalents, beginning of year	416,818	188,226	77,686	682,730
Cash and cash equivalents, end of year	<u>\$ 513,049</u>	<u>146,273</u>	<u>125,491</u>	<u>784,813</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income	\$ (147,422)	(57,385)	61,101	(143,706)
Adjustments to operating (loss) income to net cash provided by operating activities:				
Depreciation	196,257	-	-	196,257
Pension Expense	61,165	-	-	61,165
Change in assets and liabilities:				
Receivables	2,460	(5,270)	(36)	(2,846)
Accounts payable	30,048	(13,924)	-	16,124
Accrued Payroll	285	-	-	285
Accrued compensated absences	2,370	-	-	2,370
Accrued interest	(5,976)	-	-	(5,976)
Net cash provided (used) by operating activities	<u>\$ 139,187</u>	<u>(76,579)</u>	<u>61,065</u>	<u>123,673</u>
Supplemental disclosure of non-cash investing activities:				
Transfer of assets to governmental funds	\$ (448,944)	-	-	(448,944)

See Notes to Financial Statements.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017**

ASSETS	
Cash	\$ <u> -</u>
Total Assets	\$ <u><u> -</u></u>
LIABILITIES	
Accounts Payable	\$ <u> -</u>
Total Liabilities	\$ <u><u> -</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

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, 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 the 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.

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.

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.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Based upon the application of these criteria, the Village has no 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 non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities (also known as proprietary or enterprise funds)*, 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, and (b) 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 position, and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds (business-type activities and enterprise) 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.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 sixty (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. 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 include revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues include activities that have the characteristics of an exchange transaction, such as a) sales and services and b) contracts and grants. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as a) investment income and b) miscellaneous.

Operating expenses include activities that have the characteristics of an exchange transaction, such as a) employee salaries, benefits, and related expenses; b) utilities, supplies, and other services; c) professional fees; d) repairs and maintenance; and e) depreciation expenses related to Village capital assets and long-term debt. Non-operating expenses include activities that have the characteristics of non-exchange transactions, such as interest on capital assets-related debt that are defined as non-operating expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

Under the requirements of GASB Statement No. 34, the Village is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following, which include 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 *EMS Special Revenue Fund* was created to account for monies received for providing emergency medical services to the residents of the Village. (Village Ordinance)

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

The *Infrastructure Capital Projects Fund* was created to account for the repair, maintenance, construction, and improvements to water, sewer, road systems, buildings, and grounds. (Village Ordinance)

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.

The *Solid Waste Fund* was created to track revenues from Environmental taxes, gross receipts tax and charges for trash pickup services and used to pay for trash pickup services and sludge hauling from the water/sewer plant.

The *Water Replacement Fund* was created to track revenue from a \$5 monthly utility account fee to fund water and sewer infrastructure improvements.

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. Both unrestricted and restricted cash are included in the Statement of Cash Flows.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position or Fund Balance

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

Investments for the Village are reported at fair market value, which is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Income, gains, and losses on investments are reported as a component of investment income on the Statement of Activities.

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 sixty (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. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred. 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 1st based on the assessed value of property as listed on the previous January 1st 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 County 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 that reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. For the year ended June 30, 2017, there were none.

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

Capital assets: Capital assets, which include property, water/sewer, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are defined by the Village 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. The Village of Cloudcroft was a Phase III government for purposes of implementing GASB Statement No. 34, and therefore, was not required to include the historical cost of infrastructure assets retroactive to 1980. Information technology equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9C(5). Donated capital assets are recorded at estimated fair market value at the date of donation.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position or Fund Balance
(Continued)**

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.

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

Buildings and improvements 30-50
Equipment 5-15
Infrastructure 10-50

Accrued expenses: Accrued expenses are comprised of accrued payroll and payroll expenditures based on amounts earned by the employees through June 30, 2017, along with the applicable Public Employees Retirement Association (PERA) and other pension costs.

Deferred outflows of resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Village has one type of item that qualify for reporting in this category: employer contributions subsequent to the measurement date in the amount of \$512,625. This amount is reported in the Statement of Net Position. This amount is deferred and recognized as an outflow of resources in the next period and will reduce the net pension liability in the next period.

Deferred inflows of resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measureable and available to finance expenditures of the current fiscal period) to be recognized. 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 inflows of resources. The Village has one item, which arises under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, property taxes, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The Village has recorded \$4,162 related to property taxes considered "unavailable". In addition, the Village has an item presented on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability. Accordingly, the pension related item in the amount of \$18,465 is reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated absences: The Village permits employees to accumulate a limited amount of earned but unused vacation leave based on employment classification and length of employment. The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. Proprietary funds report the liability as incurred.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position or Fund Balance (Continued)

Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule depending on the 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 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. 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 and proprietary fund. Amounts 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 Position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the New Mexico PERA and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-term obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or proprietary activity. 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.

Net position or fund balance classification policies and procedures:

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, resolution, 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 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.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position or Fund Balance (Continued)

Restricted Fund Balance: At June 30, 2017, the restricted fund balance on the governmental funds balance sheet is made up of \$599,012 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:*

Consists 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 position that do not meet the definition of "restricted" or "net investment in capital assets."

By state statute, the Village must maintain a minimum fund balance in the General Fund equal to 8.33% of 1/12th of budgeted expenditures. This amount totals \$75,496 at June 30, 2017.

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 or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

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

E. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Village's financial statements include the depreciation on capital assets, the net pension liability and related items, and the current portion of compensated absences.

F. Reclassifications

Certain reclassifications of capital assets have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets are prepared annually by Village personnel and include a proposed operating budget of estimated revenues and expenditures for the ensuing fiscal year. The budget and subsequent revisions are presented to the Village's Council and the Department of Finance and Administration for approval. 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.

The governmental fund budgets are prepared on a non-GAAP basis while business-type fund budgets are prepared on a 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 accompanying Statements of Revenues, Expenditures, and Change in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual and Statement of Revenues, Expenses, and Change in Net Position Budget (GAAP Budgetary Basis) and Actual present 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 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, 2017 is presented. Reconciliations between the non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on the budgetary statements.

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 investments that did not meet the State investment requirements as of June 30, 2017.

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 for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than 100% of the asking price on United States treasury bills of the same maturity on the day of deposit.

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

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and negotiable order or withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demands deposits at the same institution.

Custodial Credit Risk- Deposits Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village 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). As of June 30, 2017 \$1,623,552 of the Village's bank balances of \$2,123,552 was exposed to custodial credit risk. \$1,623,552 was uninsured and collateralized by securities held by the pledging bank's trust department, but not in the Village's name, and \$586,901 was uninsured and uncollateralized.

	FIRST NATIONAL BANK
Amount of deposits	\$ 2,123,552
FDIC coverage	(500,000)
Total uninsured public funds	1,623,552
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Village's name	1,036,651
Uninsured and uncollateralized	\$ 586,901
Collateral requirement (50% of uninsured funds)	\$ 811,776
Pledged collateral	1,036,651
Over (under) collateralized	\$ 224,875

The collateral pledged is listed on page 59 of this report. The types of collateral allowed are limited to direct obligations of the United States government and all bonds issued by any agency, district, or political subdivision of the State of New Mexico.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Reconciliation to the Statement of Net Position

Cash and cash equivalents	\$ 2,040,442
Add: outstanding checks	83,235
Less: petty cash	<u>125</u>
Bank balance of deposits	<u>\$ 2,123,552</u>

NOTE 4: RECEIVABLES

At June 30, 2017, receivables consisted of the following:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Water and Sewer</u>	<u>Sanitation and Solid Waste</u>	<u>Water Replacement</u>
Taxes:					
Property	\$ 4,635		-	-	-
Gross receipts	109,895	9,852	-	2,463	-
Gasoline	-	3,920	-	-	-
Franchise	6,496	-	-	-	-
Lodgers	-	8,896	-	-	-
MVD	5,804	-	-	-	-
Charges for services	-	-	118,507	32,017	8,813
Totals by category	<u>\$ 126,830</u>	<u>22,668</u>	<u>118,507</u>	<u>34,480</u>	<u>8,813</u>

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

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 5. INTERFUND TRANSFERS

Net operating transfers, made to close out funds and to supplement other funding sources in the normal course of operations for the year ended June 30, 2017 were as follows:

Transfers Out:

General Fund	\$ 91,467
Fire Protection Fund	50,998
Recreation Fund	2,437
Water and Sewer Fund	495,714
Water Replacement Fund	13,364
Debt Service	26,890
Total Transfers Out	<u>680,870</u>

Transfers In:

General Fund	88,577
Lodger’s Tax Fund	2,436
Water and Sewer Fund	34,688
Debt Service Fund	99,562
Intergovernmental Grants – Ambulance	6,663
Total Transfers In	<u>231,926</u>
Total Transfers	<u>\$ 448,944</u>

Reconciliation to Government Wide

Transfer In:

Water and Sewer Fund	<u>448,944</u>
Total Transfers	<u><u>-</u></u>

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 6. CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended June 30, 2017. Land and construction in progress are not subject to depreciation.

	<u>Balance 6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Reclassifications</u>	<u>Balance 06/30/2017</u>
Governmental Activities						
<i>Capital Assets Not Being Depreciated:</i>						
Land	\$ 152,339	-	-	-	-	152,339
Construction in progress	184,401	-	-	-	-	184,401
Total Not Depreciated:	<u>336,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,740</u>
<i>Capital assets being depreciated:</i>						
Buildings and Improvements	2,829,040	114,147	-	(152,042)	827,889	3,619,034
Equipment	1,860,358	46,242	-	102,650	136,797	2,146,047
Infrastructure	5,929,941	-	-	498,336	(964,686)	5,463,591
Total Being Depreciated	<u>10,619,339</u>	<u>160,389</u>	<u>-</u>	<u>448,944</u>	<u>-</u>	<u>11,228,672</u>
<i>Less accumulated depreciation:</i>						
Buildings and improvements	1,341,887	127,134	-	-	494,531	1,963,552
Equipment	1,019,865	120,505	-	-	234,034	1,374,404
Infrastructure	5,674,264	7,114	-	-	(728,565)	4,952,813
Total accumulated depreciation	<u>8,036,016</u>	<u>254,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,290,769</u>
Net Capital Assets being depreciated:	<u>2,583,323</u>	<u>(94,364)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,937,903</u>
Net Capital Assets:	<u>\$ 2,920,063</u>	<u>(94,364)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,274,643</u>

Depreciation expense for the year ended June 30, 2017 was charged to governmental activities as follows:

General government	\$ 50,951
Public safety	145,209
Public works	33,118
Culture and recreation	25,475
	<u>\$ 254,753</u>

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 6. CAPITAL ASSETS (CONTINUED)

	<u>Balance 06/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance 06/30/2017</u>
Business Type Activities					
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 171,600	-	-	-	171,600
Construction in progress	2,147,485	222,289	-	-	2,369,774
Total Not Depreciated:	<u>2,319,085</u>	<u>222,289</u>	<u>-</u>	<u>-</u>	<u>2,541,374</u>
<i>Capital assets being depreciated:</i>					
Buildings and Improvements	43,243	-	-	152,042	195,285
Equipment	468,619	25,213	-	(102,650)	391,182
Infrastructure	9,175,979	-	-	(498,336)	8,667,643
Total Being Depreciated	<u>9,687,841</u>	<u>25,213</u>	<u>-</u>	<u>(448,944)</u>	<u>9,264,110</u>
<i>Less accumulated depreciation:</i>					
Buildings and Improvements	26,382	4,349	-	-	30,731
Equipment	346,837	11,193	-	-	358,030
Infrastructure	4,918,935	180,715	-	-	5,099,650
Total accumulated depreciation	<u>5,292,154</u>	<u>196,257</u>	<u>-</u>	<u>-</u>	<u>5,488,411</u>
Net Capital Assets being depreciated:	<u>4,395,687</u>	<u>(171,044)</u>	<u>-</u>	<u>-</u>	<u>3,775,699</u>
Net Capital Assets:	<u>\$ 6,714,772</u>	<u>51,245</u>	<u>-</u>	<u>-</u>	<u>6,317,073</u>

Depreciation expense of \$196,257 for the year ended June 30, 2017 was charged to the Water and Sewer proprietary fund.

During the year, due to extensive review of all governmental and business type assets, the Village re-categorized some buildings and improvements, equipment, and infrastructure assets between governmental and business type funds. This re-categorization had no net effect on total assets at the asset category level, however this did cause a change in assets at the total governmental and business type fund level.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 7. LONG-TERM LIABILITIES

Long-term liabilities for the year ended June 30, 2017 are summarized as follows:

Governmental Activities

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Loans Payable	\$ 560,853	-	36,949	523,904	37,267
Compensated absences	8,105	14,302	10,283	12,124	7,153
Total long-term debt	<u>\$ 568,958</u>	<u>14,302</u>	<u>47,232</u>	<u>536,028</u>	<u>44,420</u>

On May 23, 2014, the Village entered into a loan agreement with the New Mexico Finance Department to borrow an amount of \$282,116 for the purchase of a fire protection vehicle. The loan is financed over a period of ten (10) years in equal annual amounts of \$32,694 between a 0.51% and a 3.10% interest rate.

On May 23, 2014, the Village entered into a loan agreement with the New Mexico Finance Department to borrow an amount of \$302,267 for the purpose of upgrading their main fire department. The loan is financed over a period of twenty-five (25) years in equal annual amounts of \$18,300 between a 0.51% and 3.10% interest rate.

Debt service requirements on long-term debt for governmental activities at June 30, 2017 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2018	\$ 37,267	13,728	50,995
2019	37,711	13,283	50,994
2020	38,303	12,693	50,996
2021	39,057	11,938	50,995
2022	39,948	11,048	50,996
2023-2027	150,536	39,053	189,589
2028-2032	67,492	24,010	91,502
2033-2037	78,623	12,878	91,501
2038-2039	34,967	1,634	36,601
	<u>\$ 523,904</u>	<u>140,265</u>	<u>664,169</u>

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 7. LONG-TERM LIABILITIES (CONTINUED)

Business-type Activities

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Loans Payable	\$ 991,234	168,134	37,523	1,121,845	38,358
Compensated absences	9,818	13,388	11,018	12,188	5,948
Total long-term debt	\$ <u>1,001,052</u>	<u>181,522</u>	<u>48,541</u>	<u>1,134,033</u>	<u>101,365</u>

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 \$722,550 for their PRe 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 twenty (20) years in equal annual amounts of \$48,566 at a 3.00% interest rate. The entire balance has been drawn down as of June 30, 2017 is considered due and payable in the next fiscal year because the agreement is fully executed.

On August 20, 2010, the Village entered into a loan agreement with the New Mexico Finance Department to borrow an amount of \$59,394 for the purpose of upgrading the water utility system. The loan is financed over a period of twenty (20) years in equal annual amounts of \$3,291 at a 1.00% interest rate.

On April 12, 2013, the Village entered into a loan agreement with the New Mexico Finance Department to borrow an amount of \$61,718 to be used in the Village's Colonias Infrastructure Project. The loan is financed over a period of twenty (20) years in equal annual amounts of \$3,086 at a 0.00% interest rate.

On May 16, 2014, the Village entered into a loan agreement with the New Mexico Finance Department to borrow an amount of \$94,227 to be used in the Village's Colonias Infrastructure Project. The loan is financed over a period of twenty (20) years in equal annual amounts of \$4,712 at a 0.00% interest rate.

On January 4, 2016, the Village entered into a loan agreement with the New Mexico Environmental Department's (NMED) Rural Infrastructure Program (RIP) to borrow an amount an amount not exceeding \$253,919 to complete the construction of the PRe Water Project-Membrane Bioreactor Wastewater Treatment Plant, including engineering services and equipment purchase and installation. The loan is a draw down loan and does not become due and payable until the entire amount has been drawn down. The final loan amount will be amortized for a period not to exceed twenty (20) years in equal annual payments of \$16,096 at a 2.375% interest rate; or may be paid in full by the Village prior to the Village agreeing to the final amount once the project is completed and accepted by the Village and NMED. As of June 30, 2017, the entire balance of the loan agreement amount of \$253,919 has been drawn down by the Village and is considered due and payable in the next fiscal year because the loan agreement was fully executed.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 7. LONG-TERM LIABILITIES (CONTINUED)

Debt service requirements on long-term debt for business-type activities at June 30, 2017 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2018	\$ 38,358	21,192	59,550
2019	49,284	26,370	75,654
2020	50,408	25,253	75,661
2021	51,562	24,105	75,667
2022	52,750	22,924	75,674
2023-2027	282,778	95,704	378,482
2028-2032	314,636	60,744	375,380
2033-2037	266,345	20,912	287,257
2038	15,724	374	16,098
	\$ 1,121,845	297,578	1,419,423

NOTE 8. RESTRICTED NET POSITION

The government-wide statement of net position reports \$599,012 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 21 and 48.

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEE RETIREMENT ASSOCIATION

Plan Description. The Public Employees Retirement Fund (PERA) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions; and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978); the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978); the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978, and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund, unless specifically excluded.

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEE RETIREMENT ASSOCIATION (CONTINUED)

Benefits Provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions. The contribution requirements of defined benefit plan members and the Village are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution requirements in effect for fiscal year 2015 for the various PERA coverage options, for both Tier 1 and Tier II, see the tables available in the note disclosures of the PERA 2016 annual audit report at [http://www.saonm.org/media/audits/366 Public Employees Retirement Association FY2016.pdf](http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2016.pdf). The PERA coverage options that apply to the Village are Municipal General and Municipal Police. Statutorily required contributions to the pension plan from the Village were \$60,031 there were no employer paid member benefits that were "picked up" by the employer were for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The PERA pension liability, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted accounting principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEE RETIREMENT ASSOCIATION (CONTINUED)

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11, NMSA 1978. Therefore, the calculations of the net pension liability, pension expense, and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative members. The Village's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2016.

Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2016 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2017, the Village reported a liability of \$645,456 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Village's proportion was 0.0404 %, which was an increase of 0.001% from its proportion measured as of June 30, 2015.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 9. PENSION PLAN- PUBLIC EMPLOYEE RETIREMENT ASSOCIATION (CONTINUED)

For the year ended June 30, 2017, the Village recognized pension expense of \$76,629. At June 30, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,250	6,300
Changes in assumptions	37,848	107
Net difference between projected and actual earnings on pension plan investments	118,763	-
Changes in proportion and differences between Village's contributions and proportionate share of contributions	19,921	-
Village's contributions subsequent to the measurement date	<u>34,658</u>	<u>-</u>
Total	<u>\$ 243,440</u>	<u>6,407</u>

\$34,658 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2018	\$ 47,732
2019	47,732
2020	76,631
2021	30,280
2022	-
Total:	<u>202,375</u>

For PERA Fund Division Municipal Police, at June 30, 2017, the Village reported a liability of \$529,024 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Village's proportion was 0.0717%, which was an increase of 0.0149% from its proportion measured as of June 30, 2015.

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017

NOTE 9. PENSION PLAN- PUBLIC EMPLOYEE RETIREMENT ASSOCIATION (CONTINUED)

For the year ended June 30, 2017, the Village recognized pension expense of \$89,026. At June 30, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 83,668	-
Changes in assumptions	35,040	12,058
Net difference between projected and actual earnings on pension plan investments	38,838	-
Changes in proportion and differences between Village's contributions and proportionate share of contributions	86,449	-
Village's contributions subsequent to the measurement date	<u>25,190</u>	<u>-</u>
Total	\$ <u>269,185</u>	<u>12,058</u>

\$25,190 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>		
2018	\$	67,514
2019		67,514
2020		73,968
2021		22,941
2022		<u>-</u>
Total:		<u><u>231,937</u></u>

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 9. PENSION PLAN- PUBLIC EMPLOYEE RETIREMENT ASSOCIATION (CONTINUED)

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level of percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality assumption	RP-2000 Mortality Tables (Combined table for health post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
Total	100.00%	

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 9. PENSION PLAN- PUBLIC EMPLOYEE RETIREMENT ASSOCIATION (CONTINUED)

Discount rate. A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Village’s proportionate share of the net pension liability to changes in the discount rate. The following presents the *Village’s* proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the *Village’s* proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

PERA Fund Municipal General

	<u>1.00% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1.00% Increase (8.75%)</u>
Proportionate share of the net pension liability	\$ 962,317	645,456	328,635

PERA Fund Municipal Police

	<u>1.00% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1.00% Increase (8.75%)</u>
Proportionate share of the net pension liability	\$ 778,325	529,024	325,124

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

As authorized under Chapter 6, Section 9D, Laws of 1990, the Village has elected not to participate in the Retiree Health Care Plan provided under the Retiree Health Care Act (Chapter 10, Article 7c, NMSA 1978) during the year ended June 30, 2017.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017**

NOTE 11. 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; injuries to employees; and natural disasters. The Village participates in the State of New Mexico Risk Management Program (Risk Management), which provides liability and physical damage insurance for the Village, for the risks of loss mentioned above, except for injuries to employees. For risks of loss related to injuries to employees, the Village has not obtained coverage from a commercial insurance company but has effectively managed risk through various employee education and prevention programs. The premiums for Risk Management are based on payroll and other expenditures, and are not directly related to claims filed. The policies are retrospectively rated and premiums may be adjusted after year end, based on the ultimate level of expenditures.

NOTE 12. CONTINGENT LIABILITIES

The Village is party to various litigation and other claims in the ordinary course of business. Management and the Village's attorney are unaware of any material pending or threatened litigation, claims, or assessments against the Village that are not covered by the Village's insurance.

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 agreements with contractors and architects for various construction projects. As of June 30, 2017, the Village had an obligation of \$235,786 for these contracts.

<u>Contract</u>	<u>Year Ending</u>	<u>Amount</u>
PURe Water Project	2018	\$ 85,786
Community Center	2018	150,000
		\$ <u>235,786</u>

NOTE 15. 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. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2017

NOTE 16. SUBSEQUENT EVENTS

The Village has evaluated events subsequent to June 30, 2017 that would possibly require adjustment or disclosure in these financial statements, through December 15, 2017, the date that these financial statements were available to be issued.

No events have occurred subsequent to June 30, 2017 that would require adjustment or modification to the contents of these statements.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2017**

**Public Employees Retirement Association of New Mexico
Schedule of Ten Year Tracking Data*
(Dollars in Thousands)**

	2015	2016	2017
Village's Proportion of the Net Pension Liability (Asset)	0.01%	0.02%	0.01%
Village's Proportionate Share of Net Pension Liability (Asset)	\$ 432	675	645
Village's Covered-Employee Payroll	\$ 479	470	477
Village's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	90.30%	143.62%	135.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.29%	76.99%	69.18%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village of Cloudcroft is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
SCHEDULE OF VILLAGE CONTRIBUTIONS
JUNE 30, 2017**

**Public Employees Retirement Association of New Mexico
Schedule of Ten Year Tracking Data*
General, Police and Fire Divisions Combined Summary
(Dollars in Thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory Required Contribution	\$ 60	52	52
Contributions in Relation to the Statutorily Required Contribution	<u>60</u>	<u>52</u>	<u>52</u>
Annual Contribution Deficiency (Excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village of Cloudcroft is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
 VILLAGE OF CLOUDCROFT
 SCHEDULE OF VILLAGE CONTRIBUTIONS
 JUNE 30, 2017**

**Public Employees Retirement Association of New Mexico
 Schedule of Ten Year Tracking Data
 General Division
 (Dollars in Thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory Required Contribution	\$ 35	31	31
Contributions in Relation to the Statutorily Required Contribution	<u>35</u>	<u>31</u>	<u>31</u>
Annual Contribution Deficiency (Excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village of Cloudcroft is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
 VILLAGE OF CLOUDCROFT
 SCHEDULE OF VILLAGE CONTRIBUTIONS
 JUNE 30, 2017**

**Public Employees Retirement Association of New Mexico
 Schedule of Ten Year Tracking Data
 Police Division
 (Dollars in Thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory Required Contribution	\$ 25	21	21
Contributions in Relation to the Statutorily Required Contribution	<u>25</u>	<u>21</u>	<u>21</u>
Annual Contribution Deficiency (Excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village of Cloudcroft is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

Changes of Benefit Terms. The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

Assumptions. The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Nonmajor Governmental Funds Descriptions
June 30, 2017**

Special Revenue Funds

Local Government Corrections

To account for the operations and maintenance of the public holding cells and corrections facilities. Finances are provided by an assessment on all traffic violations within the Village limits. (35-14-11 NMSA, 1978)

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. (29-13-4 NMSA, 1978)

Lodger's Tax

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

Recreation

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

Intergovernmental Fund

Accounts for all grants received for the Michael Nivison Public Library to ensure that the funds received are expended for use of the library as outlined in each grant agreement. (Village Ordinance)

Fire Department

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

Tree Thinning Project

Accounts for a hazardous fuels reduction project (tree thinning within the Village limits). Funding provided by the Energy, Minerals, and Natural Resources Department- Forestry Division on a reimbursement basis. (Village Ordinance)

Capital Projects Funds

Municipal Streets

To account for the repair, maintenance, and construction of municipal streets and the purchase of road maintenance equipment. (7-1-6.26 & 27, NMSA 1978)

Heavy Equipment

To account for funds appropriated to the Village from the State for the purchase of heavy equipment needed to complete local projects and ongoing maintenance of facilities.

Debt Service Funds

Debt Service

To account for accumulation of monies and payment of interest, principal & required reserves on loans held.

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	Local Government Corrections 201	Law Enforcement Protection 211	Lodger's Tax 214	Recreation 217
Assets				
Cash and cash equivalents	\$ 1,377	6,182	934	52,252
Receivables:				
Taxes	-	-	8,896	-
Intergovernmental	-	-	-	-
Other	-	-	-	-
Total assets	<u>\$ 1,377</u>	<u>6,182</u>	<u>9,830</u>	<u>52,252</u>
Liabilities				
Accounts payable	\$ -	243	10	2,692
Accrued payroll	-	-	-	-
Total liabilities	<u>-</u>	<u>243</u>	<u>10</u>	<u>2,692</u>
Deferred Inflows				
Property taxes	-	-	-	-
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Nonspendable				
Spendable				
Restricted	1,377	5,939	9,820	49,560
Unassigned	-	-	-	-
Total fund balances	<u>1,377</u>	<u>5,939</u>	<u>9,820</u>	<u>49,560</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,377</u>	<u>6,182</u>	<u>9,830</u>	<u>52,252</u>

The accompanying notes are an integral part of these financial statements

Special Revenue			Capital Projects
Intergovernmental Grants 218	Fire Department 226	Tree Thinning Project 330	Municipal Streets 216
1,388	44,366	5,018	67,267
-	-	-	3,920
-	-	-	-
-	-	-	-
<u>1,388</u>	<u>44,366</u>	<u>5,018</u>	<u>71,187</u>
77	-	-	316
-	-	-	-
<u>77</u>	<u>-</u>	<u>-</u>	<u>316</u>
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,311	44,366	5,018	70,871
-	-	-	-
<u>1,311</u>	<u>44,366</u>	<u>5,018</u>	<u>70,871</u>
<u>1,388</u>	<u>44,366</u>	<u>5,018</u>	<u>71,187</u>

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017**

	<u>Capital Projects</u>	<u>Debt Service</u>	
	Heavy Equipment 325	Debt Service 405	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	-	-	178,784
Receivables:			
Taxes	-	-	12,816
Intergovernmental	-	-	-
Other	-	-	-
Total assets	<u>-</u>	<u>-</u>	<u>191,600</u>
Liabilities			
Accounts payable	-	-	3,338
Accrued payroll	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>3,338</u>
Deferred Inflows			
Property taxes	-	-	-
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable			
Spendable			
Restricted	-	-	188,262
Unassigned	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>188,262</u>
Total liabilities, deferred inflows and fund balances	<u>-</u>	<u>-</u>	<u>191,600</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Combining Statement of Revenues, Expeditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017**

	Special Revenue		
	Local Government Corrections 201	Law Enforcement Protection 211	Lodger's Tax 214
Revenues			
Taxes:			
Property	\$ -	-	-
Gross Receipts	-	-	-
Gasoline and motor vehicle tax	-	-	-
Other	-	-	94,047
Intergovernmental			
State operating grants	-	21,800	-
State capital grants	-	-	-
Charges for services	-	-	-
Investment income	1	-	29
Fines and forfeitures	140	-	-
Miscellaneous	-	-	-
Total revenues	141	21,800	94,076
Expenditures:			
Current:			
General government	-	33,485	104,322
Public safety	-	3,441	-
Public works	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Personnel Services	-	-	-
Contractual Services	-	-	-
Supplies	-	-	-
Maintenance and Materials	-	-	-
Utilities	-	-	-
Conservation and development	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest and administrative fees	-	-	-
Total expenditures	-	36,926	104,322
<i>Excess (deficiency) of revenues over (under) expenditures</i>	141	(15,126)	(10,246)
Other Financing Sources (Uses)			
Operating transfers in	-	-	2,436
Operating transfers (out)	-	-	-
Total other financing sources (uses)	-	-	2,436
Net change in fund balances	141	(15,126)	(7,810)
Fund balances - beginning of year	1,236	21,065	17,630
Fund balances, end of year	\$ 1,377	5,939	9,820

The accompanying notes are an integral part of these financial statements

Special Revenue				Capital Projects
Recreation 217	Intergovernmental Grants 218	Fire Department 226	Tree Thinning Project 330	Municipal Streets 216
-	-	-	-	-
-	-	-	-	-
-	-	-	-	24,208
-	-	-	-	-
-	38,629	51,620	-	-
2,147	-	-	-	-
1,000	-	-	-	-
57	-	32	2	63
-	-	-	-	-
8,734	-	675	-	-
<u>11,938</u>	<u>38,629</u>	<u>52,327</u>	<u>2</u>	<u>24,271</u>
14,168	175	31,547	-	-
-	-	-	-	-
-	-	-	-	10,215
-	-	-	-	-
2,495	13,912	-	-	-
-	-	-	-	-
-	7,820	-	-	-
-	7,181	-	-	-
-	22,517	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>16,663</u>	<u>51,605</u>	<u>31,547</u>	<u>-</u>	<u>10,215</u>
<u>(4,725)</u>	<u>(12,976)</u>	<u>20,780</u>	<u>2</u>	<u>14,056</u>
-	-	-	-	-
<u>(2,437)</u>	<u>6,663</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(2,437)</u>	<u>6,663</u>	<u>-</u>	<u>-</u>	<u>-</u>
(7,162)	(6,313)	20,780	2	14,056
<u>56,722</u>	<u>7,624</u>	<u>23,586</u>	<u>5,016</u>	<u>56,815</u>
<u>49,560</u>	<u>1,311</u>	<u>44,366</u>	<u>5,018</u>	<u>70,871</u>

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017**

	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
	Heavy Equipment 325	Debt Service 405	
Revenues			
Taxes:			
Property	\$ -	-	-
Gross Receipts	-	-	-
Gasoline and motor vehicle tax	-	-	24,208
Other	-	-	94,047
Intergovernmental			
State operating grants	-	-	112,049
State capital grants	-	-	2,147
Charges for services	-	-	1,000
Investment income	-	-	184
Fines and forfeitures	-	-	140
Miscellaneous	-	-	9,409
Total revenues	-	-	243,184
Expenditures:			
Current:			
General government	-	560	184,257
Public safety	-	-	3,441
Public works	-	-	10,215
Health and welfare	-	-	-
Culture and recreation	-	-	16,407
Personnel Services	-	-	-
Contractual Services	-	-	7,820
Supplies	-	-	7,181
Maintenance and Materials	-	-	22,517
Utilities	-	-	-
Conservation and development	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	36,949	36,949
Interest and administrative fees	-	35,163	35,163
Total expenditures	-	72,672	323,950
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>-</i>	<i>(72,672)</i>	<i>(80,766)</i>
Other Financing Sources (Uses)			
Operating transfers in	-	99,562	101,998
Operating transfers (out)	-	(26,890)	(22,664)
Total other financing sources (uses)	-	72,672	79,334
Net change in fund balances	-	-	(1,432)
Fund balances - beginning of year	-	-	189,694
Fund balances, end of year	\$ -	-	188,262

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual
Water and Sewer Fund 500
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 772,910	772,910	816,796	43,886
Total operating revenues	<u>772,910</u>	<u>772,910</u>	<u>816,796</u>	<u>43,886</u>
Operating Expenses				
Personnel services	780,984	780,984	334,853	446,131
Contractual services	-	-	43,059	(43,059)
Supplies	-	-	12,255	(12,255)
Maintenance and materials	-	-	65,576	(65,576)
Utilities	-	-	103,938	(103,938)
Other operating expenses	-	-	208,280	(208,280)
Total operating expenses	<u>780,984</u>	<u>780,984</u>	<u>767,961</u>	<u>13,023</u>
Operating income (loss)	<u>(8,074)</u>	<u>(8,074)</u>	<u>48,835</u>	<u>30,863</u>
Nonoperating Revenue (Expenses)				
Gross receipts taxes	36,000	36,000	15,352	20,648
Investment income	350	350	423	(73)
Miscellaneous income	-	-	1,600	(1,600)
Principal expenses	-	-	5,520	(5,520)
Designated cash (budgeted increase in cash)	-	-	-	-
Total nonoperating revenues (expenses)	<u>36,350</u>	<u>36,350</u>	<u>22,895</u>	<u>13,455</u>
Income (loss) before contributions and tranfers	28,276	28,276	71,730	44,318
Capital Grants and Net Transfers				
Capital grants and contributions	-	-	63,122	(63,122)
Operating transfers in	-	-	34,688	(34,688)
Operating transfers out	<u>43,000</u>	<u>43,000</u>	<u>(495,714)</u>	<u>538,714</u>
Capital grants and net transfers	<u>43,000</u>	<u>43,000</u>	<u>(397,904)</u>	<u>440,904</u>
Change in net position	<u>71,276</u>	<u>71,276</u>	<u>(326,174)</u>	<u>485,222</u>
Net Position, beginning of year	-	-	6,041,349	6,041,349
Net Position, end of year	<u>\$ 71,276</u>	<u>71,276</u>	<u>5,715,175</u>	<u>6,526,571</u>
			Change in net position per above \$	(326,174)
			Depreciation	<u>196,257</u>
			Change in net position per statement of revenues, expenses and net changes in fund \$	<u>(522,431)</u>

See Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual
Sanitation and Environmental Solid Waste Fund 503
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 195,000	177,471	173,237	(4,234)
Total operating revenues	<u>195,000</u>	<u>177,471</u>	<u>173,237</u>	<u>(4,234)</u>
Operating Expenses				
Personnel services	-	-	-	-
Contractual services	230,950	247,053	153,364	93,689
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
Acquisition of capital asset	-	-	-	-
Other operating expenses	-	-	77,258	(77,258)
Total operating expenses	<u>230,950</u>	<u>247,053</u>	<u>230,622</u>	<u>16,431</u>
Operating income (loss)	<u>(35,950)</u>	<u>(69,582)</u>	<u>(57,385)</u>	<u>(20,665)</u>
Nonoperating Revenue (Expenses)				
Gross receipts taxes	13,500	15,564	34,444	(18,880)
Investment income	200	181	182	(1)
Miscellaneous income	9,500	8,876	-	8,876
Principal expenses	-	-	-	-
Total nonoperating revenues (expenses)	<u>23,200</u>	<u>24,621</u>	<u>34,626</u>	<u>(10,005)</u>
Income (loss) before contributions and tranfers	<u>(12,750)</u>	<u>(44,961)</u>	<u>(22,759)</u>	<u>10,660</u>
Capital Grants and Net Transfers				
Capital grants and contributions	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Capital grants and net transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(12,750)</u>	<u>(44,961)</u>	<u>(22,759)</u>	<u>10,660</u>
Net Position, beginning of year	<u>-</u>	<u>-</u>	<u>202,572</u>	<u>202,572</u>
Net Position, end of year	<u>\$ (12,750)</u>	<u>(44,961)</u>	<u>179,813</u>	<u>213,232</u>
			Change in net position per above \$	(22,759)
			Depreciation	-
			Change in net position per statement of revenues, expenses and net changes in fund \$	<u>(22,759)</u>

See Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual
Water Replacement Fund 506
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 63,500	63,500	62,390	(1,110)
Total operating revenues	<u>63,500</u>	<u>63,500</u>	<u>62,390</u>	<u>(1,110)</u>
Operating Expenses				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Supplies	-	-	-	-
Maintenance and materials	25,000	25,000	1,289	23,711
Utilities	-	-	-	-
Acquisition of capital asset	-	-	-	-
Other operating expenses	-	-	-	-
Total operating expenses	<u>25,000</u>	<u>25,000</u>	<u>1,289</u>	<u>23,711</u>
Operating income (loss)	<u>38,500</u>	<u>38,500</u>	<u>61,101</u>	<u>(24,821)</u>
Nonoperating Revenue (Expenses)				
Gross receipts taxes	-	-	-	-
Investment income	200	200	104	96
Miscellaneous income	-	-	-	-
Principal expenses	-	-	-	-
Total nonoperating revenues (expenses)	<u>200</u>	<u>200</u>	<u>104</u>	<u>96</u>
Income (loss) before contributions and transfers	38,700	38,700	61,205	(24,725)
Capital Grants and Net Transfers				
Capital grants and contributions	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	<u>(26,489)</u>	<u>(26,498)</u>	<u>(13,364)</u>	<u>(13,134)</u>
Capital grants and net transfers	<u>(26,489)</u>	<u>(26,498)</u>	<u>(13,364)</u>	<u>(13,134)</u>
Change in net position	<u>12,211</u>	<u>12,202</u>	<u>47,841</u>	<u>(37,859)</u>
Net Position, beginning of year	-	-	86,463	86,463
Net Position, end of year	<u>\$ 12,211</u>	<u>12,202</u>	<u>134,304</u>	<u>48,604</u>
			Change in net position per above \$	47,841
			Depreciation	-
			Change in net position per statement of revenues, expenses and net changes in fund \$	<u>47,841</u>

See Notes to Financial Statements

SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Schedule of Deposits and Investment Accounts
For the Year Ended June 30, 2017**

Account Name	Account Type	First National Bank	NMFA	Total
Deposits in Bank	Checking NOW -interest bearing	\$ 865	\$ -	\$ 865
	Money Market Account	5,018	-	5,018
	Checking NOW-interest bearing	1,498,159	-	1,498,159
	Money Market Account	406,270	-	406,270
	Certificate of deposit	50,352	-	50,352
	Certificate of deposit	67,234	-	67,234
	Certificate of deposit	87,335	-	87,335
	Certificate of deposit	8,319	-	8,319
	Cash held at NMFA	-	-	-
Total bank balance		\$ 2,123,552	-	\$ 2,123,552
Reconciling items				
Outstanding items		\$ (83,235)	-	(83,235)
Deposits in transit		-	-	-
Total adjustments		(83,235)	-	(83,235)
Total book balance		\$ 2,040,317	-	2,040,317
Petty Cash			\$	125
Deposits and investments			\$	2,040,442
Financial Statements:				
Cash, investments and cash equivalents				
Governmental funds			\$	1,255,629
Business-type funds				784,813
Agency funds				-
Total per financial statements			\$	2,040,442

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Schedule of Pledged Collateral
For the Year Ended June 30, 2017**

Bank:	First National Bank	Totals
Checking NOW-interest bearing	\$ 1,498,159	1,498,159
Checking NOW -interest bearing	865	865
Money Market Account	406,270	406,270
Money Market Account	5,018	5,018
Certificate of deposit	50,352	50,352
Certificate of deposit	67,234	67,234
Certificate of deposit	87,335	87,335
Certificate of deposit	8,319	8,319
Total Deposits	2,123,552	2,123,552
(Less) FDIC Insurance (Time and Savings):	(250,000)	
(Less) FDIC Insurance (Demand):	(250,000)	
	(500,000)	
Total uninsured public funds:	1,623,552	
Collateral Requirement (50% of Deposits):	811,776	
Cash held at NMFA		195
Total Bank cash and Investments per Schedule of Bank Accounts		\$ 2,123,747

Held at	Pledged Collateral:	CUSIP#	
FHLMC Pool #D96030 Maturity 5/1/2023	#3128E2VX1		\$ 40,231
FHLMC Pool #MA0443 Maturity 5/1/2030	#31417YP50		88,256
FNMA Pool #MA0949 Maturity 1/1/2032	#31418ABT4		367,640
Bernalillo N Mex State-Shared	#3130A3KM5		540,524
Total Pledged Collateral:			1,036,651
Excess (Deficiency):			\$ 224,875

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Changes In Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

		Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS					
	Cash	\$ -	89,839	89,839	-
	Total Assets	<u>\$ -</u>	<u>89,839</u>	<u>89,839</u>	<u>-</u>
LIABILITIES					
	Accounts Payable	\$ -	89,839	89,839	-
	Total Liabilities	<u>\$ -</u>	<u>89,839</u>	<u>89,839</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Schedule of Joint Powers Agreements and Memorandums of Understanding
For the Year Ended June 30, 2017

<u>Participants</u>	<u>Responsible Party</u>	<u>Description</u>	<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. & Exp.</u>
<i>Joint Powers Agreements</i>									
Village of Cloudcroft; Energy, Minerals, and Natural Resources Department; and Forestry Division	All	To establish the responsibilities of all parties for wildland fire protection and suppression	11/2/2007	Indefinitely	Unknown	Unknown	All	None	Both
<i>Memorandums of Understanding</i>									
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 undeserved 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)	8/7/2012	Indefinitely	Unknown	Unknown	Both	None	Both

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To Mr. Wayne Johnson
New Mexico State Auditor
And
The Village Council
Village of 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 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, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated December 15, 2017.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2016-004 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from 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 item 2017-001.

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.



Albuquerque, New Mexico
December 15, 2017

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Schedule of Findings and Responses
June 30, 2017

A – AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

2016-004: INEFFECTIVE OVERSIGHT OVER UTILITY CUSTOMER ACCOUNTS (Significant Deficiency) Repeated

CONDITION: During our review of the Village’s controls surrounding utility customer accounts we noted that 2 out of 10 outstanding utility security deposits tested for accounts that were no longer active had not been returned to either the customer or the New Mexico Taxation and Revenue Department. These eight deposits totaled to \$197.

The Village implemented policies for monitoring utility deposits during fiscal year 2017. Progress has been made from prior year, and the finding is expected to be resolved in the subsequent fiscal year.

CRITERIA: Strong internal controls help ensure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations. The entity shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. Additionally, pursuant NMSA 1978 Sections 7-8A-1 through 7-8A-31, Uniform Property Act, any person or entity in possession of property that belongs to another, or who is trustee in the case of a trust, or who is indebted to another person on an obligation subject to the Uniform Unclaimed Property Act, is a holder of unclaimed property and must report that property to the State of New Mexico.

EFFECT: The Village is not providing adequate oversight over utility customer accounts. This creates risk for the Village in the form of both liability with customers and misstatement of financial information surrounding utility balances.

CAUSE: The Village is not adequately implementing designed internal controls surrounding the billing and maintaining of customer utility accounts.

RECOMMENDATION: It is recommended that the Village conduct timely reconciliations of outstanding deposits on closed accounts and remit those amounts in a timely manner.

MANAGEMENT RESPONSE: The Village Clerk will establish and strictly implement a more detailed process for oversight of utility customer accounts. The Village Clerk will be diligent in training the Utility Billing Clerk in attention to detail. This process is expected to be implemented in January of 2018.

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Schedule of Findings and Responses
June 30, 2017

2017-001: INTERNAL CONTROL STRUCTURE SURROUNDING PAYROLL (Compliance)

CONDITION: During our testing over payroll disbursements, we noted the following:

- In 1 out of 25 payroll transactions tested, an employee took 48 hours of sick leave and did not submit a leave request for approval.
- In 3 out of 25 payroll transactions tested, the supervisor did not sign and approve the employee's timesheet.

CRITERIA: The Village's Personnel Policies and Employee Handbook states "All requests for leave shall be applied for in advance on a standard form issued by the Village Clerk, which shall include the date(s) of leave and the type of leave requested, and shall be signed by the employee." Additionally, Village policy requires that all timesheets for hourly employees be signed and approved by a Supervisor.

EFFECT: The Village is not in compliance with its established policies surrounding time tracking and sick leave.

CAUSE: The Village is not adequately implementing control structure designed around timekeeping.

RECOMMENDATION: We recommend that the Village follow and enforce policies and procedures in place surrounding leaves of absence and the payroll and timekeeping processes.

MANAGEMENT RESPONSE: The Village Clerk and Accounting/Payroll Clerk will be more attentive to detail to ensure that leaves of absence are submitted and approved and also ensure that all time sheets for hourly employees are signed and approved by a supervisor. This process is to be implemented immediately.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Status of Prior Year Findings
June 30, 2017**

STATUS OF PRIOR YEAR FINDINGS

2016-001	Journal Entry Processes	Resolved
2016-002	Receiving Documentation	Resolved
2016-003	Internal Controls Over Cash Receipts	Resolved
2016-004	Ineffective Oversight Over Utility Customer Accounts	Repeated and Modified

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Exit Conference
June 30, 2017**

An exit conference was held on December 8, 2017. In attendance were the following:

Representing the Village of Cloudcroft:

Dave Venable, Mayor
Jini Turri, Village Administrator/Clerk/Treasurer

Representing Axiom Certified Public Accountants and Business Advisors LLC:

Jaime Rumbaoa, Partner

Auditor Prepared Financial Statements

Axiom Certified Public Accountants and Business Advisors LLC prepared the GAAP-basis financial statements and footnotes for the Village of Cloudcroft from the original books and records provided to them by the management of the Village. The responsibility for the financial statements remains with the Village.