

**Village of Cloudcroft,
New Mexico**

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

June 30, 2018

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
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June 30, 2018

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VILLAGE OF CLOUDCROFT
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**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Official Roster
June 30, 2018**

Name

Title

Village Council

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

Mayor
Mayor Pro Tem
Councilor
Councilor
Councilor

Administration

Jini S. Turri
Sheila Tanner

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

INDEPENDENT AUDITOR'S REPORT

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, 2018, 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, 2018, 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 42-46, 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 October 15, 2018 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

October 15, 2018

FINANCIAL SECTION

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Net Position
June 30, 2018**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 1,397,605	820,637	2,218,242
Receivables:			
Taxes	171,397	-	171,397
Other	11,416	154,664	166,080
Total current assets	<u>1,580,418</u>	<u>975,301</u>	<u>2,555,719</u>
Noncurrent assets			
Capital assets	12,202,384	12,009,975	24,212,359
Less: Accumulated Depreciation	(8,543,709)	(5,673,130)	(14,216,839)
Total noncurrent assets	<u>3,658,675</u>	<u>6,336,845</u>	<u>9,995,520</u>
Total assets	<u>5,239,093</u>	<u>7,312,146</u>	<u>12,551,239</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	203,838	82,109	285,947
Total deferred outflows of resources	<u>203,838</u>	<u>82,109</u>	<u>285,947</u>
LIABILITIES			
Current liabilities			
Accounts payable	23,931	29,170	53,101
Accrued payroll liabilities	19,553	10,915	30,468
Current portion of compensated absences	8,649	5,438	14,087
Accrued interest	1,092	14,582	15,674
Current portion of long-term debt	37,711	49,283	86,994
Total current liabilities	<u>90,936</u>	<u>109,388</u>	<u>200,324</u>
Noncurrent liabilities			
Accrued compensated absences	6,010	5,706	11,716
Noncurrent portion of long-term debt	448,926	1,034,204	1,483,130
Net pension liability	569,896	324,481	894,377
Total noncurrent liabilities	<u>1,024,832</u>	<u>1,364,391</u>	<u>2,389,223</u>
Total liabilities	<u>1,115,768</u>	<u>1,473,779</u>	<u>2,589,547</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	125,270	22,487	147,757
Total deferred inflows of resources	<u>125,270</u>	<u>22,487</u>	<u>147,757</u>
NET POSITION			
Net investment in capital assets	3,172,038	5,329,923	8,501,961
Restricted for:			
Special revenues	592,387	-	592,387
Capital projects	87,171	-	87,171
Debt Services	578		578
Unrestricted	349,719	568,066	917,785
Total net position	<u>\$ 4,201,893</u>	<u>5,897,989</u>	<u>10,099,882</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 642,304	24,345	114,400	-	(503,559)	-	(503,559)
Public safety	591,924	64,714	512,873	-	(14,337)	-	(14,337)
Public works	217,647	-	-	438,817	221,170	-	221,170
Health and welfare	68,545	-	-	-	(68,545)	-	(68,545)
Culture and recreation	108,603	1,000	-	-	(107,603)	-	(107,603)
Interest on long-term debt	13,728	-	-	-	(13,728)	-	(13,728)
Total governmental activities	1,642,751	90,059	627,273	438,817	(486,602)	-	(486,602)
Business-Type Activities:							
Water and sewer	913,802	847,012	-	-	-	(66,790)	(66,790)
Sanitation and environmental solid waste	255,371	197,478	-	-	-	(57,893)	(57,893)
Water replacement	19,744	62,050	-	-	-	42,306	42,306
Total business-type activities	1,188,917	1,106,540	-	-	-	(82,377)	(82,377)
Total primary government	\$ 2,831,668	1,196,599	627,273	438,817	(486,602)	(82,377)	(568,979)
Taxes							
Property taxes					\$ 62,686	-	62,686
Gross receipts tax					780,518	39,623	820,141
Gasoline and motor vehicle taxes					57,445	-	57,445
Other taxes					141,094	371	141,465
Investment income					1,898	1,252	3,150
Fines and forfeitures					7,659	-	7,659
Miscellaneous income					62,573	33,111	95,684
Total general revenues					1,113,873	74,357	1,188,230
Transfers in/out					995,069	(995,069)	-
Change in net position					1,622,340	(1,003,089)	619,251
Transfer in/out of net position - (Note 16)					(1,068,043)	1,068,043	-
Net position, beginning					3,647,596	5,833,035	9,480,631
Net position, ending					\$ 4,201,893	5,897,989	10,099,882

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Balance Sheet - Governmental Funds
June 30, 2018

	General Fund 100	Special Revenue		Capital Projects	Other Non-Major Funds	Total Governmental Funds
		EMS 206	Fire Protection 209	PURE Projects 315		
ASSETS						
Cash and cash equivalents	\$ 727,868	214,560	164,438	22,706	268,033	1,397,605
Receivables						
Taxes	144,347	-	-	-	27,050	171,397
Other	11,416	-	-	-	-	11,416
Total assets	\$ 883,631	214,560	164,438	22,706	295,083	1,580,418
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 7,473	1,179	998	12,262	2,019	23,931
Accrued payroll	19,360	-	-	-	193	19,553
Total liabilities	26,833	1,179	998	12,262	2,212	43,484
DEFERRED INFLOWS						
Property taxes	7,247	-	-	-	-	7,247
Total deferred inflows	7,247	-	-	-	-	7,247
FUND BALANCES						
Restricted for:						
Special revenue funds	-	213,381	163,440	-	215,566	592,387
Capital project funds	-	-	-	10,444	76,727	87,171
Debt services	-	-	-	-	578	578
Unassigned	849,551	-	-	-	-	849,551
Total fund balances	849,551	213,381	163,440	10,444	292,871	1,529,687
Total liabilities, deferred inflows and fund balances	\$ 883,631	214,560	164,438	22,706	295,083	1,580,418

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, 2018

Fund balances - total governmental funds	\$ 1,529,687
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	3,658,675
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	7,247
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	203,838
Deferred outflows of resources related to property tax	
Deferred inflows of resources related to pension	(125,270)
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	(1,092)
Accrued compensated absences not due and payable at year end	(14,659)
Loans payable	(486,637)
Net pension liability	(569,896)
	<hr/>
Net position of governmental activities (Statement of Net Position)	\$ <u><u>4,201,893</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund 100	Special Revenue		Capital Projects	Other Non-Major Funds	Total Governmental Funds
		EMS 206	Fire Protection 209	PURE Projects 315		
Revenues						
Taxes:						
Property	\$ 59,601	-	-	-	-	59,601
Gross receipts	716,444	-	-	-	64,074	780,518
Gasoline and motor vehicle taxes	34,016	-	-	-	23,429	57,445
Other	37,251	-	-	-	103,843	141,094
Intergovernmental income						
State operating grants	90,000	9,613	287,850	-	239,810	627,273
State capital grants	-	-	-	293,630	145,187	438,817
Charges for services	24,345	64,714	-	-	1,000	90,059
Investment income	1,137	320	-	-	441	1,898
Fines and forfeitures	5,599	-	-	-	2,060	7,659
Miscellaneous	50,644	-	-	-	11,929	62,573
Total revenues	1,019,037	74,647	287,850	293,630	591,773	2,266,937
Expenditures						
Current						
General government	392,715	6,292	43,735	-	124,843	567,585
Public safety	330,628	-	99,052	-	3,865	433,545
Public works	66,761	-	-	-	118,004	184,765
Health and welfare	-	48,195	-	-	20,350	68,545
Culture and recreation	60,699	-	-	-	22,610	83,309
Capital outlay	51,703	-	-	325,031	260,238	636,972
Debt service						
Principal	-	-	-	-	37,267	37,267
Interest and administrative fees	-	-	-	-	13,728	13,728
Total expenditures	902,506	54,487	142,787	325,031	600,905	2,025,716
Excess (deficiency) of revenues over (under) expenditures before other financings sources (uses)	116,531	20,160	145,063	(31,401)	(9,132)	241,221
Other Financing Sources (Uses)						
Operating transfers in	(60,548)	-	(50,995)	-	(354,852)	(466,395)
Operating transfers (out)	31,140	-	-	949,580	480,744	1,461,464
Total other financing sources (uses)	(29,408)	-	(50,995)	949,580	125,892	995,069
Net change in fund balances	87,123	20,160	94,068	918,179	116,760	1,236,290
Transfer (Note 16)	-	-	-	(907,735)	(160,308)	(1,068,043)
Fund balances, beginning of year	762,428	193,221	69,372	-	336,419	1,361,440
Fund balances, end of year	\$ 849,551	213,381	163,440	10,444	292,871	1,529,687

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, 2018**

Net change in fund balances- total governmental funds	\$	1,236,290
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		636,972
Depreciation expense		(252,940)
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		(50,938)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the governmental funds:		
Increase in deferred property taxes		3,085
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		(2,535)
Decrease in accrued interest		15,139
Principal payments on loans payable		37,267
Change in net position of governmental activities	\$	<u><u>1,622,340</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	\$ 57,560	60,103	60,074	(29)
Gross receipts	655,000	655,000	695,683	40,683
Gasoline and motor vehicle	30,300	30,300	33,376	3,076
Other taxes	30,000	30,000	32,331	2,331
State operating grants	90,000	90,000	90,000	-
Charges for services	27,730	27,730	24,345	(3,385)
Investment income	700	700	1,137	437
Fines and forfeitures	1,220	1,220	5,599	4,379
Miscellaneous income	20,800	20,800	81,784	60,984
Total revenues	913,310	915,853	1,024,329	108,476
Expenditures				
Current				
General government	332,127	330,257	396,298	(66,041)
Public safety	368,000	368,000	340,248	27,752
Public works	113,275	113,275	72,412	40,863
Health and welfare	-	-	-	-
Culture and recreation	64,967	64,967	61,365	3,602
Miscellaneous	45,775	45,775	-	45,775
Capital outlay	-	-	-	-
Total expenditures	924,144	922,274	870,323	51,951
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(10,834)	(6,421)	154,006	160,427
Other Financing Sources (Uses):				
Transfers, in	-	(77,598)	(60,548)	17,050
Transfers, out	-	-	31,140	31,140
Total other financing sources (uses)	-	(77,598)	(29,408)	48,190
Net changes in fund balances	\$ (10,834)	(84,019)	124,598	208,617
Reconciliation to GAAP basis:				
Adjustments to revenues			\$ (5,292)	
Adjustments to expenditures			(32,183)	
Net Change in Fund Balances (GAAP Basis)			\$ 87,123	

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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental				
State operating grants	\$ 9,097	9,097	9,613	516
Charges for services	60,245	41,245	64,714	23,469
Investment Income	-	-	-	-
Miscellaneous income	500	500	320	(180)
<i>Total revenues</i>	<u>69,842</u>	<u>50,842</u>	<u>74,647</u>	<u>23,805</u>
Expenditures				
Current				
Public safety	164,587	164,587	6,292	158,295
<i>Total expenditures</i>	<u>164,587</u>	<u>164,587</u>	<u>6,292</u>	<u>158,295</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(94,745)</u>	<u>(113,745)</u>	<u>68,355</u>	<u>182,100</u>
Net changes in fund balances	<u>\$ (94,745)</u>	<u>(113,745)</u>	68,355	<u>182,100</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			\$ -	
Adjustments to expenditures			<u>(48,195)</u>	
Net Change in Fund Balances (GAAP Basis)			<u>\$ 20,160</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental				
State operating grants	\$ 250,899	250,899	287,850	36,951
<i>Total revenues</i>	<u>250,899</u>	<u>250,899</u>	<u>287,850</u>	<u>36,951</u>
Expenditures				
Current				
General government	-	-	45,655	(45,655)
Public safety	194,228	194,228	101,586	92,642
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>194,228</u>	<u>194,228</u>	<u>147,241</u>	<u>46,987</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>56,671</u>	<u>56,671</u>	<u>140,609</u>	<u>83,938</u>
Other Financing Sources (Uses):				
Transfers, in	(50,995)	(50,995)	(50,995)	-
Transfers, out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(50,995)</u>	<u>(50,995)</u>	<u>(50,995)</u>	<u>-</u>
Net changes in fund balances	\$ <u>5,676</u>	<u>5,676</u>	89,614	<u>83,938</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			\$ -	
Adjustments to expenditures			<u>4,454</u>	
Net Change in Fund Balances (GAAP Basis)			\$ <u>94,068</u>	

See Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Net Position
Proprietary Funds
June 30, 2018**

	Business-Type Activities			Total
	Enterprise Funds			
	Water and Sewer 500	Sanitation and Environmental Solid Waste 503	Water Replacement 506	
Assets				
Current Assets				
Cash and cash equivalents	\$ 572,200	135,138	113,299	820,637
Receivables				
Other	118,724	26,952	8,988	154,664
Total current assets	<u>690,924</u>	<u>162,090</u>	<u>122,287</u>	<u>975,301</u>
Noncurrent assets				
Capital assets	11,841,055	-	168,920	12,009,975
Less: accumulated depreciation	<u>(5,672,914)</u>	<u>-</u>	<u>(216)</u>	<u>(5,673,130)</u>
Total noncurrent assets	<u>6,168,141</u>	<u>-</u>	<u>168,704</u>	<u>6,336,845</u>
Total assets	<u>6,859,065</u>	<u>162,090</u>	<u>290,991</u>	<u>7,312,146</u>
Deferred Outflows				
Pension related	82,109	-	-	82,109
Total deferred outflows of resources	<u>82,109</u>	<u>-</u>	<u>-</u>	<u>82,109</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 15,122	14,048	-	29,170
Accrued payroll	10,915	-	-	10,915
Current portion of accrued compensated absences	5,438	-	-	5,438
Deposits held in trust	-	-	-	-
Accrued interest	12,914	-	1,668	14,582
Current portion of loans payable	67,070	-	8,683	75,753
Total current liabilities	<u>111,459</u>	<u>14,048</u>	<u>10,351</u>	<u>135,858</u>
Noncurrent Liabilities				
Accrued compensated absences	5,706	-	-	5,706
Loans payable	939,852	-	67,882	1,007,734
Net Pension Liability	324,481	-	-	324,481
Total noncurrent liabilities	<u>1,270,039</u>	<u>-</u>	<u>67,882</u>	<u>1,337,921</u>
Total Liabilities	<u>1,381,498</u>	<u>14,048</u>	<u>78,233</u>	<u>1,473,779</u>
Deferred inflows of resources				
Pension related	22,487	-	-	22,487
Total deferred inflows of resources	<u>22,487</u>	<u>-</u>	<u>-</u>	<u>22,487</u>
Net Position				
Net investment in capital assets	5,161,219	-	168,704	5,329,923
Unrestricted	375,970	148,042	44,054	568,066
Total Net Position	<u>\$ 5,537,189</u>	<u>148,042</u>	<u>212,758</u>	<u>5,897,989</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, 2018

	Business-Type Activities Enterprise Funds			Total
	Water and Sewer 500	Sanitation and Environmental Solid Waste 503	Water Replacement 506	
<i>Operating Revenues</i>				
Charges for Services	\$ 847,012	197,478	62,050	1,106,540
Total operating revenues	847,012	197,478	62,050	1,106,540
<i>Operating Expenses</i>				
Personnel services	537,478	-	-	537,478
Contractual services	22,675	176,294	-	198,969
Supplies	9,032	-	-	9,032
Maintenance and materials	2,300	-	-	2,300
Utilities	104,857	-	-	104,857
Depreciation	196,503	-	216	196,719
Other operating expenses	9,139	79,077	15,468	103,684
<i>Total operating expenses</i>	881,984	255,371	15,684	1,153,039
<i>Operating income (loss)</i>	(34,972)	(57,893)	46,366	(46,499)
<i>Non-operating revenues</i>				
Interest income	826	227	199	1,252
Interest expense	(31,818)	-	(4,060)	(35,878)
Gross receipts tax revenue	39,623	-	-	39,623
Other Taxes	-	371	-	371
Miscellaneous	7,587	25,524	-	33,111
Total non-operating revenues	16,218	26,122	(3,861)	38,479
Income Before Contributions and Transfers	(18,754)	(31,771)	42,505	(8,020)
<i>Other Financing Sources (Uses)</i>				
Operating transfers (out)	(1,110,758)	-	(43,841)	(1,154,599)
Operating transfers in	79,740	-	79,790	159,530
<i>Net transfers</i>	(1,031,018)	-	35,949	(995,069)
Change in net position	(1,049,772)	(31,771)	78,454	(1,003,089)
<i>Transfer net position (Note 16)</i>	1,068,043	-	-	1,068,043
<i>Net position, beginning of year</i>	5,518,918	179,813	134,304	5,833,035
<i>Net position, end of year</i>	\$ 5,537,189	148,042	212,758	5,897,989

See Notes to Financial Statements.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2018**

	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	\$ 846,795	205,006	61,875	1,113,676
Cash payments to vendors and employees	(678,393)	(242,263)	(13,800)	(934,456)
Net cash provided (used) by operating activities	<u>168,402</u>	<u>(37,257)</u>	<u>48,075</u>	<u>179,220</u>
Cash Flows From Non-Capital Financing				
Gross receipts tax	39,623	-	-	39,623
Other taxes	-	371	-	371
Transfer and interfund balance settlement	117,564	-	(44,590)	72,974
Miscellaneous income	7,587	25,524	-	33,111
Net cash provided (used) by non-capital financing activities	<u>164,774</u>	<u>25,895</u>	<u>(44,590)</u>	<u>146,079</u>
Cash Flows From Capital and Related Financing Activities				
Principal payments on long-term debt	(35,183)	-	(3,175)	(38,358)
Interest paid	(31,818)	-	(4,060)	(35,878)
Purchases of capital assets	(207,850)	-	(8,641)	(216,491)
Net cash provided by capital and related financing activities	<u>(274,851)</u>	<u>-</u>	<u>(15,876)</u>	<u>(290,727)</u>
Cash Flows From Investing Activities				
Interest income	826	227	199	1,252
Net cash provided (used) by investing activities	<u>826</u>	<u>227</u>	<u>199</u>	<u>1,252</u>
Net increase (decrease) in cash and cash equivalents	59,151	(11,135)	(12,192)	35,824
Cash and cash equivalents, beginning of year	513,049	146,273	125,491	784,813
Cash and cash equivalents, end of year	<u>\$ 572,200</u>	<u>135,138</u>	<u>113,299</u>	<u>820,637</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities				
Operating income (loss)	\$ (34,972)	(57,893)	46,366	(46,499)
Adjustments to operating (loss) income to net cash provided by operating activities:				
Depreciation	196,503	-	216	196,719
Pension Expense	24,929	-	-	24,929
Change in assets and liabilities:				
Receivables	(217)	7,528	(175)	7,136
Accounts payable	(33,748)	13,108	-	(20,640)
Accrued payroll	10,395	-	-	10,395
Deposit payable	(6,358)	-	-	(6,358)
Accrued compensated absences	(1,044)	-	-	(1,044)
Accrued interest	12,914	-	1,668	14,582
Net cash provided (used) by operating activities	<u>\$ 168,402</u>	<u>(37,257)</u>	<u>48,075</u>	<u>179,220</u>
Supplemental disclosure of non-cash investing activities:				
Transfer of assets to governmental funds	\$ -	-	135,421	135,421

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018

ASSETS		
Cash		\$ <u>6,264</u>
Total Assets		\$ <u><u>6,264</u></u>
LIABILITIES		
Accounts Payable		\$ <u>6,264</u>
Total Liabilities		\$ <u><u>6,264</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, 2018**

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, 2018**

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, 2018**

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, 2018

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 *Emergency Medical Services 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)

PURE Project Fund Capital Project Fund to accounts for all other monies received from Rural Infrastructure revolving loan fund, the loan will be available for a period of three years from the date for the agreement.

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* are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes.

The *Capital Projects Funds* are used to account for financial resources to be used for the acquisition.

The *Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, general long-term obligation bond principal, interest and related costs.

The *Fiduciary Funds* account for resources held for others by the Village in in a capacity as an agent for various organizations and other outside parties. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

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

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2018**

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

Property taxes are 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.

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.

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, 2018, there were none.

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, 2018**

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, 2018, along with the applicable Public Employees Retirement Association (PERA) and other pension costs.

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.

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.

Deferred outflows of resources: In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate 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 reports deferred outflows in both governmental and business-type activities. Accordingly, employer contributions made to PERA subsequent to the measurement date has been reported as a deferred outflow of resources. These amounts will directly reduce the net pension liability in the next fiscal year. Other deferred outflows represent other pension activities which arise under GASB No. 68 and are amortized into pension expense over five years or the average remaining service life of employees.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred inflows of resources: In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. These deferred inflows of resources represent 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 (measurable 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 deferred inflows of resources on the statement of net position for both the governmental and business-type activities, which arise due to the implementation of GASB No. 68 and related pension activities. These amounts are reported as a deferred inflow and amortized into pension expense over the average remaining service life of employees.

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.

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, 2018**

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, 2018, the restricted fund balance on the governmental funds balance sheet is made up of \$680,136 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:* Net position invested in 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 \$76,981 at June 30, 2018.

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, 2018

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

These budgets are prepared on the Non-GAAP budgetary basis, excluding encumbrances, and secure appropriation of funds for only one year. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds, and Proprietary Funds.

The accompanying statements of revenues, expenditures and changes in fund balance-budget (non-GAAP budgetary basis) and actual and statement of revenues, expenses and changes in net position (non-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 generally accepted accounting principles, 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, 2018 is presented.

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, 2018.

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.

All of the Village's accounts are at an insured depository institution, including all noninterest-bearing transaction accounts, which will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

The collateral pledged is listed in the supplementary information. 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, 2018

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2018 \$1,840,173 of the Village's bank balances of \$2,340,173 was exposed to custodial credit risk, however all of the amount exposed was uninsured and collateralized by securities held by the pledging bank's trust department, but not in the Village's name, and \$407,438 was uninsured and uncollateralized.

	FIRST NATIONAL BANK
Amount of deposits	\$ 2,340,173
FDIC coverage	(500,000)
Total uninsured public funds	1,840,173
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Village's name	1,432,735
Uninsured and uncollateralized	\$ 407,438
Collateral requirement (50% of uninsured funds)	\$ 920,087
Pledged collateral	1,432,735
Over (under) collateralized	\$ 512,648

Reconciliation to the Statement of Net Position

Cash and cash equivalents	\$ 2,218,242
Add: outstanding checks	116,288
Add: Agency fund	6,264
Less: deposits in transit	100
Less: NMFA cash	396
Less: petty cash	125
Bank balance of deposits	\$ 2,340,173

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2018**

NOTE 4. RECEIVABLES

At June 30, 2018, 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	\$ 8,738	-	-	-	-
Gross receipts	129,165	11,588	-	2,895	-
Gasoline	-	3,891	-	-	-
Franchise	11,388	-	-	-	-
Lodgers	-	11,571	-	-	-
MVD	6,444	-	-	-	-
Charges for services	28	-	118,724	24,057	8,988
Totals by category	\$ <u>155,763</u>	<u>27,050</u>	<u>118,724</u>	<u>26,952</u>	<u>8,988</u>

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

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2018**

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, 2018 were as follows:

Transfers Out:

General Fund	\$ 31,140
Lodger's Tax Fund	77,985
Municipal Streets Project	86,197
Intergovernmental Grants- Library	10,415
PURE Project	949,580
Colonias Project 3198-CIF	6,210
Capital Project Museum Sound System	3,928
Colonias Project 4115-CIF	76,038
Debt Service	219,971
Total Transfers Out	<u>1,461,464</u>

Transfer In:

General Fund	60,548
Fire Protection Fund	50,995
Lodger's Tax Fund	77,985
Infrastructure	86,197
Capital Projects Schoolhouse Improvement	31,140
Colonias Project 4115-CIF	159,530
Total Transfers In	<u>466,395</u>
Total Transfers	<u>(995,069)</u>

Reconciliation to Government Wide

Transfer Out:

Water and Sewer Fund	79,740
Water Replacement Fund	79,790
Total Transfers Out	<u>159,530</u>

Transfers In:

Water and Sewer Fund	1,110,758
Water Replacement Fund	43,841
Total Transfers In	<u>1,154,599</u>
Total Transfers	<u>\$ 995,069</u>

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2018**

NOTE 6. CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended June 30, 2018. Land and construction in progress are not subject to depreciation.

	<u>Balance 6/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/2018</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 152,339	-	-	152,339
Construction in progress	184,401	327,768	-	512,169
Total Not Depreciated:	<u>336,740</u>	<u>327,768</u>	<u>-</u>	<u>664,508</u>
Capital assets being depreciated:				
Buildings and Improvements	3,619,034	291,378	10,271	3,900,141
Equipment	2,146,047	5,826	-	2,151,873
Infrastructure	5,463,591	12,000	-	5,475,591
Total Being Depreciated	<u>11,228,672</u>	<u>309,204</u>	<u>10,271</u>	<u>11,527,605</u>
Less accumulated depreciation:				
Buildings and improvements	1,963,552	135,183	10,271	2,088,464
Equipment	1,374,404	111,251	-	1,485,655
Infrastructure	4,952,813	6,506	-	4,959,319
Total accumulated depreciation	<u>8,290,769</u>	<u>252,940</u>	<u>10,271</u>	<u>8,533,438</u>
Net Capital Assets being depreciated:	<u>2,937,903</u>	<u>56,264</u>	<u>-</u>	<u>2,994,167</u>
Net Capital Assets:	<u>\$ 3,274,643</u>	<u>384,032</u>	<u>-</u>	<u>3,658,675</u>

Depreciation expense for the year ended June 30, 2018 was charged to governmental activities as follows:

General government	\$ 50,588
Public safety	144,176
Public works	32,882
Culture and recreation	25,294
	<u>\$ 252,940</u>

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2018**

NOTE 6 CAPITAL ASSETS (CONTINUED)

	<u>Balance 06/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/2018</u>
Business Type Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 171,600	-	-	171,600
Construction in progress	2,369,774	160,279	-	2,530,053
Total Not Depreciated:	<u>2,541,374</u>	<u>160,279</u>	<u>-</u>	<u>2,701,653</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	195,285	39,138	-	234,423
Equipment	391,182	17,074	12,000	396,256
Infrastructure	8,667,643	-	-	8,677,643
Total Being Depreciated	<u>9,264,110</u>	<u>56,212</u>	<u>12,000</u>	<u>9,308,322</u>
<i>Less accumulated depreciation:</i>				
Buildings and Improvements	30,731	4,735	-	35,466
Equipment	358,030	11,269	12,000	357,299
Infrastructure	5,099,650	180,715	-	5,280,365
Total accumulated depreciation	<u>5,488,411</u>	<u>196,719</u>	<u>12,000</u>	<u>5,673,130</u>
Net Capital Assets being depreciated:	<u>3,775,699</u>	<u>(140,507)</u>	<u>-</u>	<u>3,635,192</u>
Net Capital Assets:	<u>\$ 6,317,073</u>	<u>19,772</u>	<u>-</u>	<u>6,336,845</u>

Depreciation expense of \$196,719 for the year ended June 30, 2018 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, 2018**

NOTE 7. LONG-TERM LIABILITIES

Long-term liabilities for the year ended June 30, 2018 are summarized as follows:

Governmental Activities

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Loans Payable	\$ 523,904	-	37,267	486,637	37,711
Compensated absences	12,124	15,354	12,819	14,659	8,649
Total long-term debt	<u>\$ 536,028</u>	<u>15,354</u>	<u>50,086</u>	<u>501,296</u>	<u>46,420</u>

<u>Description</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Amount of Issue</u>	<u>Outstanding June 30, 2018</u>	<u>Pledged Revenues</u>
NMFA – Fire Protection Vehicle	7/1/2015	5/1/2025	0.51%- 3.10%	\$ 282,116	\$ 206,146	State Fire Protection Allotment
NMFA – Fire Station	7/1/2015	5/1/2039	0.51%- 3.10%	302,267	280,491	State Fire Protection Allotment
					<u>\$ 486,637</u>	

Debt service requirements on long-term debt for governmental activities at June 30, 2018 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 37,711	13,284	50,995
2020	38,303	12,692	50,995
2021	39,057	11,937	50,994
2022	39,948	11,047	50,995
2023	40,959	10,036	50,995
2024-2028	122,264	34,627	156,891
2029-2033	69,584	21,919	91,503
2034-2038	81,061	10,443	91,504
2039	17,750	550	18,300
	<u>\$ 486,637</u>	<u>126,535</u>	<u>613,172</u>

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2018**

NOTE 7. LONG-TERM LIABILITIES (CONTINUED)

Business-type Activities

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Loans Payable	\$ 1,121,845	-	38,358	1,083,487	49,283
Compensated absences	12,188	15,655	16,699	11,144	5,438
Total long-term debt	<u>\$ 1,134,033</u>	<u>15,655</u>	<u>55,057</u>	<u>1,094,631</u>	<u>54,721</u>

<u>Description</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Amount of Issue</u>	<u>Outstanding June 30, 2018</u>	<u>Pledged Revenues</u>
NMED – RIP 2009-005	7/1/2009	10/8/2036	3.00%	\$ 722,551	\$ 667,963	N/A
NMFA – Water Utility	8/20/2010	5/1/2031	1.00%	59,394	39,937	Joint Utility System
NMFA – Water Tank	4/12/2013	5/1/2025	0.00%	617,185	46,288	Joint Utility System
NMFA	5/16/2014	6/1/2034	0.00%	94,227	75,379	Joint Utility System
NMED – RIP 0005	1/4/2016	9/11/2037	2.375%	253,920	253,920	N/A
					<u>\$ 1,083,487</u>	

Debt service requirements on long-term debt for business-type activities at June 30, 2018 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 49,283	26,469	75,752
2020	50,408	25,345	75,753
2021	51,562	24,190	75,752
2022	52,750	23,002	75,752
2023	53,971	21,780	75,751
2024-2028	289,423	89,337	378,760
2029-2033	318,950	53,223	372,173
2034-2038	217,140	13,755	230,895
	<u>\$ 1,083,487</u>	<u>277,1010</u>	<u>1,360,588</u>

NOTE 8. RESTRICTED NET POSITION

The government-wide statement of net position reports \$755,632 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 47-48.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2018**

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.

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.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2018**

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

Contributions. See PERA’s compressive annual financial report for Contribution provided description.

PERA Contribution Rates and Pension Factors as of July 1, 2017						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2018**

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For PERA Fund Division Municipal General, at June 30, 2018, the Village reported a liability of \$548,259 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. 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, 2017, the Village’s proportion was 0.0399%, which was a decrease of 0.0005% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Village recognized pension expense of \$72,861. At June 30, 2018, 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	\$ 21,543	28,080
Changes in assumptions	25,283	5,666
Net difference between projected and actual earnings on pension plan investments	44,981	-
Changes in proportion and differences between Village’s contributions and proportionate share of contributions	11,973	4,249
Village’s contributions subsequent to the measurement date	<u>34,955</u>	<u>-</u>
Total	<u>\$ 138,735</u>	<u>37,995</u>

\$34,955 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:

Year Ended June 30,	
2019	\$ 22,069
2020	50,559
2021	6,303
2022	(13,146)
2023	-
Total:	<u>\$ 65,785</u>

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2018

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

For PERA Fund Division Municipal Police, at June 30, 2018, the Village reported a liability of \$346,118 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. 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, 2017, the Village’s proportion was 0.0623%, which was a decrease of 0.0094% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Village recognized pension expense of \$61,827. At June 30, 2018, 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	\$ 21,021	64,669
Changes in assumptions	20,593	8,048
Net difference between projected and actual earnings on pension plan investments	27,875	-
Changes in proportion and differences between Village’s contributions and proportionate share of contributions	54,264	37,045
Village’s contributions subsequent to the measurement date	<u>23,459</u>	<u>-</u>
Total	\$ <u>147,212</u>	<u>109,762</u>

\$23,459 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>	
2019	\$ 17,946
2020	24,215
2021	(20,020)
2022	(8,150)
2023	-
Total:	\$ <u>13,991</u>

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2018**

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

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefits	100 years
Payroll Growth	2.75% for first 9 years, then 3.25% annual rate
Includes inflation at	2.25% annual rate first 9 years 2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, 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 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 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, 2018**

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

Discount rate. A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, 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 7.51 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 (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

PERA Fund Municipal General

	1.00% Decrease (6.51%)	Current Discount Rate (7.51%)	1.00% Increase (8.51%)
Proportionate share of the net pension liability	\$ 859,304	548,259	289,583

PERA Fund Municipal Police

	1.00% Decrease (6.51%)	Current Discount Rate (7.51%)	1.00% Increase (8.515%)
Proportionate share of the net pension liability	\$ 551,962	346,118	177,193

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, 2018.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Notes to the Financial Statements
June 30, 2018**

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 claims and lawsuits in the normal 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. Management believes any liability resulting from these audits would be immaterial.

NOTE 14. COMMITMENTS

The Village entered into agreements with contractors and architects to plan, design and construct a water treatment and recycling facility, including purchase and installation of equipment in Village and Otero County. As of June 30, 2018, the Village had an obligation of \$582,000 for these contracts.

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, 2018**

NOTE 16. TRANSFER OF FUNDS

During 2018, four funds were re-classified from Fund 500 water and Sewer a Business Type Fund, to governmental funds. Two funds were transferred to Capital Project and two were transferred to Debt Service Governmental Type funds, resulting in a transfer of the beginning net position balance of \$1,068,043.

	<u>Transfer out</u>	<u>Transfer In</u>
Fund 315	-	(907,735)
Fund 322	-	8,090
Fund 405	-	(168,398)
Fund 505	1,068,043	-

NOTE 17. SUBSEQUENT EVENTS

The Village has evaluated events subsequent to June 30, 2018 that would possibly require adjustment or disclosure in these financial statements, through October 15, 2018, the date that these financial statements were available to be issued.

No events have occurred subsequent to June 30, 2018 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, 2018**

**Public Employees Retirement Association of New Mexico
For last Ten Fiscal Year *
(Dollars amounts in thousands)**

	Fiscal Year Measurement Date	2018	2017	2016	2015
Village's Proportion of the Net Pension Liability (Asset)		0.01%	0.01%	0.02%	0.01%
Village's Proportionate Share of Net Pension Liability (Asset)	\$	432	645	675	432
Village's Covered-Employee Payroll	\$	479	477	470	479
Village's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll		90.30%	135.23%	143.62%	90.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		73.74%	69.18%	76.99%	81.29%

*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, 2018**

**Public Employees Retirement Association of New Mexico
 Last Ten Fiscal Year*
 General, Police and Fire Divisions Combined Summary
 (Dollars amounts in thousands)**

	2018	2017	2016	2015
Statutory Required Contribution	\$ 59	60	52	52
Contributions in Relation to the Statutorily Required Contribution	59	60	52	52
Annual Contribution Deficiency (Excess)	-	-	-	-

*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, 2018**

**Public Employees Retirement Association of New Mexico
Last Ten Fiscal Year*
General Division
(Dollars amounts in thousands)**

	2018	2017	2016	2015
Statutory Required Contribution	\$ 35	35	31	31
Contributions in Relation to the Statutorily Required Contribution	35	35	31	31
Annual Contribution Deficiency (Excess)	-	-	-	-

*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, 2018**

**Public Employees Retirement Association of New Mexico
Last Ten Fiscal Year*
Police Division
(Dollars amounts in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory Required Contribution	\$ 24	25	21	21
Contributions in Relation to the Statutorily Required Contribution	<u>24</u>	<u>25</u>	<u>21</u>	<u>21</u>
Annual Contribution Deficiency (Excess)	<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, 2018**

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 2017 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, 2018**

Special Revenue Funds

Local Government Corrections - 201

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 - 211

To account for an annual grant issued by the State of New Mexico under the Law Enforcement Grant Act. This grant is used to purchase equipment and supplies not otherwise budgeted for police personnel protection. (29-13-4 NMSA, 1978)

Lodger's Tax - 214

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

Recreation - 217

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 - 218

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 - 226

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)

Infrastructure Fund - 295

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

The Municipal Streets - 216

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)

Capital Projects Funds

Community Center Project – 322

To construct and track the costs for the community center and other cost related to this project.

Capital Projects Fund – 330

Fund used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Nonmajor Governmental Funds Descriptions
June 30, 2018**

Capital Projects Funds (Continued)

Colonias 3198-CIF – 324

Fund used to account for financial resources to be used for the acquisition or construction of capital facilities.

Museum Sound System fund– 326

To track the costs for the museum sound system and other cost related to this project.

Schoolhouse Improvement – 327

To construct and track the costs for the schoolhouse improvement and other cost related to this project.

Colonias 4115-CIF - 331

Fund used to account for financial resources to be used for the acquisition or construction of capital facilities.

Debt Service Funds

Debt Service - 405

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, 2018

	Special Revenue			
	Local Government Corrections 201	Law Enforcement Protection 211	Lodger's Tax 214	Recreation 217
Assets				
Cash and cash equivalents	\$ 3,440	1,788	5,840	49,633
Receivables:				
Taxes	-	-	11,571	-
Total assets	\$ 3,440	1,788	17,411	49,633
Liabilities				
Accounts payable	\$ -	-	-	337
Accrued payroll	-	-	-	-
Total liabilities	-	-	-	337
Deferred Inflows				
Property taxes	-	-	-	-
Total deferred inflows	-	-	-	-
Fund balances				
Nonspendable				
Spendable				
Restricted	3,440	1,788	17,411	49,296
Unassigned	-	-	-	-
Total fund balances	3,440	1,788	17,411	49,296
Total liabilities, deferred inflows and fund balances	\$ 3,440	1,788	17,411	49,633

The accompanying notes are an integral part of these financial statements

Special Revenue				Capital Projects
Intergovernmental Grants 218	Fire Department 226	Infrastructure 295	Municipal Streets Project 216	Community Center Project 322
5,576	44,043	82,625	61,397	8,090
-	-	11,588	3,891	-
<u>5,576</u>	<u>44,043</u>	<u>94,213</u>	<u>65,288</u>	<u>8,090</u>
8	-	-	1,669	-
<u>193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>201</u>	<u>-</u>	<u>-</u>	<u>1,669</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
5,375	44,043	94,213	63,619	8,090
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,375</u>	<u>44,043</u>	<u>94,213</u>	<u>63,619</u>	<u>8,090</u>
<u>5,576</u>	<u>44,043</u>	<u>94,213</u>	<u>65,288</u>	<u>8,090</u>

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Capital Projects			
	Capital Projects 330	Colonias 3198-CIF 324	Museum Sound System 326	Schoolhouse Improvement 327
Assets				
Cash and cash equivalents	\$ 5,023	-	-	-
Receivables:				
Taxes	-	-	-	-
Total assets	<u>\$ 5,023</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities				
Accounts payable	\$ 5	-	-	-
Accrued payroll	-	-	-	-
Total liabilities	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows				
Property taxes	-	-	-	-
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Nonspendable				
Spendable				
Restricted	5,018	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>5,018</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,023</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>	<u>Debt Service</u>	
Colonias 4115-CIF 331	Debt Service 405	Total Nonmajor Governmental Funds
-	578	268,033
-	-	27,050
-	578	295,083
-	-	2,019
-	-	193
-	-	2,212
-	-	-
-	-	-
-	578	292,871
-	-	-
-	578	292,871
-	578	295,083

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, 2018

	Special Revenue			
	Local Government Corrections 201	Law Enforcement Protection 211	Lodger's Tax 214	Recreation 217
Revenues				
Taxes:				
Property	\$ -	-	-	-
Gross Receipts	-	-	-	-
Gasoline and motor vehicle tax	-	-	-	-
Other	-	-	103,843	-
Intergovernmental				
State operating grants	-	21,800	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	1,000
Investment income	3	-	42	84
Fines and forfeitures	2,060	-	-	-
Miscellaneous	-	-	-	11,079
Total revenues	<u>2,063</u>	<u>21,800</u>	<u>103,885</u>	<u>12,163</u>
Expenditures:				
Current:				
General government	-	22,782	96,294	-
Public safety	-	3,169	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	12,427
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and administrative fees	-	-	-	-
Total expenditures	<u>-</u>	<u>25,951</u>	<u>96,294</u>	<u>12,427</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>2,063</u>	<u>(4,151)</u>	<u>7,591</u>	<u>(264)</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	(77,985)	-
Operating transfers (out)	-	-	77,985	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,063	(4,151)	7,591	(264)
Transfer (Note 15)	-	-	-	-
Fund balances - beginning of year	<u>1,377</u>	<u>5,939</u>	<u>9,820</u>	<u>49,560</u>
Fund balances, end of year	<u>\$ 3,440</u>	<u>1,788</u>	<u>17,411</u>	<u>49,296</u>

The accompanying notes are an integral part of these financial statements

Special Revenue				Capital Projects
Intergovernmental Grants 218	Fire Department 226	Infrastructure 295	Municipal Streets Project 216	Community Center Project 322
-	-	-	-	-
-	-	64,074	-	-
-	-	-	23,429	-
-	-	-	-	-
24,400	-	-	193,610	-
-	-	24,993	-	-
-	-	-	-	-
-	72	136	104	-
-	-	-	-	-
-	850	-	-	-
<u>24,400</u>	<u>922</u>	<u>89,203</u>	<u>217,143</u>	<u>-</u>
218	549	5,000	-	-
-	696	-	-	-
-	-	51,950	50,354	-
20,350	-	-	-	-
10,183	-	-	-	-
-	-	-	260,238	-
-	-	-	-	-
-	-	-	-	-
<u>30,751</u>	<u>1,245</u>	<u>56,950</u>	<u>310,592</u>	<u>-</u>
<u>(6,351)</u>	<u>(323)</u>	<u>32,253</u>	<u>(93,449)</u>	<u>-</u>
-	-	(86,197)	-	-
<u>10,415</u>	<u>-</u>	<u>-</u>	<u>86,197</u>	<u>-</u>
<u>10,415</u>	<u>-</u>	<u>(86,197)</u>	<u>86,197</u>	<u>-</u>
4,064	(323)	(53,944)	(7,252)	-
-	-	-	-	8,090
<u>1,311</u>	<u>44,366</u>	<u>148,157</u>	<u>70,871</u>	<u>-</u>
<u>5,375</u>	<u>44,043</u>	<u>94,213</u>	<u>63,619</u>	<u>8,090</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, 2018

	Capital Projects			
	Capital Projects 330	Colonias 3198-CIF 324	Museum Sound System 326	Schoolhouse Improvement 327
Revenues				
Taxes:				
Property	\$ -	-	-	-
Gross Receipts	-	-	-	-
Gasoline and motor vehicle tax	-	-	-	-
Other	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
State capital grants	-	5,562	-	31,140
Charges for services	-	-	-	-
Investment income	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>5,562</u>	<u>-</u>	<u>31,140</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	11,772	3,928	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and administrative fees	-	-	-	-
Total expenditures	<u>-</u>	<u>11,772</u>	<u>3,928</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(6,210)</u>	<u>(3,928)</u>	<u>31,140</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	(31,140)
Operating transfers (out)	-	6,210	3,928	-
Total other financing sources (uses)	<u>-</u>	<u>6,210</u>	<u>3,928</u>	<u>(31,140)</u>
Net change in fund balances	-	-	-	-
Transfer (Note 15)	-	-	-	-
Fund balances - beginning of year	<u>5,018</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 5,018</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>	<u>Debt Service</u>	
Colonias 4115-CIF 331	Debt Service 405	Total Nonmajor Governmental Funds
-	-	-
-	-	64,074
-	-	23,429
-	-	103,843
-	-	239,810
83,492	-	145,187
-	-	1,000
-	-	441
-	-	2,060
-	-	11,929
<u>83,492</u>	<u>-</u>	<u>591,773</u>
-	-	124,843
-	-	3,865
-	-	118,004
-	-	20,350
-	-	22,610
-	-	260,238
-	37,267	37,267
-	13,728	13,728
<u>-</u>	<u>50,995</u>	<u>600,905</u>
<u>83,492</u>	<u>(50,995)</u>	<u>(9,132)</u>
(159,530)	-	(354,852)
76,038	219,971	480,744
<u>(83,492)</u>	<u>219,971</u>	<u>125,892</u>
-	168,976	116,760
-	(168,398)	(160,308)
<u>-</u>	<u>-</u>	<u>336,419</u>
<u>-</u>	<u>578</u>	<u>292,871</u>

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 830,625	832,584	847,012	14,428
Total operating revenues	<u>830,625</u>	<u>832,584</u>	<u>847,012</u>	<u>14,428</u>
Operating Expenses				
Personnel services	786,087	786,087	537,478	248,609
Contractual services	-	-	22,675	(22,675)
Supplies	-	-	9,032	(9,032)
Maintenance and materials	-	-	2,300	(2,300)
Utilities	-	-	104,857	(104,857)
Other operating expenses	-	-	9,139	(9,139)
Total operating expenses	<u>786,087</u>	<u>786,087</u>	<u>685,481</u>	<u>100,606</u>
Operating income (loss)	<u>44,538</u>	<u>46,497</u>	<u>161,531</u>	<u>(115,034)</u>
Nonoperating Revenue (Expenses)				
Gross receipts taxes	15,500	15,500	39,623	(24,123)
Investment income	200	200	826	(626)
Miscellaneous income	-	-	7,587	(7,587)
Principal expenses	-	-	(31,818)	31,818
Designated cash (budgeted increase in cash)	-	-	-	-
Total nonoperating revenues (expenses)	<u>15,700</u>	<u>15,700</u>	<u>16,218</u>	<u>(518)</u>
Income (loss) before contributions and transfers	60,238	62,197	177,749	(115,552)
Capital Grants and Net Transfers				
Capital grants and contributions	-	-	-	-
Operating transfers in	-	-	(1,110,758)	1,110,758
Operating transfers out	43,000	43,000	79,740	(36,740)
Capital grants and net transfers	<u>43,000</u>	<u>43,000</u>	<u>(1,031,018)</u>	<u>1,074,018</u>
Change in net position	<u>103,238</u>	<u>105,197</u>	<u>(853,269)</u>	<u>958,466</u>
Net Position, beginning of year	-	-	6,041,349	6,041,349
Net Position, end of year	<u>\$ 103,238</u>	<u>105,197</u>	<u>5,188,080</u>	<u>6,999,815</u>
Change in net position per above			\$ (853,269)	
Depreciation			<u>196,503</u>	
Change in net position per statement of revenues, expenses and net changes in fund			\$ <u>(1,049,772)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 208,700	228,620	197,478	(31,142)
Total operating revenues	<u>208,700</u>	<u>228,620</u>	<u>197,478</u>	<u>(31,142)</u>
Operating Expenses				
Personnel services	254,825	270,928	-	270,928
Contractual services	-	-	176,294	(176,294)
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
Acquisition of capital asset	-	-	-	-
Other operating expenses	-	-	79,077	(79,077)
Total operating expenses	<u>254,825</u>	<u>270,928</u>	<u>255,371</u>	<u>15,557</u>
Operating income (loss)	<u>(46,125)</u>	<u>(42,308)</u>	<u>(57,893)</u>	<u>(15,557)</u>
Nonoperating Revenue (Expenses)				
Gross receipts taxes	13,500	15,564	-	15,564
Investment income	200	181	227	(46)
Other taxes	-	-	371	(371)
Miscellaneous income	9,500	8,876	25,524	(16,648)
Principal expenses	-	-	-	-
Total nonoperating revenues (expenses)	<u>23,200</u>	<u>24,621</u>	<u>26,122</u>	<u>(1,501)</u>
Income (loss) before contributions and transfers	<u>(22,925)</u>	<u>(17,687)</u>	<u>(31,771)</u>	<u>(14,056)</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>(22,925)</u>	<u>(17,687)</u>	<u>(31,771)</u>	<u>(14,056)</u>
Net Position, beginning of year	<u>-</u>	<u>-</u>	<u>202,572</u>	<u>202,572</u>
Net Position, end of year	<u>\$ (22,925)</u>	<u>(17,687)</u>	<u>170,801</u>	<u>188,516</u>
Change in net position per above			\$ (31,771)	
Depreciation			-	
Change in net position per statement of revenues, expenses and net changes in fund			<u>\$ (31,771)</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 63,500	61,875	62,050	175
Total operating revenues	<u>63,500</u>	<u>61,875</u>	<u>62,050</u>	<u>175</u>
Operating Expenses				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
Acquisition of capital asset	-	-	15,468	(15,468)
Other operating expenses	33,000	33,000	4,060	28,940
Total operating expenses	<u>33,000</u>	<u>33,000</u>	<u>19,528</u>	<u>13,472</u>
Operating income (loss)	<u>30,500</u>	<u>28,875</u>	<u>42,522</u>	<u>(13,472)</u>
Nonoperating Revenue (Expenses)				
Gross receipts taxes	-	-	-	-
Investment income	105	105	199	(94)
Miscellaneous income	-	-	-	-
Principal expenses	-	-	-	-
Total nonoperating revenues (expenses)	<u>105</u>	<u>105</u>	<u>199</u>	<u>(94)</u>
Income (loss) before contributions and transfers	30,605	28,980	42,721	(13,566)
Capital Grants and Net Transfers				
Operating transfers in	(29,215)	(49,408)	(43,841)	(5,567)
Operating transfers out	-	-	79,790	(79,790)
Capital grants and net transfers	<u>(29,215)</u>	<u>(49,408)</u>	<u>35,949</u>	<u>(85,357)</u>
Change in net position	<u>1,390</u>	<u>(20,428)</u>	<u>78,670</u>	<u>(98,923)</u>
Net Position, beginning of year	-	-	86,463	86,463
Net Position, end of year	<u>\$ 1,390</u>	<u>(20,428)</u>	<u>165,133</u>	<u>(12,460)</u>
Change in net position per above			\$ 78,670	
Depreciation			216	
Change in net position per statement of revenues, expenses and net changes in fund			<u>\$ 78,454</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, 2018

<u>Account Name</u>	<u>Account Type</u>	<u>First National Bank</u>	<u>NMFA</u>	<u>Total</u>
Deposits in Bank	Checking NOW -interest bearing	\$ 1,712,399	\$ -	\$ 1,712,399
	Money Market Account	1,682	-	1,682
	Checking NOW-interest bearing	407,286	-	407,286
	Money Market Account	5,023	-	5,023
	Certificate of deposit	50,453	-	50,453
	Certificate of deposit	67,538	-	67,538
	Certificate of deposit	87,464	-	87,464
	Certificate of deposit	8,328	-	8,328
	Cash held at NMFA	-	396	396
Total bank balance		<u>\$ 2,340,173</u>	<u>396</u>	<u>2,340,569</u>
Reconciling items				
Outstanding items		\$ (116,288)	-	(116,288)
Deposits in transit		100	-	100
Total adjustments		<u>(116,188)</u>	<u>-</u>	<u>(116,188)</u>
Total book balance		<u>\$ 2,223,985</u>	<u>\$ 396</u>	<u>2,224,381</u>
Petty Cash				\$ 125
Deposits and investments				<u>\$ 2,224,506</u>
Financial Statements:				
Cash, investments and cash equivalents				
Governmental funds			\$	1,397,605
Business-type funds				820,637
Agency funds				<u>6,264</u>
Total per financial statements			\$	<u><u>2,224,506</u></u>

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Schedule of Pledged Collateral
For the Year Ended June 30, 2018**

Bank:	First National Bank	New Mexico Finance Authority	Totals
Checking NOW-interest bearing	\$ 1,712,399	\$ -	1,712,399
Checking NOW -interest bearing	1,682	-	1,682
Money Market Account	407,286	-	407,286
Money Market Account	5,023	-	5,023
Certificate of deposit	50,453	-	50,453
Certificate of deposit	67,538	-	67,538
Certificate of deposit	87,464	-	87,464
Certificate of deposit	8,328	-	8,328
Cash held at NMFA	-	396	396
Pretty cash funds	-	125	125
Total Deposits	2,340,173	521	2,340,694
(Less) FDIC Insurance (Time and Savings):	(250,000)	(250,000)	
(Less) FDIC Insurance (Demand):	(250,000)	(250,000)	
	<u>(500,000)</u>	<u>(500,000)</u>	
Total uninsured public funds:	1,840,173	(499,479)	
Collateral Requirement (50% of Deposits):	920,087	(249,740)	
Total Bank cash and Investments per Schedule of Bank Accounts			\$ <u>2,340,694</u>

Held at	Pledged Collateral:	CUSIP#	
FHLMC Pool #D96030 Maturity 5/1/2023	#3128E2VX1	\$	24,075
FNMA Pool #MA1018 Maturity 3/1/2027	#31418ADY1		364,970
FNMA Pool #MA0443 Maturity 5/1/2030	#31417YP50		65,347
FNMA Pool #MA0949 Maturity 1/1/2032	#31418ABT4		298,035
FNMA Pool #MA1275 Maturity 12/1/2032	#31418AMZ8		680,308
Total Pledged Collateral:			1,432,735
Excess (Deficiency):		\$	<u>512,648</u>

STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Statement of Changes In Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

		Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
ASSETS					
	Cash	\$ -	122,913	116,649	6,264
	Total Assets	<u>\$ -</u>	<u>122,913</u>	<u>116,649</u>	<u>6,264</u>
LIABILITIES					
	Accounts Payable	\$ -	122,913	116,649	6,264
	Total Liabilities	<u>\$ -</u>	<u>122,913</u>	<u>116,649</u>	<u>6,264</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, 2018

<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	N/A	N/A	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	N/A	N/A	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

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, 2018, and the related notes to the financial statements, which collectively comprise the Village’s basic financial statements, and have issued our report thereon dated October 15, 2018.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-001, 2018-002, and 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
October 15, 2018

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Schedule of Findings and Responses
June 30, 2018**

A – AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

2018-001: INTERNAL CONTROL OVER CASH DISBURSEMENTS (other matters)

CONDITION: Based on the testing procedures performed over cash disbursements we noted that in 1 of 25 items tested the purchase order was dated after the invoice date, for a total amount of \$8,286.91. Additionally we noted that in 1 of 25 items tested, a purchase order was not create for purchase over \$500.00, for a total amount of \$2,738.00.

CRITERIA: According to the Village’s Purchasing Policies, a purchase requisition and purchase order must be issued for all non-routine and non-recurring purchases. The Village is required to implement written policies and procedures for purchasing which shall be in compliance with the procurement Code, Section 12-1-21 et seq., NMSA 1978.

EFFECT: When purchases are made without proper authorization or support, items could be procured that are inappropriate and/or unallowed and the risk of misappropriation is increased.

CAUSE: The processes related to cash disbursements were not consistently followed or monitored to insure that the Village was adhering to its controls over cash disbursements.

RECOMMENDATION: We recommend all Requisition/Purchase Orders be completed and authorized for all purchases regardless of amount. We also recommend the Village train employees on the purchasing procedure and implement new procedures to properly review and approve expenditures.

MANAGEMENT RESPONSE: The Village Administrator/Clerk/Treasurer will provide additional training to all departments regarding the issuance of requisitions and purchase orders. This process is to be implemented immediately.

2018-002: INTERNAL CONTROL OVER CASH RECEIPTS RECONCILIATION (other matters)

CONDITION: Based on our testwork performed over utility cash receipts, we noted that the Daily Receipts Reconciliation Report was not signed by an individual indicating review and approval of the ending cash on the utility drawer. Additionally the Daily Receipts Reconciliation Report did not contain the signature of the employee making the deposit, therefore we were unable to verify that a different individual from the one taking the payment made the deposit to the bank.

CRITERIA: In accordance with the Village’s policies, the Daily Receipts Reconciliation Report is to be signed and approved to ensure the segregation of duties with regards to cash handling.

EFFECT: The Village is not in compliance with control procedures designed surrounding reconciliations performed over cash receipts.

CAUSE: The processes related to cash receipts were not consistently followed or monitored to insure that the Village was adhering to its controls over cash receipts.

RECOMMENDATION: We recommend all Daily Receipts Reconciliation Report be completed and formally reviewed. We also recommend the Village train employees on this procedure to ensure it performed every time.

MANAGEMENT RESPONSE: The Village Administrator/Clerk/Treasurer will train the office employees for segregation of duties and attention to detail regarding the reconciliation of cash receipts. This process is to be implemented immediately.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Schedule of Findings and Responses
June 30, 2018**

A – AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS (CONTINUED)

2017-001: INTERNAL CONTROL STRUCTURE SURROUNDING PAYROLL (other matters) (Modified and Repeated)

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

- In 2 out of 25 payroll transactions tested, an employee took 48 hours of sick leave and did not submit a leave request for approval.

The Village did not make progress during the fiscal year.

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 Administrator/Clerk/Treasurer will meet with all departments and train them regarding leaves of absence and timekeeping processes. This process is to be implemented immediately.

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Status of Prior Year Findings
June 30, 2018**

STATUS OF PRIOR YEAR FINDINGS

2017-001	Internal Controls Payroll	Repeated and Modified
2016-004	Ineffective Oversight Over Utility Customer Accounts	Resolved

**STATE OF NEW MEXICO
VILLAGE OF CLOUDCROFT
Exit Conference
June 30, 2018**

EXIT CONFERENCE

An exit conference was held on October 4, 2018. 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:

Reina Gutierrez, Senior

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.