

STATE OF NEW MEXICO
VILLAGE OF CUBA

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2005
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

 KEYSTONE ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
VILLAGE OF CUBA

OFFICIAL ROSTER
June 30, 2005

Elected Officials

Ethel Maharg	Mayor
Flora Lopez	Mayor Pro-tem
Lupe Aragon	Councilor
Anna Messer	Councilor
Michelle Trujillo	Village Clerk

Current Elected Officials 2006 - 2010

Richard R. Velarde	Mayor
Brian L. Velarde	Mayor Pro tem
Roland A. Maestas	Councilor
Cecilia M. Delgado	Councilor
Lee V. Ramirez	Council
Vandora P. Casados	Village Clerk-Treasurer

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

**TABLE OF CONTENTS
Year Ended June 30, 2005**

INTRODUCTORY SECTION

Title Page	
Official Roster	i
Table of Contents	ii

FINANCIAL SECTION

Independent Auditors' Report	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet – All Governmental Funds to the Statement of Net Assets	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	10
Reconciliation of the Statement of Revenue, Expenditures, and Changes In Fund Balance of Governmental Funds to the Statement of Activities	12
Major Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
General Fund	13
Fire Fund	15
Housing Authority	16
Enterprise (Proprietary) Funds:	
Statement of Net Assets	17
Statement of Revenues, Expenses, and Change in Fund Net Assets	18
Statement of Cash Flows	19
Statement of Fiduciary Assets And Liabilities	20
Notes to the Basic Financial Statements	21
Nonmajor Governmental Funds:	
Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	47

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

**TABLE OF CONTENTS
Year Ended June 30, 2005**

Financial Section (continued)	
Budgetary Presentation:	
Schedule of Revenues, Expenditures, and Changes in	
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
Nonmajor Special Revenue Funds:	
Transportation Special Revenue Fund	54
Street Fund Special Revenue Fund	55
Corrections Special Revenue Fund	56
Emergency Medical Services Special Revenue Fund	57
Law Protection Special Revenue Fund	58
Recreation Special Revenue Fund	59
Lodger’s Tax Special Revenue Fund	60
Environmental Special Revenue Fund	61
Library Special Revenue Fund	62
Capital Outlay Funds:	
CDGB Capital Projects Fund	65
Enterprise Funds:	
Water and Sewer Enterprise Fund	69
SUPPLEMENTAL INFORMATION	
Schedule of Capital Assets – By Source	72
Fiduciary Funds:	
Schedule of Changes in Assets and Liabilities – All Agency Funds	73
Schedule of Pledged Collateral	74
SINGLE AUDIT SECTION	
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	81
Report on Compliance with Requirements Applicable to	
Each Major Program and on Internal Control Over Compliance	
In Accordance With OMB Circular A-133	85
Schedule of Prior Year Audit Findings	87
Schedule of Findings and Questioned Costs	91
Schedule of Expenditures of Federal Awards	115
Notes to the Schedule of Expenditures of Federal Awards	116
REQUIRED DISCLOSURE	120

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

FISCAL YEAR 2005

JULY 1, 2004 THROUGH JUNE 30, 2005

THIS PAGE INTENTIONALLY LEFT BLANK

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

Telephone (505) 566-1900
Fax (505) 566-1911

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
Members of the Village of Cuba Commissioners

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and respective budgetary comparison for the general fund, major special revenue fund, budgetary comparison for each non major fund and the aggregate remaining fund information of Village of Cuba (Village), as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the Village's non-major governmental, non-major enterprise, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements and budget comparison schedules presented as supplementary information as of and for the year ended June 30, 2005 as listed in the table of contents. These financial statements are the responsibility of Village of Cuba's management.

Due to inadequate records for review, we were not able to apply other auditing procedures to satisfy ourselves as to the correct posting and classification of the revenue and expenses for the year ended June 30, 2005. Accordingly, the scope of our work was not sufficient to enable us to express an opinion, and we do not express an opinion on the accompanying statements of activities, and cash flows for the year ended June 30, 2005.

Because of the inadequate records for review, and we were unable to apply other auditing procedures regarding the completeness, existence, and valuation as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2010, on our consideration of Village of Cuba's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Village has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statements.

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

Telephone (505) 566-1900
Fax (505) 566-1911

Hector H. Balderas, State Auditor
Members of the Village of Cuba Commissioners

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Village of Cuba's basic financial statements and combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations, and is not a required part of the basic financial statements of Village of Cuba. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Village of Cuba. Due to the lack of substantiating evidence, we were not able to apply other auditing procedures to satisfy ourselves as to the correct posting and classification of revenue and expenses for the year ended June 30, 2005. Therefore, we do not express an opinion on the schedule of expenditures of federal awards and the supplemental information.

Keystone Accounting, LLC

March 1, 2010

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF CUBA

STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total Government</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,183,450	\$ 99,247	\$ 1,282,697
Receivables:			
Grant	2,136	-	2,136
Intergovernmental	14,928	-	14,928
Accounts	-	11,170	11,170
Prepaid insurance	4,244	-	4,244
Non-current:			
Customer deposits	-	11,941	11,941
Non-depreciable assets	101,738	2,112	103,850
Depreciable capital assets, net	<u>3,219,549</u>	<u>1,664,612</u>	<u>4,884,161</u>
 Total assets	 <u>4,526,045</u>	 <u>1,789,082</u>	 <u>6,315,127</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 64,167	\$ 14,132	\$ 78,299
Accrued salaries	16,138		16,138
Deposits held for others	1,369		1,369
Compensated absences	5,983	1,328	7,311
Rental deposits	1,800	44,613	46,413
Noncurrent liabilities:			
Due within one year	25,802	-	25,802
Due in more than one year	<u>226,761</u>	<u>-</u>	<u>226,761</u>
 Total liabilities	 <u>342,020</u>	 <u>60,073</u>	 <u>402,093</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	3,068,724	1,666,724	4,735,448
Restricted:			
Debt service	252,563	-	252,563
Capital projects	100	-	100
Unrestricted	<u>862,638</u>	<u>62,285</u>	<u>924,923</u>
 Total net assets	 <u>\$ 4,184,025</u>	 <u>\$ 1,729,009</u>	 <u>\$ 5,913,034</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CUBA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government:							
Governmental activities:							
General government	\$ 570,190	\$ 16,726	\$ 99,870	\$ 86,488	\$ (367,106)	\$ -	\$ (367,106)
Public safety	339,997	9,973	59,552	51,572	(218,900)	-	(218,900)
Public works	939,891	27,569	164,625	142,565	(605,132)	-	(605,132)
Culture and recreation	54,597	1,601	9,563	8,281	(35,152)	-	(35,152)
Bond interest paid	6,007	-	-	-	(6,007)	-	(6,007)
Total governmental activities	<u>\$ 1,910,682</u>	<u>\$ 55,869</u>	<u>\$ 333,610</u>	<u>\$ 288,906</u>	<u>(1,232,297)</u>	<u>-</u>	<u>(1,232,297)</u>
Business-type activities:							
Water and Sewer	<u>\$ 387,232</u>	<u>\$ 222,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(164,693)</u>	<u>(164,693)</u>
General revenues:							
Taxes:							
Property					32,172	-	32,172
Oil and gas					72,731	-	72,731
Gross receipts					456,495	-	456,495
Gasoline					38,968	-	38,968
Franchise					22,855	-	22,855
Lodgers					10,188	-	10,188
Grants and contributions not restricted					400,827	-	400,827
Unrestricted investment earnings					3,368	-	3,368
Fines					64,022	-	64,022
Miscellaneous income					90,188	-	90,188
Total general revenues					<u>1,191,814</u>	<u>-</u>	<u>1,191,814</u>
Change in net assets					(40,483)	(164,693)	(205,176)
Net assets - beginning					2,938,780	1,893,702	4,832,482
Restatement					1,285,728	-	1,285,728
Net assets - as restated					<u>4,224,508</u>	<u>1,893,702</u>	<u>6,118,210</u>
Net assets - ending					<u>\$ 4,184,025</u>	<u>\$ 1,729,009</u>	<u>\$ 5,913,034</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CUBA

GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2005

	General <u>Fund</u>	Fire Fund <u>Fund</u>	Housing Authority <u>Fund</u>	CDBG <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>						
Pooled cash and investments	\$ 1,036,752	\$ 32,535	\$ 54,639	\$ 100	\$ 59,424	\$ 1,183,450
Receivables:						
Accounts	-	-	2,136	-	-	2,136
Intergovernmental	9,165	-	1,920	-	3,843	14,928
Due from other funds	20,000	-	-	-	-	20,000
Prepaid insurance	-	-	4,244	-	-	4,244
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,065,917</u>	<u>\$ 32,535</u>	<u>\$ 62,939</u>	<u>\$ 100</u>	<u>\$ 63,267</u>	<u>\$ 1,224,758</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accounts payable	\$ 45,995	\$ 4,013	\$ 7,763	\$ -	\$ 6,396	\$ 64,167
Accrued salaries	16,138	-	-	-	-	16,138
Due to other funds	-	-	20,000	-	-	20,000
Interest payable	-	1,369	-	-	-	1,369
Rental deposits	-	-	1,800	-	-	1,800
Notes payable	-	277,778	-	-	-	277,778
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>62,133</u>	<u>283,160</u>	<u>29,563</u>	<u>-</u>	<u>6,396</u>	<u>381,252</u>
Fund balance:						
Unreserved reported in:						
General fund	1,003,784	-	-	-	-	1,003,784
Special revenue funds	-	(250,625)	33,376	-	56,871	(160,378)
Capital projects funds	-	-	-	100	-	100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>1,003,784</u>	<u>(250,625)</u>	<u>33,376</u>	<u>100</u>	<u>56,871</u>	<u>843,506</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 1,065,917</u>	<u>\$ 32,535</u>	<u>\$ 62,939</u>	<u>\$ 100</u>	<u>\$ 63,267</u>	<u>\$ 1,224,758</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CUBA

RECONCILIATION OF THE BALANCE SHEET - ALL
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ 843,506
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,321,287
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>19,232</u>
Net assets of governmental activities	<u>\$ 4,184,025</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CUBA

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2005

	General <u>Fund</u>	Fire Fund <u>Fund</u>	Housing Authority <u>Fund</u>	CDBG <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:						
Federal grant	\$ -	\$ -	\$ 337,791	\$ 288,906	\$ -	\$ 626,697
Taxes:						
Property	32,172	-	-	-	-	32,172
Oil and gas	72,731	-	-	-	-	72,731
Gross receipts	456,495	-	-	-	-	456,495
Gasoline	-	-	-	-	38,968	38,968
Franchise	22,855	-	-	-	-	22,855
Lodgers	-	-	-	-	10,188	10,188
Intergovernmental	102,697	49,551	-	-	215,152	367,400
Licenses and permits	33,427	-	-	-	-	33,427
Charges for services	6,085	-	43,842	-	5,942	55,869
Fines	47,153	-	-	-	16,869	64,022
Earnings from investments	1,664	1,704	-	-	-	3,368
Miscellaneous	85,397	-	4,791	-	-	90,188
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	860,676	51,255	386,424	288,906	287,119	1,874,380

(continued)

The notes to the financial statements are an integral part of this statement.

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Housing Authority Fund</u>	<u>CDBG Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Expenditures:						
Current:						
General government	527,832	-	-	-	-	527,832
Public safety	109,021	30,098	-	-	175,621	314,740
Public works	416,302	-	390,663	-	57,121	864,086
Culture and recreation	33,946	-	-	-	16,595	50,541
Capital outlay	27,226	-	7,959	288,906	12,774	336,865
Debt service:						
Principal retirement	-	25,215	-	-	-	25,215
Bond interest paid	-	6,007	-	-	-	6,007
Total expenditures	<u>1,114,327</u>	<u>61,320</u>	<u>398,622</u>	<u>288,906</u>	<u>262,111</u>	<u>2,125,286</u>
Net change in fund balance	(253,651)	(10,065)	(12,198)	-	25,008	(250,906)
Fund balance (deficit) at beginning of the year	<u>1,257,435</u>	<u>(240,560)</u>	<u>45,574</u>	<u>100</u>	<u>31,863</u>	<u>1,094,412</u>
Fund balance (deficit) at end of the year	<u>\$ 1,003,784</u>	<u>\$ (250,625)</u>	<u>\$ 33,376</u>	<u>\$ 100</u>	<u>\$ 56,871</u>	<u>\$ 843,506</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CUBA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

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

Net change in fund balance - total governmental funds	\$ (250,906)
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. This is the amount by which capital outlays exceeded depreciation in the current year	195,372
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(4,181)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar, items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	25,215
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(5,983)</u>
Change in net assets of governmental activities	<u>\$ (40,483)</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CUBA

GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive (Negative)
Revenues:				
Local sources:				
Taxes:				
Property	\$ 20,000	\$ 20,000	\$ 32,172	\$ 12,172
Oil and gas	60,000	60,000	72,731	12,731
Gross receipts	444,500	444,500	456,495	11,995
Franchise	-	-	22,855	22,855
Intergovernmental	35,000	35,000	102,697	67,697
Licenses and permits	19,200	19,200	33,427	14,227
Charges for services	24,155	24,155	6,085	(18,070)
Fines	33,895	33,895	47,153	13,258
Earnings from investments	755	755	1,664	909
Miscellaneous	<u>10,863</u>	<u>10,863</u>	<u>85,397</u>	<u>74,534</u>
Total revenues	<u>648,368</u>	<u>648,368</u>	<u>860,676</u>	<u>212,308</u>

(continued)

STATE OF NEW MEXICO
VILLAGE OF CUBA

GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
General government	\$ 40,954	\$ 40,954	\$ 527,832	\$ (486,878)
Public safety	-	-	109,021	(109,021)
Public works	63,051	63,051	416,302	(353,251)
Culture and recreation	303,563	303,563	33,946	269,617
Capital outlay:				
Equipment	<u>45,000</u>	<u>45,000</u>	<u>27,226</u>	<u>17,774</u>
Total expenditures	<u>452,568</u>	<u>452,568</u>	<u>1,114,327</u>	<u>(661,759)</u>
Net change in fund balance	195,800	195,800	(253,651)	(449,451)
Beginning cash balance budgeted	(195,800)	(195,800)	-	195,800
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>1,257,435</u>	<u>1,257,435</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	1,003,784	<u>\$ 1,003,784</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u>\$ 1,003,784</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CUBA

FIRE FUND SPECIAL REVENUE FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 56,579	\$ 56,579	\$ 49,551	\$ (7,028)
Earnings from investments	<u>-</u>	<u>-</u>	<u>1,704</u>	<u>1,704</u>
Total revenues	<u>56,579</u>	<u>56,579</u>	<u>51,255</u>	<u>(5,324)</u>
Expenditures:				
Current:				
Public safety	56,579	56,579	30,098	26,481
Debt service:				
Principal retirement	-	-	25,215	(25,215)
Bond interest paid	<u>-</u>	<u>-</u>	<u>6,007</u>	<u>(6,007)</u>
Total expenditures	<u>56,579</u>	<u>56,579</u>	<u>61,320</u>	<u>(4,741)</u>
Net change in fund balance	-	-	(10,065)	(10,065)
Fund balance (deficit) at beginning of the year	<u>-</u>	<u>-</u>	<u>(240,560)</u>	<u>(240,560)</u>
Fund balance (deficit) at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>(250,625)</u>	<u>\$ (250,625)</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u>\$ (250,625)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CUBA

HOUSING AUTHORITY SPECIAL REVENUE FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Federal direct grant	\$ 210,000	\$ 210,000	\$ 337,791	\$ 127,791
Charges for services	-	-	43,842	43,842
Miscellaneous	-	-	4,791	4,791
	<u>210,000</u>	<u>210,000</u>	<u>386,424</u>	<u>176,424</u>
Total revenues				
Expenditures:				
Current:				
Public works	207,705	207,705	390,663	(182,958)
Capital outlay:				
Equipment	-	-	7,959	(7,959)
	<u>207,705</u>	<u>207,705</u>	<u>398,622</u>	<u>(190,917)</u>
Total expenditures				
Net change in fund balance	2,295	2,295	(12,198)	(14,493)
Beginning cash balance budgeted	(2,295)	(2,295)	-	2,295
Fund balance at beginning of the year	-	-	45,574	45,574
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	33,376	<u>\$ 33,376</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
			<u>\$ 33,376</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CUBA

PROPRIETARY FUND - WATER AND SEWER
STATEMENT OF NET ASSETS
June 30, 2005

ASSETS

Current assets:		
Cash and cash equivalents	\$	99,247
Receivables:		
Accounts receivable		<u>11,170</u>
Total current assets		<u>110,417</u>
Noncurrent assets:		
Customer deposits		11,941
Capital assets:		
Land		2,112
Buildings		1,857,097
Machinery and equipment		213,200
Construction in progress		-
Less: accumulated depreciation		<u>(405,685)</u>
Total noncurrent assets		<u>1,678,665</u>
Total assets	\$	<u>1,789,082</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities:		
Accounts payable	\$	14,132
Compensated sick leave		<u>1,328</u>
Total current liabilities		<u>15,460</u>
Current liabilities payable from restricted assets:		
Customer deposits payable		<u>44,613</u>
Net assets (deficit):		
Investment in Capital assets		1,666,724
Undesignated		<u>62,285</u>
Total net assets		<u>1,729,009</u>
Total liabilities and net assets (deficit)	\$	<u>1,789,082</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CUBA

PROPRIETARY FUND - WATER AND SEWER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
Year Ended June 30, 2005

Operating revenues:	
Charges for sales and services:	
Water and sewer charges	\$ <u>222,539</u>
Operating expenses:	
Personal services	157,688
Operating expenses	136,115
Supplies	18,463
Depreciation	<u>74,966</u>
Total operating expenses	<u>387,232</u>
Change in net assets	(164,693)
Net assets (deficit) - beginning of year	<u>1,893,702</u>
Net assets (deficit) - ending of year	\$ <u>1,729,009</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CUBA

PROPRIETARY FUND - WATER AND SEWER
STATEMENT OF CASH FLOWS
Year Ended June 30, 2005

CASH FLOWS FROM OPERATING
ACTIVITIES

Receipts from customers and users	\$ 254,166
Payments to supplies and maintenance	(162,359)
Payments to employees	<u>(134,787)</u>
Net cash used in operating activities	(42,980)
Cash and cash equivalents, beginning of year	<u>142,227</u>
Cash and cash equivalents, end of year	<u>\$ 99,247</u>

RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES

Operating income (loss)	\$ (164,693)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	74,966
(Increase) decrease in asseets:	
Accounts receivable	(1,045)
Increase (decrease) in liabilities:	
Accounts payable	13,792
Customer deposits	32,672
Compensated absences payable	<u>1,328</u>
Total adjustments	<u>121,713</u>
Net cash used in operating activities	<u>\$ (42,980)</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CUBA

AGENCY FUNDS
Statement of Fiduciary Assets and Liabilities
June 30, 2005

ASSETS

Pooled cash and investments	\$	<u>19,855</u>
-----------------------------	----	---------------

LIABILITIES

Deposits held for others	\$	<u>19,855</u>
--------------------------	----	---------------

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities. A summary of the Village of Cuba, New Mexico's significant accounting policies applied in the preparation of these financial statements follows.

A. Reporting Entity

The Village of Cuba, New Mexico (Village) was incorporated in 1963, and it is administered by a manager, who is overseen by a Commission of five elected officials. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary governments is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Village's financial statements to be misleading or incomplete. The Village provides the usual municipal services with the exception of education, which are administered by another governmental agency.

As required by GAAP, these financial statements present the Village (primary government).

Depending upon the significance of the financial and operational relationships with various separate entities, the organizations are classified as blended or discrete component units.

1. **Blended Component Units.** Legally separate component units for which the Village is financially accountable are blended with the primary government because they are, in substance, part of the government's operations. Blended means the data from these units are combined with data of the primary government. The Village had no blended component units during the fiscal year ended June 30, 2005.
2. **Discretely Presented Component Units.** The financial data of component units are reported in separate columns to emphasize that they are legally separate from the Village. The Village had no discrete component units during the fiscal year ended June 30, 2005.
3. **Related organizations.** The Village appoints members to the boards, but the Village's accountability for the organization does not extend beyond making those appointments and there is no fiscal dependency by these organizations on the Village.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government Wide and Fund Financial Statements

The government-wide financial statements, which include the statement of net assets and statement of activities, report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which generally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely generally on fees and charges to external parties.

The statement of activities demonstrates the extent to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, internally dedicated resources, including special assessments. Internally dedicated resources, taxes, and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds, and enterprise funds, each reported as a separate column. All remaining governmental funds and enterprise funds are aggregated and reported as non-major funds.

C. Measurement Focus, Basis of Accounting, and 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, property taxes 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 have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. Available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. The Village considers all revenue as available, if collected within 60 days after year-end. Property taxes, sales and use taxes, franchise taxes, occupational privilege taxes, interest revenue, grant revenue, and charges for services are susceptible to accrual. Other receipts, fines, licenses, and permits revenues become measurable and available when cash is received by the Village and are recognized as revenue at that time. Grant revenue is considered available if expected to be collected within one year and all eligibility requirements are met. Expenditures are recorded when the related liability is incurred, except for debt service expenditures, and certain compensated absences and claims and judgments which are recognized when the payment is due.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Village reports the following major governmental funds:

GENERAL FUND – Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

FIRE FUND – To account for the operation of the fire department, funding is provided by a distribution from the fire protection fund established by Section 59A-6-5 NMSA 1978 as authorized by Section 59A-53-2. Funds are used in the operation, maintenance and betterment of local fire departments, to the end that the hazard of loss by fire and fire insurance rates may be reduced and the public safety thereby promoted.

Housing Authority – To account for Department of Housing and Urban Development (HUD) Section 8 existing housing and voucher programs including housing assistance payments for qualifying citizens of the Village. These funds are provided under annual contribution contract with the U.S. Department of Housing and Urban Development.

CDBG – To account for development of viable urban communities and to make water and sewer improvements. Funding is from a community development block grant from the Department of Housing and Urban Development through the State Department of Finance and Administration.

The Village reports the following major proprietary funds:

WATER AND SEWER FUND – accounts for fees collected and expenses incurred to operate the Village Water and Sewer services.

Additionally, the Village reports the following fund type:

Agency funds account for assets for which the Village acts as an agent for the State.

The Village reports its government-wide and enterprise fund financial statements following all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the administrative expenses, cost of sales and services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The effect of inter-fund activity generally has been eliminated from the government-wide financial statements. Exceptions to this practice include payments and other charges between the Village's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions affected.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, the Village uses the restricted resources first, then unrestricted resources as needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and investments

State statutes authorize the Village to invest in obligations of the U.S. treasury, repurchase agreements and the State Treasurer's Investment Pool. These deposits are primarily demand deposits and government obligations. Investments are stated at fair value, which is primarily determined based upon quoted market prices at year end. Equity in treasurer's cash and investments is included in cash and cash equivalents.

Generally, investment income earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on the average daily balance of cash and investments of each fund.

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

State statutes authorize the investment of the Village's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The Village is also allowed to invest in United States Government obligations. All funds for the Village must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Deposits and investments (continued)

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

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property taxes are recognized as revenue on the modified accrual basis. They are reported as a receivable and as deferred revenue when the levy is certified by the Village's Assessor on November and April 10th of each year unless there is a special election. Property taxes receivable is reduced by an allowance for uncollectible taxes. Property taxes are due and considered earned on January 1 following the year levied. The first and second halves become delinquent on November 10th and April 10th, respectively.

Oil and gas taxes received from the Village are recognized as revenue when received by the Village.

Due from other governments includes amounts due from grantors for grants for specific programs and capital projects. Program and capital grants for capital assets are recorded as receivables and revenues when all eligibility requirements are met. Revenues received in advance of project costs being incurred or for which eligibility requirements have not been met are deferred. In the governmental funds, revenue recognition depends on the timing of cash collections (availability).

The Water and Sewer enterprise fund is responsible for billing and collecting water and sewer fees using a monthly billing system. Revenues relating to future years are classified as deferred revenue. All trade receivables are shown net of an allowance for uncollectible accounts. The Village reviews accounts receivable on a regular basis and all receivable are reported net of uncollectible accounts.

The Village has reviewed its customer base for concentrations of credit risk and has determined that no individual customer or group of customers engaged in similar activities represent a material concentration of credit risk to the Village.

3. Prepaid Items

Payments made to vendors for services representing costs applicable to future accounting periods are recorded as prepaid items.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Capital Assets

Land, collections, construction in progress, buildings, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. Such assets are recorded at cost or estimated cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold of the Village is \$5,000. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

<u>Assets</u>	<u>Years</u>
Improvements other than buildings	10 to 20
Buildings and improvements	10 to 50
Motor vehicles and motorized equipment	5 to 10
Furniture, machinery, equipment, and software	5 to 10
Infrastructure	10 to 50

No depreciation is recorded for assets held for disposition. Library books and software are depreciated if the single individual cost is \$5,000 or more.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

5. Compensated Absences

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 fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrued to employees. The Village does not pay for unused sick leave upon termination; therefore, amounts are not accrued for sick leave liability. The compensated absences are paid from the general fund in the amount of \$4,170, and from the Housing Authority fund \$1,813, which totals \$5,983 as reported in the statement of net assets.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. 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 activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as capital projects expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance representing amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Net assets

Net assets are presented on the statement of net assets and may be presented in any of three components.

a. Invested in capital assets, net of related debt

This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. That portion of the debt is included in restricted for capital projects.

b. Restricted net assets

Net assets are reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Net assets (continued)

c. Unrestricted net assets

Unrestricted net assets consist of net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

In the governmental environment, net assets often are designated to indicate that management does not consider them to be available for general operations. In contrast to restricted net assets, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

9. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that reflect the affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.” The details of the \$3,321,287 difference are as follows:

Capital assets	\$ 4,836,442
Accumulated depreciation	<u>(1,515,155)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 3,321,287</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets (continued)

The final adjustment in the reconciliation indicates that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The \$19,232 difference is detailed as follows:

Bonds payable	\$	25,215
Accrued compensated absences		<u>(5,983)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	\$	<u>19,232</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$195,372 difference are as follows:

Capital outlay	\$	(336,865)
Depreciation expense		<u>141,493</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>(195,372)</u>

Another element of the reconciliation states “other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.” The details of the \$4,181 difference are as follows:

Deferred revenue	\$	<u>4,181</u>
------------------	----	--------------

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$25,215 difference are as follows:

Principal payments:	
General obligation debt	\$ <u>25,215</u>

The final element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$5,983 difference are as follows:

Compensated balances:	
June 30, 2005	\$ <u>(5,983)</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

III. STEWARDSHIP COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted for all funds except agency funds. All budgets are consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year end. Carry over funds must be appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as a reserve portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended by Village Commission resolution with approval by the State Department of Finance and Administration. Village department heads may make transfers of appropriations within a fund. The legal level of budgetary control is the fund level. Increases or decreases of appropriations between funds require the approval of the governing commission.

The Village follows the following procedures in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the Village Manager submits to the Village Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayers comments. Prior to September 1, the budget is legally enacted through passage of a resolution.

The Village Manager is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Village Commission. Expenditures of the Village may not legally exceed appropriations at the level at which the budget is adopted, that is, expenditures in each fund may not exceed the budgeted appropriation for that fund.

The budgetary information presented in these financial statements have been amended in accordance with the above procedures.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2005 expenditures exceed appropriations in the following individual funds.

General Fund		Fire Fund		Housing Authority Fund
Water and Sewer Fund		Law Protection Fund		Transportation Fund
Emergency Medical Services Fund				Lodger's Tax Fund

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

III. STEWARDSHIP COMPLIANCE, AND ACCOUNTABILITY (continued)

C. Deficit Fund Equity of Activities

Deficit fund balance of individual funds as of June 30, 2005, are as follows.

Fire Fund	\$ 250,625
Transportation Fund	4,567
Emergency Medical Services	<u>623</u>
Total	<u>\$ 255,815</u>

The deficits are expected to be funded by additional grant funds user fees or transfers from the general fund.

IV. DETAILED NOTES FOR ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2005, the carrying amount of the District's deposits was \$1,314,593 and the bank balance was \$1,386,284. Of this balance \$121,299 was covered by federal depository insurance and \$1,236,683 was covered by collateral held in joint safekeeping by a third party, \$27,889 was invested in U.S. Government Money Market Funds, and \$413 was uncollateralized.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Temporary Investments (continued)

Custodial Credit Risk

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 policy for custodial credit risk. NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least one half of the amount on deposit with the institution. The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2005, Only \$413 of the Village's bank balance of \$1,386,284 were uninsured and uncollateralized and was exposed to custodial risk.

<u>Depository Accounts</u>	
Insured	\$ 121,299
Collateralized:	
Collateral held by pledging bank's trust department in the Village's name	1,562,664
Uninsured and uncollateralized	<u>(297,679)</u>
Total deposits	<u>\$ 1,386,284</u>
Collateral requirement:	
50% of uninsured public fund bank deposits	\$ 693,142
Pledged security	<u>1,562,664</u>
Over collateralization	<u>\$ 869,522</u>

The collateral pledged is listed on Page 76 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Village. Time deposits, savings deposits and interest bearing "Now" accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

IV. DETAILED NOTES FOR ALL FUNDS (continued)

A. Receivables

Receivables as of June 30, 2005 are as follows:

	<u>General</u>	<u>Fire Fund</u>	<u>Housing Authority</u>	<u>Other Governmental</u>	<u>Total</u>
Receivables:					
Accounts receivable	\$ -	\$ -	\$ 2,136	\$ -	\$ 2,136
Intergovernmental	<u>9,165</u>	<u>-</u>	<u>1,920</u>	<u>3,843</u>	<u>14,928</u>
Total receivables	<u>\$ 9,165</u>	<u>\$ -</u>	<u>\$ 4,056</u>	<u>\$ 3,843</u>	<u>\$ 17,064</u>

B. Inter-fund Receivables, Payables and Transfer

Net operating transfers during the year ended June 30, 2005 are as follows:

Governmental Activities:	<u>Receivables</u>	<u>Payables</u>
Major Funds:		
General fund	\$ 20,000	\$ -
Housing Authority	<u>-</u>	<u>20,000</u>
Total Governmental transfers	<u>\$ 20,000</u>	<u>\$ 20,000</u>

The general purpose of the transfers are to fund expenditures until other financing is arranged or to provide matching funds.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

IV. DETAILED NOTES FOR ALL FUNDS (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Allocation</u>	<u>June 30, 2005</u>
Governmental Activities					
Capital assets not being depreciated:					
Land and land rights	\$ 86,130	\$ -	\$ -	\$ 15,608	\$ 101,738
Capital assets being depreciated:					
Buildings and improvements	1,941,253	288,906	-	1,660,791	3,890,950
Equipment and other	701,012	40,000	-	102,742	843,754
Total capital assets being depreciated	<u>2,642,265</u>	<u>328,906</u>	<u>-</u>	<u>1,763,533</u>	<u>4,734,704</u>
Less accumulated depreciation for:					
Buildings and improvements	(580,733)	(49,646)	-	(575,013)	(1,205,392)
Equipment and other	(261,901)	(47,862)	-	-	(309,763)
Total accumulated depreciation	<u>(842,634)</u>	<u>(97,508)</u>	<u>-</u>	<u>(575,013)</u>	<u>(1,515,155)</u>
Total capital assets being depreciated, net	<u>1,799,631</u>	<u>231,398</u>	<u>-</u>	<u>1,188,520</u>	<u>3,219,549</u>
Governmental Activities Capital Assets, net	<u>\$ 1,885,761</u>	<u>\$ 231,398</u>	<u>\$ -</u>	<u>\$ 1,204,128</u>	<u>\$ 3,321,287</u>
Housing Authority					
Capital assets not being depreciated:					
Land and land rights	\$ 15,608	\$ -	\$ -	\$ (15,608)	\$ -
Capital assets being depreciated:					
Buildings and improvements	1,652,346	7,959	-	(1,660,305)	-
Equipment and other	103,228	-	-	(103,228)	-
Total capital assets being depreciated	<u>1,755,574</u>	<u>7,959</u>	<u>-</u>	<u>(1,763,533)</u>	<u>-</u>
Less accumulated depreciation for:					
Buildings and improvements	(531,028)	(43,985)	-	575,013	-
Total capital assets being depreciated, net	<u>1,224,546</u>	<u>(36,026)</u>	<u>-</u>	<u>(1,188,520)</u>	<u>-</u>
Governmental Activities Capital Assets, net	<u>\$ 1,240,154</u>	<u>\$ (36,026)</u>	<u>\$ -</u>	<u>\$ (1,204,128)</u>	<u>\$ -</u>

Depreciation by fund:

General	\$ 42,358
Public works	25,257
Public safety	69,822
Culture and recreation	<u>4,056</u>
Total	<u>\$ 141,493</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

IV. DETAILED NOTES FOR ALL FUNDS (continued)

C. Capital Assets (continued)

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2005</u>
Business-type activities				
Capital assets not being depreciated:				
Land and land rights	\$ 2,112	\$ -	\$ -	\$ 2,112
Capital assets being depreciated:				
Buildings and improvements	1,857,097	-	-	1,857,097
Equipment and other	213,200	-	-	213,200
Total capital assets being depreciated	2,070,297	-	-	2,070,297
Less accumulated depreciation for:				
Total accumulated depreciation	(330,719)	(74,966)	-	(405,685)
Total capital assets being depreciated, net	1,739,578	(74,966)	-	1,664,612
Business-type Activities Capital Assets, net	<u>\$ 1,741,690</u>	<u>\$ (74,966)</u>	<u>\$ -</u>	<u>\$ 1,666,724</u>

D. Long-Term Debt

Notes Payable

The Village entered into a loan agreement with New Mexico Finance Authority on March 5, 2004. The proceeds from the loan were used for the purchase of a water pumper fire engine. The loan was in the original amount of \$277,778 and matures on May 1, 2014 and state fire allotment revenue was pledged as collateral. The details of the bonds and notes as of June 30, 2005 are as follows:

	Original Amount	Interest Rates	Balance due	Current Balance
Notes payable	\$ 277,778	1.54% - 4.09%	\$ 252,563	\$ 25,802

Annual debt service requirements to maturity for long-term debt are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2006	\$ 25,802	\$ 5,681	\$ 31,483
2007	26,179	5,371	31,550
2008	26,609	5,008	31,617
2009	27,127	4,556	31,683
2010	27,127	4,556	31,683
2011-2014	119,719	8,340	128,059
Total	<u>\$ 252,563</u>	<u>\$ 33,512</u>	<u>\$ 286,075</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

IV. DETAILED NOTES FOR ALL FUNDS (continued)

D. Long-Term Debt (continued)

Changes in Long-Term Liabilities

During the year ended June 30, 2005, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One year</u>
Governmental activities:					
Compensated absences	\$ -	\$ 15,814	\$ (9,831)	\$ 5,983	\$ 5,983
Note payable	<u>277,778</u>	<u>-</u>	<u>(25,215)</u>	<u>252,563</u>	<u>25,802</u>
Total long-term liabilities	<u>\$ 277,778</u>	<u>\$ 15,814</u>	<u>\$ (35,046)</u>	<u>\$ 258,546</u>	<u>\$ 31,785</u>

The liability of compensated absences is liquidated with resources from the general fund and several special revenue funds. The notes are paid from the fire districts.

E. Reserved Fund Balances

The New Mexico Department of Finance and Administration (DFA) requires that 1/12th of the general fund budgeted expenditures be reserved as subsequent year expenditures to maintain an adequate cash flow until the next significant property tax collection.

V. OTHER NOTE DISCLOSURES

A. Contingent Liabilities

Litigation

The Village is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government attorney the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Village expects such amounts, if any, to be immaterial

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

V. OTHER NOTE DISCLOSURES (continued)

B. Employee Retirement Systems and Plans

Plan Description

Substantially all of the Village's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy.

Plan members are required to contribute 7% (ranges from 4.78% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Village is required to contribute 10% for police and 7% for other employees (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Village are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Village's contributions to PERA for the fiscal years ending June 30, 2005, 2004 and 2003 were \$39,103, \$11,167, and \$41,505, respectively, which equal the amount of the required contributions for each fiscal year.

Retirement Eligibility

Eligibility for receiving the monthly benefits equal to the number of years of credited service times 2.5% of their final average monthly salary for the thirty-six consecutive months of credited service producing the largest average is as follows:

- Any age with 25 or more years of credited service, or age 60 or older with 20 or more years of credited service; or
- Age 61 or older with 17 or more years of credited service; or
- Age 62 or older with 14 or more years of credited service; or
- Age 63 or older with 11 or more years of credited service; or
- Age 64 or older with 8 or more years of credited service; or
- Age 65 or older with 5 or more years of credited service.

Police officers and fire fighters are eligible for retirement at any age after 20 years of service. Benefits vest after 5 years of credited service.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

V. OTHER NOTE DISCLOSURES (continued)

B. Employee Retirement Systems and Plans (continued)

Contribution Requirements

Contributions to the pension plan as of June 30, 2005 are equal to percentages of annual salaries as follows:

	<u>Village Contribution</u>	<u>Employee Contribution</u>	<u>Total</u>
Police	10.00%	7.00%	17.00%
General	7.00%	7.00%	14.00%

The contribution requirements of plan members and the Village are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The actuarially determined contribution requirements and actual contributions made for the year ended June 30, 2005 were \$39,103. Contributions for the past three years are as follows:

<u>Fiscal Year</u>	<u>Pension Cost</u>	<u>Percentage Contribution</u>	<u>Benefit Obligation</u>
2003	\$ 41,505	100%	\$ -
2004	\$ 11,167	100%	\$ -
2005	\$ 39,103	100%	\$ -

If member's employment is terminated before the member is eligible for any other benefits under PERA, the member may receive a refund of the member's contribution and interest accrued based on rates established biannually by the retirement board.

C. Post-Employment Benefits

Plan Description: The Village of Cuba contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

C. Post-Employment Benefits (continued)

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years. The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplemental information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy: The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorized the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.stae.nm.us.

The Retiree Health Care Act (Section 10-7C-15) is the statutory authority that establishes the required contributions of participating employers and their employee. The statute requires each participating employer to contribute 1.3 percent of each participating employee's annual salary, each participating employee is required to contribute .65 percent of the employee's salary.

Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

For Village of Cuba's contributions to the RHCA for the years ended June 30, 2005, 2004 and 2003 were \$6,733, \$11,167 and \$22,570, respectively, which equal the required contributions for each year.

D. Trend Information

Information pertaining to the actuarially computed present value of vested accumulated plan benefits and nonvested accumulated plan benefits, the plan's net assets available for benefits and the assumed rate of return used in computing the present value, and ten-year historical trend information presenting PERA's progress in accumulating sufficient assets to pay benefits when due is not available by individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer, is provided at the state-wide level in a separately-issued financial report of the PERA.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2005

V. OTHER NOTE DISCLOSURES (continued)

E. Risk Management

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

Village of Cuba is a member and is insured through the New Mexico Village Insurance Authority. The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The Authority acts as the common carrier for the State of New Mexico counties. The Village pays an annual premium to the Authority based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. The Village is not liable for more than the premiums paid.

V. OTHER NOTE DISCLOSURES (continued)

G. Restatement

In prior years, the Cuba Housing Authority was reported as a component unit in the Village of Cuba financial statement. The village council dissolved the housing authority's board of directors and assumed operating control during the year ended June 30, 2005. This resulted in the housing authority becoming a special revenue fund in the financial statements of the Village. The financial statements of the Village have a restatement of net assets in the amount of \$1,285,728.

THIS PAGE INTENTIONALLY LEFT BLANK

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
VILLAGE OF CUBA

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2005

	Special Revenue Funds			
	Transportation Fund	Street Fund	Corrections Fund	Emergency Medical Services Fund
<u>ASSETS</u>				
Pooled cash and investments	\$ (444)	\$ 29,929	\$ 16,687	\$ (623)
Receivables:				
Intergovernmental	-	3,843	-	-
Total assets	\$ (444)	\$ 33,772	\$ 16,687	\$ (623)
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 4,123	\$ -	\$ -	\$ -
Fund balance:				
Unreserved and reported in:				
Special revenues funds	(4,567)	33,772	16,687	(623)
Capital projects funds	-	-	-	-
Total fund balance	(4,567)	33,772	16,687	(623)
Total liabilities and fund balance	\$ (444)	\$ 33,772	\$ 16,687	\$ (623)

(continued)

STATE OF NEW MEXICO
VILLAGE OF CUBA

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2005

	Special Revenue Funds			
	Law Protection <u>Fund</u>	Recreation <u>Fund</u>	Lodger's Tax <u>Fund</u>	Environmental <u>Fund</u>
<u>ASSETS</u>				
Pooled cash and investments	\$ 816	\$ 5,704	\$ 7,355	\$ -
Receivables:				
Intergovernmental	-	-	-	-
Total assets	<u>\$ 816</u>	<u>\$ 5,704</u>	<u>\$ 7,355</u>	<u>\$ -</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ -	\$ 1,557	\$ 716	\$ -
Fund balance:				
Unreserved and reported in:				
Special revenues funds	816	4,147	6,639	-
Capital projects funds	-	-	-	-
Total fund balance	<u>816</u>	<u>4,147</u>	<u>6,639</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 816</u>	<u>\$ 5,704</u>	<u>\$ 7,355</u>	<u>\$ -</u>

(continued)

STATE OF NEW MEXICO
VILLAGE OF CUBA

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2005

	Special Revenue Funds	
	<u>Library Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>		
Pooled cash and investments	\$ -	\$ 59,424
Receivables:		
Intergovernmental	-	3,843
Total assets	\$ -	\$ 63,267
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ -	\$ 6,396
Fund balance:		
Unreserved and reported in:		
Special revenues funds	-	56,871
Capital projects funds	-	-
Total fund balance	-	56,871
Total liabilities and fund balance	\$ -	\$ 63,267

(continued)

STATE OF NEW MEXICO
VILLAGE OF CUBA

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2005

	Special Revenue Funds		
	Transportation <u>Fund</u>	Street <u>Fund</u>	Corrections <u>Fund</u>
Revenues:			
Taxes:			
Gasoline	\$ -	\$ 38,968	\$ -
Lodgers	-	-	-
Intergovernmental	136,386	47,100	-
Charges for services	-	-	-
Fines	-	-	16,869
	-	-	16,869
Total revenue	136,386	86,068	16,869
 Expenditures:			
Current:			
Public safety	148,202	-	5,952
Public works	-	47,015	-
Culture and recreation	-	-	-
Capital outlay	-	5,281	-
	-	5,281	-
Total expenditures	148,202	52,296	5,952
Net change in fund balance	(11,816)	33,772	10,917
Fund balance at beginning of the year	7,249	-	5,770
Fund balance (deficit) at end of the year	\$ (4,567)	\$ 33,772	\$ 16,687

(continued)

STATE OF NEW MEXICO
VILLAGE OF CUBA

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2005

	Special Revenue Funds		
	Emergency Medical Services Fund	Law Protection Fund	Recreation Fund
Revenues:			
Taxes:			
Gasoline	\$ -	\$ -	\$ -
Lodgers	-	-	-
Intergovernmental	10,886	20,780	-
Charges for services	-	-	5,942
Fines	-	-	-
	-	-	-
Total revenue	10,886	20,780	5,942
 Expenditures:			
Current:			
Public safety	-	21,467	-
Public works	10,106	-	-
Culture and recreation	-	-	2,462
Capital outlay	7,493	-	-
	7,493	-	-
Total expenditures	17,599	21,467	2,462
Net change in fund balance	(6,713)	(687)	3,480
Fund balance at beginning of the year	6,090	1,503	667
Fund balance (deficit) at end of the year	\$ (623)	\$ 816	\$ 4,147

(continued)

STATE OF NEW MEXICO
VILLAGE OF CUBA

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2005

	Special Revenue Funds		
	Lodger's Tax Fund	Environmental Fund	Library Fund
Revenues:			
Taxes:			
Gasoline	\$ -	\$ -	\$ -
Lodgers	10,188	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines	-	-	-
	-	-	-
Total revenue	10,188	-	-
Expenditures:			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	14,133	-	-
Capital outlay	-	-	-
	-	-	-
Total expenditures	14,133	-	-
Net change in fund balance	(3,945)	-	-
Fund balance at beginning of the year	10,584	-	-
Fund balance (deficit) at end of the year	\$ 6,639	\$ -	\$ -

(continued)

**STATE OF NEW MEXICO
MORA COUNTY**

**NON-MAJOR GOVERNMENTAL FUNDS
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2005**

	Total Nonmajor Governmental <u>Funds</u>
Revenues:	
Taxes:	
Gasoline	\$ 38,968
Lodgers	10,188
Intergovernmental	215,152
Charges for services	5,942
Fines	<u>16,869</u>
 Total revenue	 <u>287,119</u>
 Expenditures:	
Current:	
Public safety	175,621
Public works	57,121
Culture and recreation	16,595
Capital outlay	<u>12,774</u>
 Total expenditures	 <u>262,111</u>
 Net change in fund balance	 25,008
 Fund balance at beginning of the year	 <u>31,863</u>
 Fund balance (deficit) at end of the year	 <u>\$ 56,871</u>

BUDGETARY PRESENTATION

THIS PAGE INTENTIONALLY LEFT BLANK

NONMAJOR SPECIAL REVENUE FUNDS

TRANSPORTATION

To account for the funds used to transport confined individuals.

STREET

Section 67-3-28.2 NMSA 1978, created the "local governments road fund" for which provided for the following specified purposes: cooperative agreements entered into for the construction, maintenance, repair improvement and paving of public highways, street and public school parking lots.

CORRECTIONS

To account for correction fees authorized by Section 66-8-116, NMSA, 1978. Such revenues are used to supplement general funds for the care of prisoners.

EMERGENCY MEDICAL SERVICES

The fund is to account for a grant from the State of New Mexico Health and Environment Department to be utilized for capital outlay for fire personnel as paramedics. The fund was created by the authority of State statute Section 24-10A-6, NMSA, 1978 Compilation.

LAW PROTECTION

To account for revenues and expenditures for maintaining and improving the Village's law enforcement department in order to enhance its efficiency and effectiveness. Funding is from the State appropriation authorized by Section 29-13-3f, NMSA.

RECREATION

To account for revenues and expenditures related to the Village's Youth recreational activities. Funds are provided by the state shared cigarette tax. The fund was created by authority of state statute (see Section 7-12-15, NMSA 1978 Compilation).

LODGERS' TAX FUND

To account for the lodger's tax collected for the lodger's tax imposed pursuant to Ordinance 597, as amended by Ordinance 780, as authorized under 3-38-13 through 3-38-24 NMSA 1978. Ordinance 780 imposes a tax of 3% on gross taxable rent for lodging. The Village must use not less than 40% of the tax collected for advertising, publicizing and promotion of tourist-related attractions, facilities and events.

ENVIRONMENTAL

NMSA 7-19D-9, authorized maximum rate .000625 (1.16%). Ordinance and Election is required, must impose increments of 1/16% only. Must be dedicated for solid waste and related facilities.

LIBRARY

To account for collection of fees and fines and expenditures in relation to this Village facility. Authority is Village resolution.

STATE OF NEW MEXICO
VILLAGE OF CUBA

TRANSPORTATION SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 155,970	\$ 155,970	\$ 136,386	\$ (19,584)
Expenditures:				
Current:				
Public safety	<u>155,970</u>	<u>155,970</u>	<u>148,202</u>	<u>7,768</u>
Net change in fund balance	-	-	(11,816)	(11,816)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>7,249</u>	<u>7,249</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(4,567)	<u>\$ (4,567)</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u>\$ (4,567)</u>	

STATE OF NEW MEXICO
VILLAGE OF CUBA

STREET SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Gasoline	\$ -	\$ -	\$ 38,968	\$ 38,968
Intergovernmental	<u>82,000</u>	<u>82,000</u>	<u>47,100</u>	<u>(34,900)</u>
Total revenues	<u>82,000</u>	<u>82,000</u>	<u>86,068</u>	<u>4,068</u>
Expenditures:				
Current:				
Public works	82,000	82,000	47,015	34,985
Capital outlay:				
Equipment	<u>-</u>	<u>-</u>	<u>5,281</u>	<u>(5,281)</u>
Total expenditures	<u>82,000</u>	<u>82,000</u>	<u>52,296</u>	<u>29,704</u>
Net change in fund balance	-	-	33,772	33,772
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	33,772	<u>\$ 33,772</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u>\$ 33,772</u>	

STATE OF NEW MEXICO
VILLAGE OF CUBA

CORRECTIONS SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Fines	\$ 9,000	\$ 9,000	\$ 16,869	\$ 7,869
 Expenditures:				
Current:				
Public safety	<u>9,000</u>	<u>9,000</u>	<u>5,952</u>	<u>3,048</u>
Net change in fund balance	-	-	10,917	10,917
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>5,770</u>	<u>5,770</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	16,687	<u>\$ 16,687</u>
 RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u>\$ 16,687</u>	

STATE OF NEW MEXICO
VILLAGE OF CUBA

EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive <u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 63,944	\$ 63,944	\$ 10,886	\$ (53,058)
 Expenditures:				
Current:				
Public works	63,944	63,944	10,106	53,838
Capital outlay:				
Equipment	<u> -</u>	<u> -</u>	<u> 7,493</u>	<u> (7,493)</u>
 Total expenditures	<u> 63,944</u>	<u> 63,944</u>	<u> 17,599</u>	<u> 46,345</u>
 Net change in fund balance	-	-	(6,713)	(6,713)
 Fund balance at beginning of the year	<u> -</u>	<u> -</u>	<u> 6,090</u>	<u> 6,090</u>
 Fund balance at end of the year	<u><u> -</u></u>	<u><u> -</u></u>	(623)	<u><u> (623)</u></u>
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u> -</u>	
			<u><u> (623)</u></u>	

STATE OF NEW MEXICO
VILLAGE OF CUBA

LAW PROTECTION SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 20,600	\$ 20,600	\$ 20,780	\$ 180
 Expenditures:				
Current:				
Public safety	<u>20,600</u>	<u>20,600</u>	<u>21,467</u>	<u>(867)</u>
Net change in fund balance	-	-	(687)	(687)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>1,503</u>	<u>1,503</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	816	<u>\$ 816</u>
 RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u>\$ 816</u>	

STATE OF NEW MEXICO
VILLAGE OF CUBA

RECREATION SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Charges for services	\$ 5,500	\$ 5,500	\$ 5,942	\$ 442
 Expenditures:				
Current:				
Culture and recreation	<u>5,500</u>	<u>5,500</u>	<u>2,462</u>	<u>3,038</u>
Net change in fund balance	-	-	3,480	3,480
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>667</u>	<u>667</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	4,147	<u>\$ 4,147</u>
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>-</u>	
			<u>\$ 4,147</u>	

STATE OF NEW MEXICO
VILLAGE OF CUBA

LODGER'S TAX SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Lodgers	\$ 9,000	\$ 9,000	\$ 10,188	\$ 1,188
 Expenditures:				
Current:				
Culture and recreation	<u>14,500</u>	<u>14,500</u>	<u>14,133</u>	<u>367</u>
Net change in fund balance	(5,500)	(5,500)	(3,945)	1,555
Beginning cash balance budgeted	5,500	5,500	-	(5,500)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>10,584</u>	<u>10,584</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	6,639	<u>\$ 6,639</u>
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>-</u>	
			<u>\$ 6,639</u>	

STATE OF NEW MEXICO
VILLAGE OF CUBA

ENVIRONMENTAL SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Expenditures:				
Current:				
Public works	-	-	-	-
Net change in fund balance	10,000	10,000	-	(10,000)
Beginning cash balance budgeted	(10,000)	(10,000)	-	10,000
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
RECONCILIATION TO GAAP BASIS:				
Change in receivables			-	
			<u>\$ -</u>	

STATE OF NEW MEXICO
VILLAGE OF CUBA

LIBRARY SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 250,000	\$ 250,000	\$ -	\$ (250,000)
 Expenditures:				
Current:				
Culture and recreation	250,000	250,000	-	250,000
Net change in fund balance	-	-	-	-
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	-	\$ -
 RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			-	
			\$ -	

CAPTIAL OUTLAY FUNDS

CAPITAL OUTLAY FUND

CDBG

To account for development of viable urban communities and to construct a solid waste convenience center. Funding is from a Community Development Block Grant from the Department of HUD through the State Department of Finance and Administration under Grant 88-C-RS-1-2-G36 ABD 89-C-RS-11-G20.

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
VILLAGE OF CUBA

CDBG CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal grant	\$ 630,000	\$ 630,000	\$ 288,906	\$ (341,094)
Expenditures:				
Capital outlay:				
Equipment	<u>630,000</u>	<u>630,000</u>	<u>288,906</u>	<u>341,094</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>100</u>	<u>\$ 100</u>
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			<u>-</u>	
			<u>\$ 100</u>	

THIS PAGE INTENTIONALLY LEFT BLANK

ENTERPRISE FUNDS

WATER AND SEWER SYSTEM FUND

To account for the provision of water and sewer services to the residents of the Village and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
VILLAGE OF CUBA

WATER AND SEWER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive <u>(Negative)</u>
Operating revenues:				
Charges for sales and services:				
Water and sewer charges	\$ 352,530	\$ 352,530	\$ 222,538	\$ (129,992)
Operating expenses:				
Personal services	352,530	352,530	157,688	194,842
Operating expenses	-	-	136,848	(136,848)
Supplies	-	-	17,730	(17,730)
Depreciation	-	-	74,966	(74,966)
Total operating expenses	<u>352,530</u>	<u>352,530</u>	<u>387,232</u>	<u>(34,702)</u>
Change in net assets	-	-	(164,694)	(164,694)
Net assets (deficit) - beginning of year	<u>-</u>	<u>-</u>	<u>1,893,702</u>	<u>1,893,702</u>
Net assets (deficit) - ending of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,729,008</u>	<u>\$ 1,729,008</u>

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF CAPITAL ASSETS - BY SOURCE

June 30, 2005

Capital assets:

Land and improvements	\$ 101,738
Buildings and improvements	3,882,505
Equipment (software)	<u>852,199</u>
 Total Capital assets	 <u>\$ 4,836,442</u>

Investment in Capital assets from:

General Fund	\$ 3,719,466
Special revenue funds	828,070
CDBG	<u>288,906</u>
 Total investment in Capital assets	 <u>\$ 4,836,442</u>

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

FIDUCIARY FUNDS

Schedule of Changes in Assets and Liabilities - All Agency Funds
Year Ended June 30, 2005

<u>ASSETS</u>	Balance <u>June 30, 2004</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2005</u>
Motor Vehicle	\$ 15,807	\$ 144,500	\$ 161,750	\$ (1,443)
Municipal Court	8,126	84,810	73,403	19,533
Municipal Court Bond	<u>-</u>	<u>6,119</u>	<u>4,354</u>	<u>1,765</u>
 Pooled cash and investments	 <u>\$ 23,933</u>	 <u>\$ 235,429</u>	 <u>\$ 239,507</u>	 <u>\$ 19,855</u>
 <u>LIABILITIES</u>				
 Deposits held for others	 <u>\$ 23,933</u>	 <u>\$ 235,429</u>	 <u>\$ 239,507</u>	 <u>\$ 19,855</u>

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

**SCHEDULE OF PLEDGED COLLATERAL
June 30, 2005**

	<u>Cuba Credit Union</u>	<u>Wells Fargo Bank</u>	<u>Bank of Albuquerque</u>	<u>New Mexico Finance Authority</u>	<u>Total</u>
Cash on deposit at June 30, 2005	\$ 21,299	\$ 1,336,271	\$ 27,889	\$ 825	\$ 1,386,284
Less FDIC coverage	<u>21,299</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>121,299</u>
Uninsured funds	<u>\$ -</u>	<u>\$ 1,236,271</u>	<u>\$ 27,889</u>	<u>\$ 825</u>	<u>\$ 1,264,985</u>
50% collateral requirement	<u>-</u>	<u>618,136</u>	<u>13,945</u>	<u>413</u>	<u>632,494</u>
Amount requiring pledged collateral	<u>-</u>	<u>618,135</u>	<u>13,944</u>	<u>412</u>	<u>632,491</u>
Pledged collateral	<u>-</u>	<u>1,562,664</u>	<u>27,889</u>	<u>413</u>	<u>1,590,966</u>
Excess of pledged collateral	<u>\$ -</u>	<u>\$ 944,528</u>	<u>\$ 13,944</u>	<u>\$ -</u>	<u>\$ 958,472</u>

Pledged collateral of financial institutions consists of the following at June 30, 2005

	<u>Maturity</u>	<u>CUSIP #</u>	<u>Market Value</u>
Wells Fargo Bank:			
FNCL	1/1/2009	31368HVG5	\$ 3,359
FNCL	12/1/1931	31371KF89	20,218
FNCL	6/1/1930	31384V3F7	6,745
FNCL	1/1/1932	31388WXD3	26,506
FNCL	2/1/1934	31403KTA1	1,027,985
GNSF	12/15/2029	36225BG85	19,296
GNSF	2/15/1931	36225BL30	444,181
GNSF	7/15/1931	36225BN95	14,374
			<u>\$ 1,562,664</u>

The above securities are held at Federal Home Loan Bank in Dallas, TX.

Bank of Albuquerque - Government Securities \$ 27,889

State of New Mexico

Detail of pledged collateral specific to the Village is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds.

Reconciliation to Financial Statements

Bank Balances	\$ 21,299	\$ 1,336,271	\$ 27,889	\$ 825	\$ 1,386,284
Reconciling items:					
Deposits in transit	-	2,214	-	-	2,214
Outstanding checks	<u>-</u>	<u>(74,005)</u>	<u>-</u>	<u>-</u>	<u>(74,005)</u>
Total per books	<u>\$ 21,299</u>	<u>\$ 1,264,480</u>	<u>\$ 27,889</u>	<u>\$ 825</u>	<u>\$ 1,314,493</u>
Total per financial statements					<u>\$ 1,314,493</u>

(continued)

Financial Statements:

Cash and cash equivalents:

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2005

Governmental activities	\$ 1,183,450
Cash in agency funds	19,855
Business-type activities	<u>111,188</u>
 Total per financial statements	 <u>\$ 1,314,493</u>

	<u>Bank Balance</u>	<u>Outstanding Deposits</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
Wells Fargo Bank				
General	\$ 305,895	\$ -	\$ (36,565)	\$ 269,330
General	677,742	-	-	677,742
General Library	7,502	-	-	7,502
General Savings	77,608	-	-	77,608
NCI/MOA	3,461	-	-	3,461
Clean-up	1,108	-	-	1,108
Transportation	364	-	(808)	(444)
Recreation	6,261	428	(985)	5,704
Streets	29,929	-	-	29,929
Fire Protection	3,856	-	(35)	3,821
Law Enforcement	861	-	(45)	816
Corrections	16,687	-	-	16,687
EMS	177	-	(800)	(623)
Lodgers Tax	7,457	-	(102)	7,355
Housing Operating	18,585	-	(4,479)	14,106
Housing Section 8	44,734	-	(6,081)	38,653
Housing Tenant Security	1,880	-	-	1,880
Water/Sewer Systems	91,755	-	(15,595)	76,160
Water Deposits	11,941	-	-	11,941
Sewer Repair	23,087	-	-	23,087
CDBG	100	-	-	100
Motor Vehicle	5,281	1,786	(8,510)	(1,443)
Cuba Credit Union				
Municipal Court	19,533	-	-	19,533
Municipal Court Bond	1,766	-	-	1,766
Bank of Albuquerque				
Checking	27,889	-	-	27,889
New Mexico Finance Authority				
Account	<u>825</u>	<u>-</u>	<u>-</u>	<u>825</u>
	<u>\$ 1,386,284</u>	<u>\$ 2,214</u>	<u>\$ (74,005)</u>	<u>\$ 1,314,493</u>

THIS PAGE INTENTIONALLY LEFT BLANK

SINGLE AUDIT SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

**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**

THIS PAGE INTENTIONALLY LEFT BLANK

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

Telephone (505) 566-1900
Fax (505) 566-1911

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

Hector H. Balderas, State Auditor
Members of the Village of Cuba Commissioners

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Cuba, as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 1, 2010. We were also engaged to audit the financial statements of each of the Village's nonmajor governmental funds, and fiduciary fund presented as supplementary information in the accompanying combining and budgetary comparison financial statements as of and for the year ended June 30, 2005 as listed in the table of contents. Our report was modified to disclaim the Statement of Activities of the primary government, Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds, Statement of Revenues, budgetary comparison statements, Statement of Revenues, Expenses, and Changes in Fund Net Assets, Statement of Cash Flows, Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds, and budgetary comparison schedules for the year ended June 30, 2005. We conducted our audit in accordance with auditing standards applicable to financial audit contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Cuba's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Village of Cuba's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

A control deficiency exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2005 – 2, 2005 – 3, 2005 – 4 2005 – 5, 2005 – 6, 2005 – 7, 2005 – 8, 2005 – 9, 2005 – 10, 2005 – 11 and 2005 – 12

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystones@keystoneacct.com

Telephone (505) 566-1900
Fax (505) 566-1911

Hector H. Balderas, State Auditor
Members of the Village of Cuba Commissioners

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Village of Cuba's internal control.

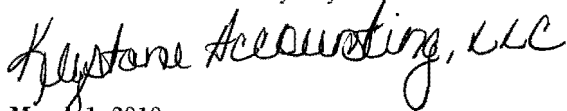
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider findings 2005 - 2, 2005 - 3, 2005 - 5, 2005 - 7, 2005 - 8, 2005 - 11 and 2008 - 12 to be material weaknesses.

Compliance and other matters

As part of obtaining reasonable assurance about whether Village of Cuba's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, 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 seven instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as findings 2005 - 1, 2005 - 2, 2005 - 6, 2005 - 7, 2005 - 9, 2005 - 10, and 2005 - 13.

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

This report is intended solely for the information and use of the New Mexico State Auditor, New Mexico Department of Finance and Administration - Local Government, New Mexico State Legislature, Management others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



March 1, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

THIS PAGE INTENTIONALLY LEFT BLANK

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

Telephone (505) 566-1900
Fax (505) 566-1911

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas, State Auditor
Members of the Village of Cuba Commissioners

Compliance

We have audited the compliance of Village of Cuba with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Village of Cuba's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Village of Cuba's management. Our responsibility is to express an opinion on Village of Cuba's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village of Cuba's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Village of Cuba's compliance with those requirements.

As described in items 2005 - 2, 2005 - 3, 2005 - 6, 2005 - 7, 2005 - 9, 2005 - 10 and 2005 - 13 in the accompanying schedule of findings and questioned costs, Village of Cuba did not comply with requirements regarding activities allowed or unallowed, allowable costs/cost principals, eligibility, and reporting that are applicable to its Community Development Block Grant CFDA # 14.153 and Housing Authority CFDA # 14.228. Compliance with such requirements is necessary, in our opinion, for the Village of Cuba to comply with the requirements applicable to those programs.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the Village of Cuba did not comply, in all material respects, with the requirements referred to above that are applicable to Community Development Block Grant CFDA # 14.153 and Housing Authority CFDA # 14.228 for the year ended June 30, 2005. However, the results of our auditing procedures disclosed seven instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2005 - 2, 2005 - 3, 2005 - 6, 2005 - 7, 2005 - 9, 2005 - 10 and 2005 - 13.

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

Telephone (505) 566-1900
Fax (505) 566-1911

Hector H. Balderas, State Auditor
Members of the Village of Cuba Commissioners

Internal Control Over Compliance

The management of Village of Cuba is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Village of Cuba's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Village of Cuba's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Village of Cuba's internal control over compliance.

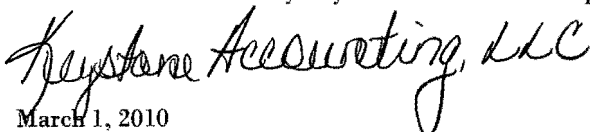
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned cost as items 2005-2, 2005-3, 2005-5, 2005-7, 2005-9, 2005-10 and 2005-11 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned cost as items 52, 2005-3, 2005-5, 2005-7, 2005-9, 2005-10 and 2005-11 to be significant deficiencies.

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

This report is intended solely for the information and use of the New Mexico State Auditor, New Mexico State Department of Finance and Administration – Local Government, New Mexico State Legislature, Management others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


March 1, 2010

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2005

A. PRIOR YEAR AUDIT FINDINGS

2004 – 1 LATE AUDIT REPORT (Original Number 2005-1 Repeated since 2004)

Condition: The New Mexico State Auditor required the audit to be completed and submitted to his office by November 15, 2004. The filing date of the completed annual audit is subsequent to the required due date.

Recommendation: The contracting for audit services should be initiated and completed in a time that allows for the audit to be completed by the required due date.

Current year status: Repeated, Not resolved in the current year.

2004 – 2 LACK OF INTERNAL CONTROLS OVER FINANCIAL REPORTING

Condition: The assessment of internal controls could not be completed due to missing or non-existing documentation. The business manager that was employed during the year ended June 30, 2004 was no longer employed at the time of the audit of this report and was not available to assist in locating missing documentation. It can not be determined whether the documentation had at one time existed and was misplaced or did not ever exist. We have no alternative but to assume that the internal controls are not working properly.

Recommendation: A standardized filing system should be established and remained unchanged unless serious matters demand change. A system of approval and execution of transactions needs to be in place to limit the risk of misappropriation.

Current year status: Repeated, Not resolved in the current year.

2004 – 3 ERRORS IN GENERAL LEDGER AMOUNTS

Condition: A new accounting system was implemented in June 2002. During the setup of the new accounting system entries to the general ledger were made in error as personnel gained familiarity with the system. This left many account balances either overstated or understated. The True account balances in the general ledger are uncertain even though some could be reasonably verified.

Recommendation: Accounting personnel should have adequate knowledge of the accounting system so that the risk of errors is minimized. A review of account balances should be conducted to correct any errors that exist.

Current year status: Repeated, Not resolved in the current year.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2005

A. PRIOR YEAR AUDIT FINDINGS (continued)

2004 – 4 LACK OF SECURITY DEPOSITS LISTING

Condition: A listing of deposits held for others as reported in the Water and Sewer Fund could not be provided. As a result, the only reliance of the liability is the prior year balance and the amounts in the Customer Deposits bank account.

Recommendation: Research should be conducted to find the individuals that are still owed a deposit and the amounts of those deposits. The Customer Deposit cash account should be adjusted to the level of the liability for those deposits.

Current year status: Not repeated, resolved in the current year.

2004 – 5 EXPENDITURES WERE OVER APPROVED BUDGET

Condition: Expenditures were paid in excess of the DFA approved budget. The following funds over spent their budgets by:

General Fund	\$680,103
Fire Fund	\$238,438
Law Enforcement Fund	\$ 2,152
EMS Fund	\$ 5,519
Recreation Fund	\$ 2,637

Recommendation: Current policies and procedures provide for methods to change original approved budget expenses when necessary. Management should immediately implement and enforce internal controls to ensure that no expenditures are charged against an item until proper approval, based on guidelines established by the New Mexico Department of Finance, has been received..

Current year status: Repeated, Not resolved in the current year.

2004 – 6 QUARTERLY FINANCIAL REPORTS

Condition: The Village has not submitted quarterly financial reports to New Mexico Department of Finance and Administration for the past two years.

Recommendation: Reports should be filed soon after the end of each quarter to ensure that the Village stays in compliance with state statutes.

Current year status: Repeated, Not resolved in the current year.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2005

A. PRIOR YEAR AUDIT FINDINGS (continued)

2004 – 7 QUARTERLY LODGERS' TAX REPORTS

Condition: The Village has not submitted quarterly lodgers' tax reports to New Mexico Department of Finance and Administration for the past two years..

Recommendation: Reports should be filed soon after the end of each quarter to ensure that Village stays in compliance with state statutes..

Current year status: Repeated, Not resolved in the current year.

2004 – 8 INTERIM BUDGETS NOT SUBMITTED

Condition: The interim budget was not submitted by the Village statutory deadline of June 1, 2004.

Recommendation: Budgets should be submitted by the statutory deadline and an approved budget should be in place prior to the beginning of the year.

Current year status: Repeated, Not resolved in the current year.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2005

A. PRIOR YEAR AUDIT FINDINGS (continued)

COMPONENT UNIT AUDIT FINDING

2004 – 1H LACK OF TIMELY DEPOSITS OF MONEY

Condition: Monies received by the staff for tenant rent had not been deposited in a timely manner into the local bank account.

Recommendation: A system should be set up that would allow for depositing of any funds received by the administrative staff at least once a week. All cash deposits should be counted by at least two people.

Current year status: Repeated, Not resolved in the current year.

2004 – 2H SECURITY DEPOSITS

Condition: The security deposit liability account is not adequately funded.

Recommendation: The required deposits should be made to adequately fund the security deposit.

Current year status: Not repeated, resolved in the current year.

2004 – 3H FAILURE TO FILE AUDIT REPORT BY REQUIRED DUE DATE

Condition: The filing date of the completed annual audit is subsequent to the required due date.

Recommendation: The audit contract should be signed by the due date required by the State Auditor in the future.

Current year status: Resolved, Not repeated in the current year.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a disclaimer of opinion on basic financial statements of Village of Cuba.
2. Thirteen significant deficiencies disclosed during the audit of the financial statements are reported in the 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. seven are material to the financial statements.
3. Seven instances of noncompliance material to the financial statements of Village of Cuba which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. Seven significant deficiency disclosed during the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program on Internal Control Over Compliance in Accordance with OMB Circular A-133. Seven deficiencies are reported as material weaknesses.
5. The auditors' report on compliance for the major federal award programs for Village of Cuba expresses an adverse opinion.
6. There are audit findings that are required to be reported in accordance with section 510 (a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs were Housing Authority CFDA# 14.149 and Community Development Block Grant CFDA # 14.218.
8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. Village of Cuba was determined not to be a low-risk auditee.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

B. FINDINGS—FINANCIAL STATEMENTS AUDIT

2005 – 1 LATE AUDIT REPORT (Original Number 2004 – 1)

Condition: The New Mexico State Auditor required the audit to be completed and submitted to his office by November 15, 2005. The filing date of the completed annual audit is subsequent to the required due date.

Criteria: According to the State of New Mexico, Office of the State Auditor publication 2 NMAC 2.2 Requirements for Contracting and Conducting Audits of Agencies, Section 9.1, the filing date for audit reports for Village is November 15th following the end of the fiscal year.

Effect of condition: The Village is not in compliance with NMAC 2.2.2.9A(1), the effect is that the State is not getting timely information for budgeting information.

Cause: The Village began contracting for the Audit of the fiscal year ended June 30, 2005 in March of 2009, and the contracting was finalized the end of July of 2009.

Recommendation: The contracting for audit services should be initiated and completed in a time that allows for the audit to be completed by the required due date.

Response: Village of Cuba is currently under agreement for a six year period to have the audits performed. This 2005 Audit should have been completed and submitted to the Office of the State Auditor by November 15, 2005, past administration failed to comply with OSA requirements.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2005 – 2 INACCURATE AND UNTIMELY FILING OF FEDERAL AND STATE REPORTS (Original finding 2004 – 8, 2004-7, 2004-6)

Condition: The following reports required by Federal and State Agencies were not filed timely, and were filed incorrectly:

W-2s
W-3s
1099s
Budgets
Lodgers tax
HUD Reports
Quarterly payroll reports

Criteria: In accordance with 6-6-2A NMSA 1978 and other federal and state statutes the Village is required to submit reports in a timely manner.

Effect of condition: The Village has been subjected to various penalties for noncompliance with reporting.

Cause: Lack of accounting knowledge, and lack of adequate records.

Recommendation: All reports should be submitted on a timely basis, and the Village's books should be reconciled in order to insure accurate reporting.

Response: Reports required to by Federal and State Agencies are filed in a timely manner and are being filed correctly. Village of Cuba contracted with Wells Fargo Payroll Services in November of 2007.

W-2's and W-3's are completed and submitted by Wells Fargo Payroll Services in a timely manner

1099's are completed and submitted by March 1st of every year with a 1096 Annual Summary and Transmittal of U.S. Information Returns

Budgets are completed and submitted to the Department of Finance and Administration on June 1st of each year.

Lodger's Tax reports are completed and submitted electronically to Department of Finance and Administration on a Quarterly basis.

Quarterly reports are completed and submitted electronically to Department of Finance and Administration on a Quarterly basis.

HUD reporting is subject to various penalties for non compliance with reporting, due to lack of accounting knowledge and lack of adequate records.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2005 – 3 CASH RECONCILIATION

Condition: The bank reconciliations were not completed correctly, causing the general ledger to be incorrect, reports to be inaccurate, and overdraft fees were paid when the bank did not have adequate funds.

Criteria: As per 6.10.2 NMAC, it is the duty of every Village that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business.

Effect of condition: The Village cannot effectively manage money or budget if they are unaware of all available funds.

Cause: The accounting system did not have a record of all cash accounts. As a result, the Village did not have all public monies accounted for and reconciled in accordance with 6.10.2 NMAC.

Recommendation: All cash accounts need to be reconciled to the general ledger within five days after receipt of bank or escrow statements.

Response: The Village is currently on an on-line positive pay program with Wells Fargo Banking Service as of January 1, 2008, where the accounts are being reconciled on a monthly basis.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2005 – 4 WATER AND SEWER DEPOSITS ARE INADEQUATELY FUNDED (original finding Number 2004 – 4)

Condition: Water and Sewer deposits are inadequately funded. The Water and Sewer Deposits were underfunded by \$32,672.

Criteria: .In accordance with NMSA 62-13-13 and 62-3-3 the village should not use utility deposits for operations.

Effect of condition: The funds are restricted for refunds to customers upon termination of services.

Cause: The Village has researched and created a list of deposits, and now must fund the deposits to match the liabilities.

Recommendation: The Village needs to fund the Water and Sewer deposits account.

Response: .Village of Cuba Water and Sewer Deposits are funded in a separate account and funds are secured.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2005 – 5 ERRORS IN THE GENERAL LEDGER AMOUNTS (original finding Number 2004 – 3)

Condition: A new accounting system was implemented in June 2002. During the setup of the new accounting system entries to the general ledger were made in error as personnel gained familiarity with the system. This left many account balances either overstated or understated. The true account balances in the general ledger are uncertain even though some accounts could be reasonably verified.

Criteria: .The accounting system needs to be operated by personnel that have a familiarity with that system. In order for the financial reporting to be relied upon, the accounting system must be functioning properly with the Village's prescribed controls in place.

Effect of condition: The accounting system is not providing reliable information for management to analyze and control the finances of the Village. The information disclosed in the financial reporting cannot be reasonably relied upon.

Cause: The implementation of a computer based accounting system requires a learning curve for personnel to become familiar with that system. The accounting personnel has changed many times between the implantation of the accounting system and the current business manager who started in May of 2006.

Recommendation: The accounting personnel should have adequate knowledge of the accounting system so that the risk of entry errors is minimized. A review of account balances should be conducted to correct any errors that exist, and cash reconciliations should be agreed to the general ledger on a timely basis.

Response: .The accounting personnel had changed five times from 2002 up to May 1, 2006. The accounting personnel attends all NMML trainings, DFA Budget trainings and OSA Audit Rule trainings.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2005 – 6 NONQUALIFIED TENANT IN HUD HOUSING

Condition: The Village had an employee living in HUD housing with without performing the required certification process.

Criteria: HUD requires tenant certifications to live in a low income housing project.

Effect of condition: The housing project was out of compliance with HUD low income housing requirements.

Cause: The Village failed to follow the HUD low income housing requirements.

Recommendation: The Village needs to follow all HUD housing requirements.

Response: Village of Cuba Housing Authority will take corrective measures to comply with HUD.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2005 – 7 LACK OF INTERNAL CONTROLS OVER FINANCIAL REPORTING (original finding Number 2004 – 2)

Condition: The assessment of internal controls could not be completed due to missing or non-existing documentation. The business manager that was employed during the year ending June 30, 2005 was no longer employed at the time of the audit and was not available to assist in locating required documentation. It can not be determined whether the documentation had at one time existed and was misplaced or did not ever exist. Internal controls were not established to prevent this from occurring.

Criteria: .A system of internal controls requires the proper approval and execution steps for each transaction to ensure its authenticity and reliability as a transaction that is beneficial to the Village of Cuba. Internal controls also require the retention of transaction documentation so that periodic review of past transactions can be conducted.

Effect of condition: The lack of internal controls leaves the Village open to mismanagement and possible misappropriation of public monies.

Cause: The lack of an appropriate filing system is the primary indication that an inadequate system of internal controls exists.

Recommendation: A standardized filing system should be established and remain unchanged unless serious matters demand change. A system of approval and execution of transactions needs to be in place to limit the risk of misappropriation.

Response: Village of Cuba accounting personnel has executed steps to improve the filing system so that financial documents will be located on demand.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2005 – 8 PRENUMBERED CHECKS ARE REQUIRED

Condition: In one of the checking accounts the Village used temporary checks

Criteria: Internal controls procedures should be established by the Village to ensure the proper use of public funds and that public funds are as safe as possible.

Effect of condition: The Village is more susceptible to misappropriation and miss use of public funds if pre-numbered checks are not used.

Cause: The Village used temporary checks on one of its checking accounts.

Recommendation: The Village needs to use pre-numbered checks to help with reconciliation and control of funds.

Response: Village of Cuba is processing payments with pre-numbered checks authenticated by Wells Fargo Positive Pay Program

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2005 – 9 BUDGET OVER EXPENDITURES (Original Number 2004 – 5)

Condition: The Village incurred expenditures in excess of the approved budget in the following funds.

Fund	Approved Budget	Actual Expenditures	Amount over expended
General Fund	\$ 452,568	\$ 1,114,327	\$ (661,759)
Fire Fund	56,579	61,320	(4,741)
Housing Authority	207,705	398,622	(190,917)
Law Protection	20,600	21,467	(867)
Water and Sewer	<u>352,530</u>	<u>387,232</u>	<u>(34,702)</u>
Total	<u>\$ 1,089,982</u>	<u>\$ 1,982,968</u>	<u>\$ (892,986)</u>

Criteria: According to NMSA 1978 Section 22-8-11 B all fiscal agents of public monies have a responsibility to monitor spending to comply with established budget guidelines. A budget is a proposed plan of financial operations for a given period of time. The annual budget authorizes and provides the basis for control of financial operations during the fiscal year. The budget should be analyzed monthly to insure expenditures remain within the legally adopted budget and revisions should be made whenever necessary.

Effect of condition: State statute may have been violated subjecting those responsible to the penalty provisions of the statute.

Cause: Purchases were approved in excess of available budget or budget adjustments were not approved to cover the expenditures approved.

Recommendation: We recommend that purchases not be approved which would cause the budget to be exceeded. We also recommend that timely budget adjustments be prepared when necessary.

Response: Village of Cuba is currently submitting the Budget electronically which is frequently reviewed to match quarterly reports to bank statements. At this time the Department of Finance and Administration is in control of the financial information.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2005 – 10 LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS (Original Number 2006 – 8)

Condition: There were unfavorable variances between actual and budgeted line item expenditures. The following funds had unfavorable variances between budgeted amounts at fiscal year end:

General Fund	General Government	\$ 486,878
General Fund	Public Safety	109,021
General Fund	Public Works	353,251
Fire Fund	Principal Retirement	25,215
Fire Fund	Bond interest paid	6,007
Housing Authority	Public Works	182,958
Housing Authority	Capital Outlay	7,959
Street Fund	Capital Outlay	5,281
Emergency Medical Services	Capital Outlay	7,493
Law Protection	Public Safety	867
Water and Sewer	Operating Expense	136,848
Water and Sewer	Supplies	17,730
Water and Sewer	Depreciation	74,966

Criteria: According to NMSA 1978 Section 22-8-11 B all fiscal agents of public monies have a responsibility to monitor spending to comply with established budget guidelines.

Effect of Condition: Violation of NMSA 1978 Section 22-8-11 B, over spending of public monies. Improper monitoring could lead to expenditures being paid in excess of total budgeted amounts.

Cause: Improper monitoring of line item expenditures by comparing budgeted amounts and actual amounts spent allowed unfavorable (negative) variances, overspending of line item budgets, to occur.

Recommendation: Management should implement immediate steps to provide adequate financial reports to allow for proper and timely monitoring of line item expenditures. Budget adjustment requests should be approved by the Department of Finance and Administration – Local Government Division (when required) to receive approval to make necessary changes to the budgets before presented for audit.

Response: Village of Cuba monitors the budget line items on a monthly basis, then compiles the analysis to the Quarterly reports submitted electronically to Department of Finance and Administration. Any budget adjustments need approval by the Mayor and Governing Body and final approval from DFA Budget Analyst.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2005 – 11 FAILURE TO FOLLOW CHART OF ACCOUNTS (Original Number 2005 – 12)

Condition: The Village has established a chart of accounts that includes codes for regular expenditures and then codes for expenditures that are considered capital outlays. The distinction between the different types of expenditures are not being recognized and recorded in the appropriate account codes.

Criteria: The Village needs to follow the chart of accounts that have been established and the standards of recognizing capital expenditures as set forth in 12.6.10 NMAC.

Effect of condition: The Village is not able to reconcile the amounts recorded in the account codes reserved for capital expenditures of more than \$5,000 to the additions to the inventory of land, buildings, and equipment costing more than \$5,000.

Cause: Capital expenditures are not being recognized as being different from other expenditures for supplies and repairs and therefore capital expenditures and other expenditures are being intermixed instead of being recorded in the account codes designated for such expenditures.

Recommendation: The Village needs to understand the distinction of capital expenditures and record them separate in order to allow for the verification of additions to the inventory of land, buildings, and equipment costing more than \$5,000.

Response: The Village has become aware of the differences and will begin recording in the expenditures in the appropriate area.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2005 – 12 PREPARATION OF FINANCIAL STATEMENTS

Condition: The financial statements were prepared by the auditor.

Criteria: As per SAS 112, management is required to have an internal control system of financial reporting including the preparation of the financial statements.

Effect of condition: Management's ability to ascertain the accuracy and completeness of the financial statements has been diminished.

Cause: Management does not have internal controls in place that are necessary for the preparation of the financial statements.

Recommendation: Management should develop a plan and system of controls that enable them to review the accuracy and completeness of the financial statements.

Response: A system of controls will be developed and implemented that will allow management to determine the accuracy and fair presentation of the financial statements.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2005 – 13 LATE FILING OF FEDERAL CLEARING HOUSE REPORTING

Condition: The June 30, 2005 audit report and data collection form were sent to the Federal Clearing House after the due date of either 30 days after the date of the audit report or nine months after the year end.

Criteria: The Federal Clearing House requires that the audit report be filed either one month after the date of the audit report release, or nine months after the year end as set forth in OMB A-133 C.320.

Effect of condition: The report was not available for the filing of the Federal Clearing House report on a timely basis.

Cause: Information required to complete the audit was not available from the Village.

Recommendation: We recommend that all information be made available to the auditor on a timely basis.

Response: All information requested by the auditor will be submitted in a timely fashion. The request for bids for an auditor will be conducted in a timely manner

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT

HOUSING AUTHORITY CFDA # 14.149 QUESTIONED COSTS \$398,622
COMMUNITY DEVELOPMENT BLOCK GRANT CFDA # 14.218 QUESTIONED COSTS \$288,906

2005 – 2 INACCURATE AND UNTIMELY FILING OF FEDERAL AND STATE REPORTS (Original finding 2004 – 8, 2004-7, 2004-6)

Condition: The following reports required by Federal and State Agencies were not filed timely, and were filed incorrectly:

W-2s
W-3s
1099s
Budgets
Lodgers tax
HUD Reports
Quarterly payroll reports

Criteria: In accordance with 6-6-2A NMSA 1978 and other federal and state statutes the Village is required to submit reports in a timely manner.

Effect of condition: The Village has been subjected to various penalties for noncompliance with reporting.

Cause: Lack of accounting knowledge, and lack of adequate records.

Recommendation: All reports should be submitted on a timely basis, and the Village's books should be reconciled in order to insure accurate reporting.

Response: Reports required to by Federal and State Agencies are filed in a timely manner and are being filed correctly. Village of Cuba contracted with Wells Fargo Payroll Services in November of 2007.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT (continued)

HOUSING AUTHORITY CFDA # 14.149 QUESTIONED COSTS \$398,622
COMMUNITY DEVELOPMENT BLOCK GRANT CFDA # 14.218 QUESTIONED COSTS \$288,906

2005 – 3 CASH RECONCILIATION

Condition: The bank reconciliations were not completed correctly, causing the general ledger to be incorrect, reports to be inaccurate, and overdraft fees were paid when the bank did not have adequate funds.

Criteria: As per 6.10.2 NMAC, it is the duty of every Village that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business.

Effect of condition: The Village cannot effectively manage money or budget if they are unaware of all available funds.

Cause: The accounting system did not have a record of all cash accounts. As a result, the Village did not have all public monies accounted for and reconciled in accordance with 6.10.2 NMAC.

Recommendation: All cash accounts need to be reconciled to the general ledger within five days after receipt of bank or escrow statements.

Response: The Village is currently on an on-line positive pay program with Wells Fargo Banking Service as of January 1, 2008, where the accounts are being reconciled on a monthly basis.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT (continued)

HOUSING AUTHORITY CFDA # 14.149 QUESTIONED COSTS \$398,622
COMMUNITY DEVELOPMENT BLOCK GRANT CFDA # 14.218 QUESTIONED COSTS \$288,906

2005 – 5 ERRORS IN THE GENERAL LEDGER AMOUNTS (original finding Number 2004 – 3)

Condition: A new accounting system was implemented in June 2002. During the setup of the new accounting system entries to the general ledger were made in error as personnel gained familiarity with the system. This left many account balances either overstated or understated. The true account balances in the general ledger are uncertain even though some accounts could be reasonably verified.

Criteria: .The accounting system needs to be operated by personnel that have a familiarity with that system. In order for the financial reporting to be relied upon, the accounting system must be functioning properly with the Village's prescribed controls in place.

Effect of condition: The accounting system is not providing reliable information for management to analyze and control the finances of the Village. The information disclosed in the financial reporting cannot be reasonably relied upon.

Cause: The implementation of a computer based accounting system requires a learning curve for personnel to become familiar with that system. The accounting personnel has changed many times between the implantation of the accounting system and the current business manager who started in May of 2006.

Recommendation: The accounting personnel should have adequate knowledge of the accounting system so that the risk of entry errors is minimized. A review of account balances should be conducted to correct any errors that exist, and cash reconciliations should be agreed to the general ledger on a timely basis.

Response: .The accounting personnel had changed five times from 2002 up to May 1, 2006. The accounting personnel attends all NMML trainings, DFA Budget trainings and OSA Audit Rule trainings.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT (continued)

HOUSING AUTHORITY CFDA # 14.149 QUESTIONED COSTS \$398,622

2005 – 6 NONQUALIFIED TENANT IN HUD HOUSING

Condition: The Village had an employee living in HUD housing with without performing the required certification process.

Criteria: HUD requires tenant certifications to live in a low income housing project.

Effect of condition: The housing project was out of compliance with HUD low income housing requirements.

Cause: The Village failed to following the HUD low income housing requirements.

Recommendation: The Village needs to follow all HUD housing requirements.

Response: Village of Cuba Housing Authority will take corrective measures to comply with HUD.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT (continued)

HOUSING AUTHORITY CFDA # 14.149 QUESTIONED COSTS \$398,622
COMMUNITY DEVELOPMENT BLOCK GRANT CFDA # 14.218 QUESTIONED COSTS \$288,906

2005 – 7 LACK OF INTERNAL CONTROLS OVER FINANCIAL REPORTING (original finding Number 2004 – 2)

Condition: The assessment of internal controls could not be completed due to missing or non-existing documentation. The business manager that was employed during the year ending June 30, 2005 was no longer employed at the time of the audit and was not available to assist in locating required documentation. It can not be determined whether the documentation had at one time existed and was misplaced or did not ever exist. Internal controls were not established to prevent this from occurring.

Criteria: .A system of internal controls requires the proper approval and execution steps for each transaction to ensure its authenticity and reliability as a transaction that is beneficial to the Village of Cuba. Internal controls also require the retention of transaction documentation so that periodic review of past transactions can be conducted.

Effect of condition: The lack of internal controls leaves the Village open to mismanagement and possible misappropriation of public monies.

Cause: The lack of an appropriate filing system is the primary indication that an inadequate system of internal controls exists.

Recommendation: A standardized filing system should be established and remain unchanged unless serious matters demand change. A system of approval and execution of transactions needs to be in place to limit the risk of misappropriation.

Response: Village of Cuba accounting personnel has executed steps to improve the filing system so that financial documents will be located on demand.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT (continued)

HOUSING AUTHORITY CFDA # 14.149 QUESTIONED COSTS \$398,622
COMMUNITY DEVELOPMENT BLOCK GRANT CFDA # 14.218 QUESTIONED COSTS \$288,906

2005 – 9 BUDGET OVER EXPENDITURES (Original Number 2004 – 5)

Condition: The Village incurred expenditures in excess of the approved budget in the following funds.

Fund	Approved Budget	Actual Expenditures	Amount over expended
General Fund	\$ 452,568	\$ 1,114,327	\$ (661,759)
Fire Fund	56,579	61,320	(4,741)
Housing Authority	207,705	398,622	(190,917)
Law Protection	20,600	21,467	(867)
Water and Sewer	<u>352,530</u>	<u>387,232</u>	<u>(34,702)</u>
Total	<u>\$ 1,089,982</u>	<u>\$ 1,982,968</u>	<u>\$ (892,986)</u>

Criteria: According to NMSA 1978 Section 22-8-11 B all fiscal agents of public monies have a responsibility to monitor spending to comply with established budget guidelines. A budget is a proposed plan of financial operations for a given period of time. The annual budget authorizes and provides the basis for control of financial operations during the fiscal year. The budget should be analyzed monthly to insure expenditures remain within the legally adopted budget and revisions should be made whenever necessary.

Effect of condition: State statute may have been violated subjecting those responsible to the penalty provisions of the statute.

Cause: Purchases were approved in excess of available budget or budget adjustments were not approved to cover the expenditures approved.

Recommendation: We recommend that purchases not be approved which would cause the budget to be exceeded. We also recommend that timely budget adjustments be prepared when necessary.

Response: Village of Cuba is currently submitting the Budget electronically which is frequently reviewed to match quarterly reports to bank statements. At this time the Department of Finance and Administration is in control of the financial information.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT (continued)

HOUSING AUTHORITY CFDA # 14.149 QUESTIONED COSTS \$398,622
COMMUNITY DEVELOPMENT BLOCK GRANT CFDA # 14.218 QUESTIONED COSTS \$288,906

2005 – 10 LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS (Original Number 2006 – 8)

Condition: There were unfavorable variances between actual and budgeted line item expenditures. The following funds had unfavorable variances between budgeted amounts at fiscal year end:

General Fund	General Government	\$ 486,878
General Fund	Public Safety	109,021
General Fund	Public Works	353,251
Fire Fund	Principal Retirement	25,215
Fire Fund	Bond interest paid	6,007
Housing Authority	Public Works	182,958
Housing Authority	Capital Outlay	7,959
Street Fund	Capital Outlay	5,281
Emergency Medical Services	Capital Outlay	7,493
Law Protection	Public Safety	867
Water and Sewer	Operating Expense	136,848
Water and Sewer	Supplies	17,730
Water and Sewer	Depreciation	74,966

Criteria: According to NMSA 1978 Section 22-8-11 B all fiscal agents of public monies have a responsibility to monitor spending to comply with established budget guidelines.

Effect of Condition: Violation of NMSA 1978 Section 22-8-11 B, over spending of public monies. Improper monitoring could lead to expenditures being paid in excess of total budgeted amounts.

Cause: Improper monitoring of line item expenditures by comparing budgeted amounts and actual amounts spent allowed unfavorable (negative) variances, overspending of line item budgets, to occur.

Recommendation: Management should implement immediate steps to provide adequate financial reports to allow for proper and timely monitoring of line item expenditures. Budget adjustment requests should be approved by the Department of Finance and Administration – Local Government Division (when required) to receive approval to make necessary changes to the budgets before presented for audit.

Response: Village of Cuba monitors the budget line items on a monthly basis, then compiles the analysis to the Quarterly reports submitted electronically to Department of Finance and Administration. Any budget adjustments need approval by the Mayor and Governing Body and final approval from DFA Budget Analyst.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT (continued)

HOUSING AUTHORITY CFDA # 14.149 QUESTIONED COSTS \$398,622
COMMUNITY DEVELOPMENT BLOCK GRANT CFDA # 14.218 QUESTIONED COSTS \$288,906

2005 – 11 FAILURE TO FOLLOW CHART OF ACCOUNTS (Original Number 2005 – 12)

Condition: The Village has established a chart of accounts that includes codes for regular expenditures and then codes for expenditures that are considered capital outlays. The distinction between the different types of expenditures are not being recognized and recorded in the appropriate account codes.

Criteria: The Village needs to follow the chart of accounts that have been established and the standards of recognizing capital expenditures as set forth in 12.6.10 NMAC.

Effect of condition: The Village is not able to reconcile the amounts recorded in the account codes reserved for capital expenditures of more than \$5,000 to the additions to the inventory of land, buildings, and equipment costing more than \$5,000.

Cause: Capital expenditures are not being recognized as being different from other expenditures for supplies and repairs and therefore capital expenditures and other expenditures are being intermixed instead of being recorded in the account codes designated for such expenditures.

Recommendation: The Village needs to understand the distinction of capital expenditures and record them separate in order to allow for the verification of additions to the inventory of land, buildings, and equipment costing more than \$5,000.

Response: The Village has become aware of the differences and will begin recording in the expenditures in the appropriate area.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT (continued)

HOUSING AUTHORITY CFDA # 14.149 QUESTIONED COSTS \$398,622
COMMUNITY DEVELOPMENT BLOCK GRANT CFDA # 14.218 QUESTIONED COSTS \$288,906

2005 – 13 LATE FILING OF FEDERAL CLEARING HOUSE REPORTING

Condition: The June 30, 2005 audit report and data collection form were sent to the Federal Clearing House after the due date of either 30 days after the date of the audit report or nine months after the year end.

Criteria: The Federal Clearing House requires that the audit report be filed either one month after the date of the audit report release, or nine months after the year end.

Effect of condition: The report was not available for the filing of the Federal Clearing House report on a timely basis.

Cause: Information required to complete the audit was not available from the Village.

Recommendation: We recommend that all information be made available to the auditor on a timely basis.

Response: All information requested by the auditor will be submitted in a timely fashion. The request for bids for an auditor will be conducted in a timely manner

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development Community Development Block Grant	14.218	300	\$ 288,906
Pass-through Program From New Mexico Department of Finance and Administration: Housing Authority	14.149	230	<u>398,622</u>
Total Expenditures of Federal Awards			<u>\$ 687,528</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

All federal grant operations of Village of Cuba (the “Village”) are included in the scope of the Office of management and Budget (“OMB”) Circular A-133 audit (the “Single Audit”). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement (Revised March, 2005), the “Compliance Supplement”). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for all the grants programs noted below. These programs represent all federal award programs and other grants with fiscal 2005 cash expenditures to ensure coverage of at least 50% (high-risk auditee) of federally granted funds. Actual coverage is approximately one hundred percent (100%) of total cash and noncash federal award program expenditures. There were not any noncash expenditures the Village received.

<u>Major Federal Award Program Description</u>	<u>Fiscal 2005 Expenditures</u>
Cash assistance:	
Housing Authority	\$ 398,622
Community Development Block Grant	288,906
Total	<u>\$ 687,528</u>

The Housing Authority CFDA # 14.149 and Community Development Block Grant CFDA # 14.218 was determined to be high-risk type B programs for the 2005 audit. The U.S. Department of Housing and Urban Development is the Village’s oversight agency for the Single Audit.

1. Summary of significant policies

Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards includes all federal grants to the Village that had activity during the fiscal year ended June 30, 2005. This schedule has been prepared on the accrual basis except depreciation costs have been deducted and any costs incurred to purchase fixed assets have been added to the balances. Grant revenues are recorded for financial reporting when the Village has met the qualifications for the respective grant.

2. Audits performed by other entities

There were no audits performed by other organizations of the Village federal grant programs for the year ended June 30, 2005.

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED DISCLOSURES

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
VILLAGE OF CUBA

REQUIRED DISCLOSURES
Year Ended June 30, 2005

The financial statements were prepared by the independent public accountant.

An exit conference was held January 18, 2010 during which the audit findings were discussed. The exit conference was attended by the following individuals:

Village of Cuba

Richard R. Velarde	Mayor
Vandora P. Casados	Village Clerk-Treasurer

Keystone Accounting, LLC

Terry Ogle, C.P.A.	Partner
--------------------	---------