

STATE OF NEW MEXICO
VILLAGE OF CUBA

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2006
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
VILLAGE OF CUBA

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STATE OF NEW MEXICO
VILLAGE OF CUBA

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STATE OF NEW MEXICO
VILLAGE OF CUBA

OFFICIAL ROSTER
June 30, 2006

Elected Officials (through present)

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

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FINANCIAL SECTION

FISCAL YEAR 2006

JULY 1, 2005 THROUGH JUNE 30, 2006

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KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Village of Cuba (Village), as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Village's non-major governmental funds and the budgetary comparisons for all non-major funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of Village of Cuba's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 the revenue and expenses for the year ended June 30, 2006. 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, 2006.

Since there was not sufficient evidential matter and we were not able to apply other auditing procedures to satisfy ourselves as to the ending balances at June 30, 2006 of the revenues and expenditures and the related classifications for the year ended June 30, 2006 the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on 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, Changes in Fund Net Assets, Statement of Cash flow, Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Governmental Funds, and Budgetary comparison schedules for the year ended June 30, 2006.

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

In our opinion, except as discussed above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Cuba, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement referred to above present fairly, in all material respects, the respective financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all non-major funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

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

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, 2006. Therefore, we do not express an opinion on the schedule of expenditures of federal awards and the supplemental information.

Keystone Accounting, LLC

December 1, 2010

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF CUBA

STATEMENT OF NET ASSETS
June 30, 2006

	Primary Government		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,112,446	\$ 39,160	\$ 1,151,606
Receivables:			
Grant	6,784	-	6,784
Intergovernmental	64,427	-	64,427
Accounts	-	52,032	52,032
Non-current:			
Customer deposits	-	12,333	12,333
Non-depreciable assets	101,738	2,112	103,850
Depreciable capital assets, net	3,667,226	1,589,110	5,256,336
 Total assets	 4,952,621	 1,694,747	 6,647,368
<u>LIABILITIES</u>			
Accounts payable	\$ 21,103	\$ 4,772	\$ 25,875
Accrued salaries	3,332	-	3,332
Deposits held for others	804		804
Compensated absences	4,235	-	4,235
Rental deposits	1,750	44,825	46,575
Due within one year	31,179	-	31,179
Due in more than one year	249,903	-	249,903
 Total liabilities	 312,306	 49,597	 361,903
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	3,487,882	1,591,222	5,079,104
Restricted:			
Debt service	281,082	-	281,082
Capital projects	100	-	100
Unrestricted	871,251	53,928	925,179
 Total net assets	 \$ 4,640,315	 \$ 1,645,150	 \$ 6,285,465

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, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 899,726	\$ 29,163	\$ 159,365	\$ 92,252	\$ (618,946)	\$ -	\$ (618,946)
Public safety	297,202	9,633	52,642	30,473	(204,454)	-	(204,454)
Public works	1,030,021	33,386	182,444	105,612	(708,579)	-	(708,579)
Culture and recreation	43,918	1,424	7,779	4,503	(30,212)	-	(30,212)
Bond interest paid	5,314	-	-	-	(5,314)	-	(5,314)
Total governmental activities	<u>\$ 2,276,181</u>	<u>\$ 73,606</u>	<u>\$ 402,230</u>	<u>\$ 232,840</u>	<u>(1,567,505)</u>	<u>-</u>	<u>(1,567,505)</u>
Business-type activities:							
Water and Sewer	<u>\$ 364,020</u>	<u>\$ 280,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(83,859)</u>	<u>(83,859)</u>
General revenues:							
Taxes:							
Property					35,162	-	35,162
Oil and gas					110,594	-	110,594
Gross receipts					619,897	-	619,897
Cigarette					3,569	-	3,569
Gasoline					24,802	-	24,802
Franchise					32,494	-	32,494
Lodgers					9,668	-	9,668
Grants and contributions not restricted					838,270	-	838,270
Unrestricted investment earnings					4,455	-	4,455
Fines					155,651	-	155,651
Miscellaneous income					170,596	-	170,596
Total general revenues					<u>2,005,158</u>	<u>-</u>	<u>2,005,158</u>
Loss on asset disposal					<u>(59,725)</u>	<u>-</u>	<u>(59,725)</u>
Change in net assets					<u>377,928</u>	<u>(83,859)</u>	<u>294,069</u>
Net assets - beginning					4,184,025	1,729,009	5,913,034
Restatement					78,362	-	78,362
Net assets - as restated					<u>4,262,387</u>	<u>1,729,009</u>	<u>5,991,396</u>
Net assets - ending					<u>\$ 4,640,315</u>	<u>\$ 1,645,150</u>	<u>\$ 6,285,465</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, 2006

	General <u>Fund</u>	Fire <u>Fund</u>	Housing Authority <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>					
Pooled cash and investments	\$ 839,360	\$ 123,893	\$ 77,442	\$ 71,751	\$ 1,112,446
Receivables:					
Accounts	6,200	-	584	-	6,784
Intergovernmental	60,889	-	-	3,538	64,427
Due from other funds	20,000	-	-	-	20,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 926,449</u>	<u>\$ 123,893</u>	<u>\$ 78,026</u>	<u>\$ 75,289</u>	<u>\$ 1,203,657</u>
 <u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 15,630	\$ -	\$ 4,905	\$ 568	\$ 21,103
Accrued salaries	3,332	-	-	-	3,332
Due to other funds	-	-	20,000	-	20,000
Interest payable	-	804	-	-	804
Rental deposits	-	-	1,750	-	1,750
Notes payable	54,746	226,336	-	-	281,082
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>73,708</u>	<u>227,140</u>	<u>26,655</u>	<u>568</u>	<u>328,071</u>
Fund balance:					
Unreserved reported in:					
General fund	852,741	-	-	-	852,741
Special revenue funds	-	(103,247)	51,371	74,621	22,745
Capital projects funds	-	-	-	100	100
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	<u>852,741</u>	<u>(103,247)</u>	<u>51,371</u>	<u>74,721</u>	<u>875,586</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 926,449</u>	<u>\$ 123,893</u>	<u>\$ 78,026</u>	<u>\$ 75,289</u>	<u>\$ 1,203,657</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, 2006

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

Fund balances - total governmental funds	\$ 875,586
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	5,496,604
Accumulated depreciation	(1,727,640)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	
Accrued vacation payable	<u>(4,235)</u>
Net assets of governmental activities	<u>\$ 4,640,315</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, 2006

	General Fund	Fire Fund	Housing Authority Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Federal grant	\$ 57,000	\$ -	\$ 345,230	\$ 232,840	\$ 635,070
Taxes:					
Property	35,162	-	-	-	35,162
Oil and gas	110,594	-	-	-	110,594
Gross receipts	619,897	-	-	-	619,897
Cigarette	2,683	-	-	886	3,569
Gasoline	-	-	-	24,802	24,802
Franchise	32,494	-	-	-	32,494
Lodgers	-	-	-	9,668	9,668
Intergovernmental	448,732	171,694	-	124,761	745,187
Licenses and permits	33,358	-	-	-	33,358
Charges for services	8,367	-	57,516	7,723	73,606
Fines	107,409	-	-	48,242	155,651
Earnings from investments	971	3,484	-	-	4,455
Miscellaneous	218,728	607	429	10,557	230,321
	<u>1,675,395</u>	<u>175,785</u>	<u>403,175</u>	<u>459,479</u>	<u>2,713,834</u>
Total revenues					
Expenditures:					
Current:					
General government	815,538	-	-	-	815,538
Public safety	132,578	23,854	-	112,961	269,393
Public works	480,874	-	366,957	87,559	935,390
Culture and recreation	31,440	-	-	8,369	39,809
Capital outlay	468,824	-	18,223	232,840	719,887
Debt service:					
Bond interest paid	761	4,553	-	-	5,314
	<u>1,930,015</u>	<u>28,407</u>	<u>385,180</u>	<u>441,729</u>	<u>2,785,331</u>
Total expenditures					
Net change in fund balance	<u>(254,620)</u>	<u>147,378</u>	<u>17,995</u>	<u>17,750</u>	<u>(71,497)</u>
Fund balance (deficit) as previously reported	1,003,784	(250,625)	33,376	56,971	843,506
Restatement	<u>103,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,577</u>
Fund balance (deficit) as restated	<u>1,107,361</u>	<u>(250,625)</u>	<u>33,376</u>	<u>56,971</u>	<u>947,083</u>
Fund balance (deficit) at end of the year	<u>\$ 852,741</u>	<u>\$ (103,247)</u>	<u>\$ 51,371</u>	<u>\$ 74,721</u>	<u>\$ 875,586</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, 2006**

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

Net change in fund balance - total governmental funds	\$ (71,497)
<p>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</p>	
Capital outlay	719,887
Depreciation	(212,485)
<p>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.</p>	
Compensated absences at:	
June 30, 2005	5,983
June 30, 2006	(4,235)
Gain or loss on Assets	<u>(59,725)</u>
Change in net assets of governmental activities	<u>\$ 377,928</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, 2006

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Federal direct grant	\$ -	\$ -	\$ 57,000	\$ 57,000
Taxes:				
Property	20,000	20,000	35,162	15,162
Cigarette	-	-	2,683	2,683
Intergovernmental	35,000	35,000	448,732	413,732
Licenses and permits	19,200	19,200	33,358	14,158
Charges for services	24,155	24,155	8,367	(15,788)
Earnings from investments	755	755	788	33
Miscellaneous	<u>10,863</u>	<u>10,863</u>	<u>218,728</u>	<u>207,865</u>
Total revenues	<u>452,568</u>	<u>452,568</u>	<u>1,675,212</u>	<u>1,222,644</u>
Expenditures:				
Current:				
General government	40,954	40,954	815,538	(774,584)
Public safety	-	-	132,578	(132,578)
Public works	63,051	63,051	480,874	(417,823)
Culture and recreation	303,563	303,563	31,440	272,123
Capital outlay:				
Equipment	45,000	45,000	468,824	(423,824)
Debt service:				
Principal retirement	<u>-</u>	<u>-</u>	<u>761</u>	<u>(761)</u>
Total expenditures	<u>452,568</u>	<u>452,568</u>	<u>1,930,015</u>	<u>(1,477,447)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(254,803)</u>	<u>(254,803)</u>
Fund balance as previously reported	-	-	1,003,784	1,003,784
Restatement	<u>-</u>	<u>-</u>	<u>103,760</u>	<u>103,760</u>
Fund balance as restated	<u>-</u>	<u>-</u>	<u>1,107,544</u>	<u>1,107,544</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>852,741</u>	<u>\$ 852,741</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u>\$ 852,741</u>	

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

STATE OF NEW MEXICO
VILLAGE OF CUBA

FIRE SPECIAL REVENUE FUND

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2006

	<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>		
Revenues:				
Intergovernmental	\$ 6,041	\$ 6,041	\$ 171,694	\$ 165,653
Earnings from investments	48,798	48,798	3,484	(45,314)
Miscellaneous	<u>-</u>	<u>-</u>	<u>607</u>	<u>607</u>
 Total revenues	 <u>54,839</u>	 <u>54,839</u>	 <u>175,785</u>	 <u>120,946</u>
 Expenditures:				
Current:				
Public safety	54,839	54,839	23,854	30,985
Debt service:				
Bond interest paid	<u>-</u>	<u>-</u>	<u>4,553</u>	<u>(4,553)</u>
 Total expenditures	 <u>54,839</u>	 <u>54,839</u>	 <u>28,407</u>	 <u>26,432</u>
 Excess of revenues over expenditures	 -	 -	 147,378	 147,378
 Fund balance (deficit) at beginning of the year	 <u>-</u>	 <u>-</u>	 <u>(250,625)</u>	 <u>(250,625)</u>
Fund balance (deficit) at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>(103,247)</u>	<u>\$ (103,247)</u>
 RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u>\$ (103,247)</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:				
Federal direct grant	\$ 207,705	\$ 207,705	\$ 345,230	\$ 137,525
Charges for services	-	-	57,516	57,516
Miscellaneous	-	-	429	429
Total revenues	207,705	207,705	403,175	195,470
Expenditures:				
Current:				
Public works	207,705	207,705	366,957	(159,252)
Capital outlay:				
Equipment	-	-	18,223	(18,223)
Total expenditures	207,705	207,705	385,180	(177,475)
Excess of revenues over expenditures	-	-	17,995	17,995
Fund balance at beginning of the year	-	-	33,376	33,376
Fund balance at end of the year	\$ -	\$ -	51,371	\$ 51,371
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
			\$ 51,371	

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, 2006

ASSETS

Current assets:

Cash and cash equivalents	\$	39,160
Receivables:		
Accounts receivable		52,032
Total current assets		91,192

Noncurrent assets:

Customer deposits		12,333
Capital assets:		
Land		2,112
Buildings		1,857,097
Machinery and equipment		213,200
Less: accumulated depreciation		(481,187)
Total noncurrent assets		1,603,555

Total assets	\$	1,694,747
--------------	----	-----------

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities:

Accounts payable	\$	4,772
------------------	----	-------

Current liabilities payable from restricted assets:

Customer deposits payable		44,825
---------------------------	--	--------

Total liabilities		49,597
-------------------	--	--------

Net assets (deficit):

Investment in Capital assets		1,591,222
Undesignated		53,928

Total net assets		1,645,150
------------------	--	-----------

Total liabilities and net assets (deficit)	\$	1,694,747
--	----	-----------

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, 2006

Operating revenues:	
Charges for sales and services:	
Water and sewer charges	<u>\$ 280,161</u>
Operating expenses:	
Personal services	166,632
Operating expenses	73,330
Supplies	48,556
Depreciation	<u>75,502</u>
Total operating expenses	<u>364,020</u>
Change in net assets	(83,859)
Net assets (deficit) - beginning of year	<u>1,729,009</u>
Net assets (deficit) - ending of year	<u>\$ 1,645,150</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, 2006

CASH FLOWS FROM OPERATING
ACTIVITIES

Receipts from customers and users	\$ 239,119
Payments to supplies and maintenance	(224,548)
Payments to employees	<u>(74,658)</u>
Net increase (decrease) in cash and cash equivalents	(60,087)
Cash and cash equivalents, beginning of year	<u>99,247</u>
Cash and cash equivalents, end of year	<u>\$ 39,160</u>

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

Operating income (loss)	\$ <u>(83,859)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	75,502
(Increase) decrease in asseets:	
Accounts receivable	(40,862)
Increase (decrease) in liabilities:	
Accounts payable	(9,360)
Customer deposits	(180)
Compensated absences payable	<u>(1,328)</u>
Total adjustments	<u>23,772</u>
Net cash used in operating activities	<u>\$ (60,087)</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, 2006

ASSETS

Pooled cash and investments	\$ <u>13,786</u>
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LIABILITIES

Deposits held for others	\$ <u>13,786</u>
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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, 2006

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STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2006

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 is 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, 2006.
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, 2006.
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

The Village has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 89, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14.*

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2006

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, 2006

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 Special Revenue 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.

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 fees.

Additionally, the Village reports the following fund type:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources – which are legally restricted to expenditures for specified purposes.

Agency Funds – Agency funds account for miscellaneous assets held by the Village for other funds, governmental units, and individuals. The Village's agency funds are used to account for for assets for which the Village acts as an agent for the State. Agency funds are custodial in nature and do not involve measurement of results of operations.

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.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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 inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund 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).

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. 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.

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.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 \$4,235, as reported in the statement of net assets.

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.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2006

II. 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. Budgetary Violation

The Village exceeded its legal budget in individual funds as referenced in Finding 2006-9 and 2006-10 on pages 90 and 91. The Village is aware of the legal binding of budgets and has implemented a system of checks that will help prevent any further violations of budgetary control.

C. Deficit Fund Equity

There was one deficit fund balance of \$103,247 as of June 30, 2006 in the Fire Fund Special Revenue Fund. This deficit will be covered by future revenues or by the General Fund.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2006

III. DETAILED NOTES FOR ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2006, the carrying amount of the District's deposits was \$1,177,725 and the bank balance was \$1,291,605. Of this balance \$200,000 was covered by federal depository insurance and \$1,160,482 was covered by collateral held in joint safekeeping by a third party, \$29,625 was invested in U.S. Government Money Market Funds.

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 meets the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2006, \$1,091,605 of the Village's bank balance of \$1,386,384 was exposed to custodial risk.

	Over	Under	
	<u>Collateralized</u>	<u>Collateralized</u>	<u>Total</u>
Uninsured and uncollateralized	\$ -	\$ 28,558	\$ 28,558
Over collateralized	(127,060)	-	(127,060)
Uninsured and collateral held by pledging bank's trust dept not in the District's name	<u>1,190,107</u>	<u>-</u>	<u>1,190,107</u>
Total uninsured	1,063,047	28,558	1,091,605
Insured (FDIC)	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Total deposits	<u>\$ 1,163,047</u>	<u>\$ 128,558</u>	<u>\$ 1,291,605</u>
State of New Mexico collateral requirement:			
50% of uninsured public fund bank deposits	\$ 531,524	\$ 14,279	\$ 545,803
Pledged security	1,160,482	-	1,160,482
U.S. government backed securities	<u>29,625</u>	<u>-</u>	<u>29,625</u>
Over (Under) collateralization	<u>\$ 658,583</u>	<u>\$ (14,279)</u>	<u>\$ 644,304</u>

The collateral pledged is listed on Page 67 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2006

III. DETAILED NOTES FOR ALL FUNDS (continued)

A. Cash and Temporary Investments (continued)

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.

Credit Quality Risk

Credit quality risk is the risk that the issuer or other counterparty to a security will not fulfill its obligations to the District. National rating agencies assess this risk and assign a credit quality rating for most investments. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not assigned credit quality ratings. Credit quality ratings are reported on obligations of U.S. Government agencies that are not explicitly guaranteed by the U.S. Government.

New Mexico statutes state that the school district may temporarily invest money held in demand deposits and not immediately needed for the operation of the school district. Such temporary investments shall be made only in securities that are issued by the state or by the United States government, or by their departments or agencies, and that are either direct obligations of the state or the United States or are backed by the full faith and credit of those governments.

As of June 30, 2006, the Village owned \$29,625 in securities that were backed 100% by the U.S. government.

B. Receivables

Receivables as of June 30, 2006 are as follows:

	<u>General</u>	<u>Fire</u>	<u>Housing Authority</u>	<u>Other Governmental</u>	<u>Total</u>
Receivables:					
Accounts receivable	\$ 6,200	\$ -	\$ 584	\$ -	\$ 6,784
Intergovernmental	<u>60,889</u>	<u>-</u>	<u>-</u>	<u>3,538</u>	<u>64,427</u>
Total receivables	<u>\$ 67,089</u>	<u>\$ -</u>	<u>\$ 584</u>	<u>\$ 3,538</u>	<u>\$ 71,211</u>

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

Notes to Basic Financial Statements
June 30, 2006

III. DETAILED NOTES FOR ALL FUNDS (continued)

C. Inter-Fund Receivables, Payables and Transfer

Inter-fund loans at June 30, 2006 are as follows:

	<u>Receivables</u>	<u>Payables</u>
Governmental activities:		
Major funds:		
General fund	\$ 20,000	\$ -
Housing authority	<u>-</u>	<u>20,000</u>
Total	<u>\$ 20,000</u>	<u>\$ 20,000</u>

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

D. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land and land rights	\$ 101,738	\$ -	\$ -	\$ 101,738
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>101,738</u>	<u>-</u>	<u>-</u>	<u>101,738</u>
Capital assets being depreciated:				
Buildings and improvements	3,890,950	543,387	-	4,434,337
Equipment and other	<u>843,754</u>	<u>176,500</u>	<u>(59,725)</u>	<u>960,529</u>
Total capital assets being depreciated	<u>4,734,704</u>	<u>719,887</u>	<u>(59,725)</u>	<u>5,394,866</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,205,392)	(51,530)	-	(1,256,922)
Equipment and other	<u>(309,763)</u>	<u>(160,955)</u>	<u>-</u>	<u>(470,718)</u>
Total accumulated depreciation	<u>(1,515,155)</u>	<u>(212,485)</u>	<u>-</u>	<u>(1,727,640)</u>
Total capital assets being depreciated, net	<u>3,219,549</u>	<u>507,402</u>	<u>(59,725)</u>	<u>3,667,226</u>
Governmental Activities Capital Assets, net	<u>\$ 3,321,287</u>	<u>\$ 507,402</u>	<u>\$ (59,725)</u>	<u>\$ 3,768,964</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2006

III. DETAILED NOTES FOR ALL FUNDS (continued)

D. Capital Assets (continued)

<u>Depreciation by fund:</u>	
General	\$ 84,188
Public works	27,809
Public safety	96,379
Culture and recreation	<u>4,109</u>
Total	<u>\$ 212,485</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</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	<u>213,200</u>	<u>-</u>	<u>-</u>	<u>213,200</u>
Total capital assets being depreciated	<u>2,070,297</u>	<u>-</u>	<u>-</u>	<u>2,070,297</u>
Less accumulated depreciation for:				
Total accumulated depreciation	<u>(405,685)</u>	<u>(75,502)</u>	<u>-</u>	<u>(481,187)</u>
Total capital assets being depreciated, net	<u>1,664,612</u>	<u>(75,502)</u>	<u>-</u>	<u>1,589,110</u>
Business-type Activities Capital Assets, net	<u>\$ 1,666,724</u>	<u>\$ (75,502)</u>	<u>\$ -</u>	<u>\$ 1,591,222</u>

E. 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. The details of the bonds and notes as of June 30, 2006 are as follows:

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

Notes to Basic Financial Statements
June 30, 2006

III. DETAILED NOTES FOR ALL FUNDS (continued)

E. Long-Term Debt (continued)

The Village entered into a loan agreement with Cuba Credit Union on October 6, 2005. The proceeds from the loan were used for the purchase of a mobile home for the police officers. The loan was in the original amount of \$60,000 and matures on December 30, 2010. The details of the notes as of June 30, 2006 are as follows:

	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Balance Due</u>	<u>Current Balance</u>
Notes payable	\$ 277,778	1.54% - 4.09%	\$ 226,336	\$ 26,524
Notes payable	<u>60,000</u>	2.70%	<u>54,746</u>	<u>4,655</u>
Total	<u>\$ 337,778</u>		<u>\$ 281,082</u>	<u>\$ 31,179</u>

Balances shown for the notes do not include unamortized premiums or deferred amounts on refinancing.

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>
2007	\$ 31,179	\$ 6,716	\$ 37,895
2008	31,257	6,360	37,617
2009	31,897	5,786	37,683
2010	32,637	5,116	37,753
2011	64,202	4,359	68,561
2012-2014	<u>89,910</u>	<u>5,485</u>	<u>95,395</u>
Total	<u>\$ 281,082</u>	<u>\$ 33,822</u>	<u>\$ 314,904</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2006, 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	\$ 5,983	\$ 13,318	\$ (15,066)	\$ 4,235	\$ 4,235
Note payable	<u>252,563</u>	<u>60,000</u>	<u>(31,481)</u>	<u>281,082</u>	<u>26,179</u>
Total long-term liabilities	<u>\$ 258,546</u>	<u>\$ 73,318</u>	<u>\$ (46,547)</u>	<u>\$ 285,317</u>	<u>\$ 30,414</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2006

III. DETAILED NOTES FOR ALL FUNDS (continued)

E. Long-Term Debt (continued)

The liability of compensated absences is liquidated with resources from the general fund and several special revenue funds. The Bonds and Loans are paid from the general fund, debt service fund and the fire districts.

F. 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.

IV. 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

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.

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2006

IV. OTHER NOTE DISCLOSURES (continued)

B. Employee Retirement Systems and Plans (continued)

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, 2006, 2005 and 2004 were \$44,676, \$39,103, and \$11,167, 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.

Contribution Requirements

Contributions to the pension plan as of June 30, 2006 are equal to percentages of annual salaries as follows:

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

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

Notes to Basic Financial Statements
June 30, 2006

IV. OTHER NOTE DISCLOSURES (continued)

B. Employee Retirement Systems and Plans (continued)

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, 2006 were \$44,676. Contributions for the past three years are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Annual</u> <u>Pension</u> <u>Cost</u>	<u>Percentage</u> <u>Contribution</u>	<u>Net</u> <u>Benefit</u> <u>Obligation</u>
2004	\$ 11,167	100%	\$ -
2005	\$ 39,103	100%	\$ -
2006	\$ 44,676	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

The Village has elected not to participate in the Retiree Health Care Act (Section 10-7C-1 to 10-7c-16, NMSA 1978).

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, 2006

IV. 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.

F. Restatement

A bank account was found at the Cuba Credit Union the balance as of June 30, 2006 was \$103,577 which was restated in the general fund and the Government Wide Statement and the prior year bond payment reported in the funds as principal payment in the amount of \$\$25,215 total restatement in the fund statements was \$78,362 and in the government wide statements was the \$78,362.

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NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
VILLAGE OF CUBA

NON-MAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet

June 30, 2006

	Special Revenue Funds				
	Transportation Fund	Street Fund	Corrections Fund	Emergency Medical Services Fund	Law Protection Fund
<u>ASSETS</u>					
Pooled cash and investments	\$ 1,795	\$ 36,901	\$ 8,450	\$ 1,947	\$ 2,107
Receivables:					
Intergovernmental	-	-	3,295	-	-
Total assets	\$ 1,795	\$ 36,901	\$ 11,745	\$ 1,947	\$ 2,107
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 568
Fund balance:					
Unreserved and reported in:					
Special revenues funds	1,795	36,901	11,745	1,947	1,539
Capital projects funds	-	-	-	-	-
Total fund balance	1,795	36,901	11,745	1,947	1,539
Total liabilities and fund balance	\$ 1,795	\$ 36,901	\$ 11,745	\$ 1,947	\$ 2,107

(continued)

STATE OF NEW MEXICO
VILLAGE OF CUBA

NON-MAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet

June 30, 2006

	<u>Special Revenue Funds</u>				
	<u>Recreation Fund</u>	<u>Lodger's Tax Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>	<u>CDBG Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>					
Pooled cash and investments	\$ 8,865	\$ 11,586	\$ 71,651	\$ 100	\$ 71,751
Receivables:					
Intergovernmental	<u>243</u>	<u>-</u>	<u>3,538</u>	<u>-</u>	<u>3,538</u>
Total assets	<u>\$ 9,108</u>	<u>\$ 11,586</u>	<u>\$ 75,189</u>	<u>\$ 100</u>	<u>\$ 75,289</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 568</u>	<u>\$ -</u>	<u>\$ 568</u>
Fund balance:					
Unreserved and reported in:					
Special revenues funds	9,108	11,586	74,621	-	74,621
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Total fund balance	<u>9,108</u>	<u>11,586</u>	<u>74,621</u>	<u>100</u>	<u>74,721</u>
Total liabilities and fund balance	<u>\$ 9,108</u>	<u>\$ 11,586</u>	<u>\$ 75,189</u>	<u>\$ 100</u>	<u>\$ 75,289</u>

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, 2006

	Special Revenue Funds			
	Transportation Fund	Street Fund	Corrections Fund	Emergency Medical Services Fund
Revenues:				
Federal grant	\$ -	\$ -	\$ -	\$ -
Taxes:				
Cigarette	-	-	-	-
Gasoline	-	24,802	-	-
Lodgers	-	-	-	-
Intergovernmental	42,636	46,150	-	12,375
Charges for services	-	-	-	-
Fines	-	-	48,242	-
Miscellaneous	-	-	-	9,931
	-	-	-	9,931
Total revenues	42,636	70,952	48,242	22,306
Expenditures:				
Current:				
Public safety	36,274	-	53,184	-
Public works	-	67,823	-	19,736
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
	-	-	-	-
Total expenditures	36,274	67,823	53,184	19,736
Net change in fund balance	6,362	3,129	(4,942)	2,570
Fund balance (deficit) at beginning of the year	(4,567)	33,772	16,687	(623)
Fund balance at end of the year	\$ 1,795	\$ 36,901	\$ 11,745	\$ 1,947

(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, 2006

	Special Revenue Funds			Total Nonmajor Special Revenue Funds
	Law Protection Fund	Recreation Fund	Lodger's Tax Fund	
Revenues:				
Federal grant	\$ -	\$ -	\$ -	\$ -
Taxes:				
Cigarette	-	886	-	886
Gasoline	-	-	-	24,802
Lodgers	-	-	9,668	9,668
Intergovernmental	23,600	-	-	124,761
Charges for services	-	7,723	-	7,723
Fines	-	-	-	48,242
Miscellaneous	626	-	-	10,557
	24,226	8,609	9,668	226,639
Total revenue				
Expenditures:				
Current:				
Public safety	23,503	-	-	112,961
Public works	-	-	-	87,559
Culture and recreation	-	3,648	4,721	8,369
Capital outlay	-	-	-	-
	23,503	3,648	4,721	208,889
Total expenditures				
Net change in fund balance	723	4,961	4,947	17,750
Fund balance (deficit) at beginning of the year	816	4,147	6,639	56,871
Fund balance (deficit) at end of the year	\$ 1,539	\$ 9,108	\$ 11,586	\$ 74,621

(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, 2006

	<u>CDBG</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
Revenues:		
Federal grant	\$ 232,840	\$ 232,840
Taxes:		
Cigarette	-	886
Gasoline	-	24,802
Lodgers	-	9,668
Intergovernmental	-	124,761
Charges for services	-	7,723
Fines	-	48,242
Miscellaneous	-	10,557
Total revenue	<u>232,840</u>	<u>459,479</u>
Expenditures:		
Current:		
Public safety	-	112,961
Public works	-	87,559
Culture and recreation	-	8,369
Capital outlay	232,840	232,840
Total expenditures	<u>232,840</u>	<u>441,729</u>
Net change in fund balance	-	17,750
Fund balance (deficit) at beginning of the year	<u>100</u>	<u>56,971</u>
Fund balance (deficit) at end of the year	<u>\$ 100</u>	<u>\$ 74,721</u>

BUDGETARY PRESENTATION

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STATE OF NEW MEXICO
VILLAGE OF CUBA

NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2006

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.

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, 2006

	<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	\$ 153,804	\$ 153,804	\$ 42,636	\$ (111,168)
 Expenditures:				
Current:				
Public safety	153,804	153,804	36,274	117,530
Excess of revenues over expenditures	-	-	6,362	6,362
Fund balance (deficit) at beginning of the year	-	-	(4,567)	(4,567)
Fund balance at end of the year	\$ -	\$ -	1,795	\$ 1,795
 RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
			\$ 1,795	

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, 2006

	<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>
Revenues:				
Taxes:				
Gasoline	\$ -	\$ -	\$ 24,802	\$ 24,802
Intergovernmental	<u>82,000</u>	<u>82,000</u>	<u>46,150</u>	<u>(35,850)</u>
Total revenues	82,000	82,000	70,952	(11,048)
Expenditures:				
Current:				
Public works	<u>82,000</u>	<u>82,000</u>	<u>67,823</u>	<u>14,177</u>
Excess of revenues over expenditures	-	-	3,129	3,129
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>33,772</u>	<u>33,772</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>36,901</u>	<u>\$ 36,901</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u>\$ 36,901</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, 2006

	<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:				
Fines	\$ 20,000	\$ 20,000	\$ 48,242	\$ 28,242
Expenditures:				
Current:				
Public safety	<u>20,000</u>	<u>20,000</u>	<u>53,184</u>	<u>(33,184)</u>
Excess (deficiency) of revenues over expenditures	-	-	(4,942)	(4,942)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>16,687</u>	<u>16,687</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>11,745</u>	<u>\$ 11,745</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u>\$ 11,745</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Intergovernmental	\$ 62,750	\$ 62,750	\$ 12,375	\$ (50,375)
Miscellaneous	<u>-</u>	<u>-</u>	<u>9,931</u>	<u>9,931</u>
Total revenues	62,750	62,750	22,306	(40,444)
 Expenditures:				
Current:				
Public works	<u>62,750</u>	<u>62,750</u>	<u>19,736</u>	<u>43,014</u>
Excess of revenues over expenditures	-	-	2,570	2,570
Fund balance (deficit) at beginning of the year	<u>-</u>	<u>-</u>	<u>(623)</u>	<u>(623)</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	1,947	<u>\$ 1,947</u>
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>-</u>	
			<u>\$ 1,947</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive <u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 24,000	\$ 24,000	\$ 23,600	\$ (400)
Miscellaneous	<u>-</u>	<u>-</u>	<u>626</u>	<u>626</u>
Total revenues	24,000	24,000	24,226	226
Expenditures:				
Current:				
Public safety	<u>24,000</u>	<u>24,000</u>	<u>23,503</u>	<u>497</u>
Excess of revenues over expenditures	-	-	723	723
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>816</u>	<u>816</u>
Fund balance at end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>1,539</u>	<u><u>\$ 1,539</u></u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u><u>\$ 1,539</u></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, 2006

	<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:				
Taxes:				
Cigarette	\$ -	\$ -	\$ 886	\$ 886
Charges for services	4,800	4,800	7,723	2,923
Total revenues	4,800	4,800	8,609	3,809
 Expenditures:				
Current:				
Culture and recreation	4,800	4,800	3,648	1,152
Excess of revenues over expenditures	-	-	4,961	4,961
Fund balance at beginning of the year	-	-	4,147	4,147
Fund balance at end of the year	\$ -	\$ -	9,108	\$ 9,108
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			-	
			\$ 9,108	

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, 2006

	<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:				
Taxes:				
Lodgers	\$ 10,000	\$ 10,000	\$ 9,668	\$ (332)
 Expenditures:				
Current:				
Culture and recreation	10,000	10,000	4,721	5,279
Excess of revenues over expenditures	-	-	4,947	4,947
Fund balance at beginning of the year	-	-	6,639	6,639
Fund balance at end of the year	\$ -	\$ -	11,586	\$ 11,586
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			-	
			\$ 11,586	

STATE OF NEW MEXICO
VILLAGE OF CUBA

CAPITAL PROJECTS FUNDS
Year Ended June 30, 2006

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.

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**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, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Federal grant	\$ 630,000	\$ 630,000	\$ 232,840	\$ (397,160)
Expenditures:				
Capital outlay:				
Equipment	630,000	630,000	232,840	397,160
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of the year	-	-	100	100
Fund balance at end of the year	\$ -	\$ -	100	\$ 100
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			-	
			\$ 100	

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STATE OF NEW MEXICO
VILLAGE OF CUBA

ENTERPRISE FUNDS
Year Ended June 30, 2006

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.

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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, 2006

	<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	\$ 375,530	\$ 375,530	\$ 280,161	\$ (95,369)
Operating expenses:				
Personal services	351,448	351,448	166,632	184,816
Operating expenses	-	-	73,330	(73,330)
Supplies	-	-	48,556	(48,556)
Depreciation	-	-	75,502	(75,502)
Total operating expenses	<u>351,448</u>	<u>351,448</u>	<u>364,020</u>	<u>(12,572)</u>
Change in net assets	24,082	24,082	(83,859)	(107,941)
Net assets (deficit) - beginning of year	<u>-</u>	<u>-</u>	<u>1,729,009</u>	<u>1,729,009</u>
Net assets (deficit) - ending of year	<u>\$ 24,082</u>	<u>\$ 24,082</u>	<u>\$ 1,645,150</u>	<u>\$ 1,621,068</u>

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SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

FIDUCIARY FUNDS

Schedule of Changes in Assets and Liabilities - All Agency Funds
Year Ended June 30, 2006

<u>ASSETS</u>	Balance <u>June 30, 2005</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2006</u>
Motor Vehicle	\$ (1,443)	\$ 240,895	\$ 243,746	\$ (4,294)
Municipal Court	19,533	153,581	162,443	10,671
Municipal Court Bond	<u>1,765</u>	<u>7,473</u>	<u>1,829</u>	<u>7,409</u>
Pooled cash and investments	<u>\$ 19,855</u>	<u>\$ 401,949</u>	<u>\$ 408,018</u>	<u>\$ 13,786</u>
<u>LIABILITIES</u>				
Deposits held for others	<u>\$ 19,855</u>	<u>\$ 401,949</u>	<u>\$ 408,018</u>	<u>\$ 13,786</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2006

	Cuba Credit <u>Union</u>	Wells Fargo <u>Bank</u>	Bank of <u>Albuquerque</u>	New Mexico Finance <u>Authority</u>	<u>Total</u>
Cash on deposit at June 30, 2006	\$ 128,558	\$ 1,130,907	\$ 29,625	\$ 2,515	\$ 1,291,605
Less FDIC coverage	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Uninsured funds	<u>\$ 28,558</u>	<u>\$ 1,030,907</u>	<u>\$ 29,625</u>	<u>\$ 2,515</u>	<u>\$ 1,091,605</u>
50% collateral requirement	14,279	515,454	14,813	1,257	545,803
Pledged collateral	<u>-</u>	<u>1,159,225</u>	<u>29,625</u>	<u>1,257</u>	<u>1,190,107</u>
Excess of pledged collateral	<u>\$ (14,279)</u>	<u>\$ 643,771</u>	<u>\$ 14,812</u>	<u>\$ -</u>	<u>\$ 644,304</u>

Pledged collateral of financial institutions consists of the following at June 30, 2006

	<u>Maturity</u>	<u>CUSIP #</u>	<u>Market Value</u>
Wells Fargo Bank:			
FNCI	1/1/2009	31368HVG5	\$ 1,556
FNCL	12/1/1931	31371KF89	14,919
FNCL	6/1/1930	31384V3F7	5,028
FNCL	1/1/1932	31388WXD3	19,009
FNCL	2/1/1934	31403KTA1	766,843
GNSF	12/15/2029	36225BG85	12,757
GNSF	2/15/1931	36225BL30	328,687
GNSF	7/15/1931	36225BN95	10,426
			<u>\$ 1,159,225</u>

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

Bank of Albuquerque - Government Securities \$ 29,625

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 Treasures's Office Collateral Bureau monitors pledged collateral for all state funds.

Reconciliation to Financial Statements

Bank Balances	\$ 128,558	\$ 1,130,907	\$ 29,685	\$ 2,515	\$ 1,291,665
Reconciling items:					
Deposits in transit	-	175	-	-	175
Outstanding checks	<u>-</u>	<u>(114,115)</u>	<u>-</u>	<u>-</u>	<u>(114,115)</u>
Total per books	<u>\$ 128,558</u>	<u>\$ 1,016,967</u>	<u>\$ 29,685</u>	<u>\$ 2,515</u>	<u>\$ 1,177,725</u>
Total per financial statements					<u>\$ 1,177,725</u>

(continued)

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2006

Financial Statements:	
Cash and cash equivalents:	
Governmental activities	\$ 1,112,446
Cash in agency funds	13,786
Business-type activities	<u>51,493</u>

Total per financial statements \$ 1,177,725

	<u>Bank Balance</u>	Outstanding <u>Deposits</u>	Outstanding <u>Checks</u>	<u>Book Balance</u>
Wells Fargo Bank				
General	\$ 57,444	\$ 25	\$ (74,762)	\$ (17,293)
General	660,891	-	-	660,891
General Library	5,612	-	-	5,612
General Savings	76,213	-	-	76,213
MCI/MOA	3,461	-	-	3,461
Clean-up	1,108	-	-	1,108
Transportation	1,796	-	-	1,796
Recreation	8,865	-	-	8,865
Streets	36,901	-	-	36,901
Traffic Safety	3,156	-	-	3,156
Fire Protection	91,858	-	(164)	91,694
Law Enforcement	4,901	-	(2,795)	2,106
Corrections	5,615	-	(321)	5,294
EMS	1,947	-	-	1,947
Lodgers Tax	11,586	-	-	11,586
Housing Operating	45,040	-	(6,471)	38,569
Housing Section 8	39,064	-	(2,022)	37,042
Housing Tenant Security	1,830	-	-	1,830
Water/Sewer Systems	37,528	150	(22,749)	14,929
Water Deposits	12,333	-	-	12,333
Sewer Repair	23,122	-	-	23,122
CDBG	100	-	-	100
Motor Vehicle	536	-	(4,831)	(4,295)
Cuba Credit Union				
Checking	110,478	-	-	110,478
Municipal Court	10,671	-	-	10,671
Municipal Court Bond	7,409	-	-	7,409
Bank of Albuquerque				
Checking	28,098	-	-	28,098
Checking	1,587	-	-	1,587
New Mexico Finance Authority				
Account	<u>2,515</u>	<u>-</u>	<u>-</u>	<u>2,515</u>
	<u>\$ 1,291,665</u>	<u>\$ 175</u>	<u>\$ (114,115)</u>	<u>\$ 1,177,725</u>

SINGLE AUDIT SECTION

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**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**

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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 have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds presented as supplemental information of the Village of Cuba as of and for the year ended June 30, 2006, and have issued our report thereon dated December 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 to be significant deficiencies in internal control over financial reporting. Findings 2006-1 through 2006-14

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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 2006-2, 2006-3, 2006-5, 2006-7, 2006-8, 2006-11 and 2006-12 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 2006-2, 2006-6, 2006-7, 2006-9, 2006-10, 2006-13, and 2006-14.

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.


December 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**

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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, 2006. 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 2006-2C, 2006-5C, 2006-6C, 2006-7C, 2006-9C, 2006-10C, 2006-11C, and 2006-13C 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# 14.218 and Housing Authority CFDA# 14.149. 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# 14.218 and Housing Authority CFDA# 14.872 for the year ended June 30, 2006. However, the results of our auditing procedures disclosed eight 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 2006-2C, 2006-3C, 2006-6C, 2006-7C, 2006-9C, 2006-10C, 2006-11C, and 2006-13C.

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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 Village of Cuba'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 Village of Cuba'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 Village of Cuba's internal control. We considered the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned cost as items 2006-2C, 2006-3C, 2006-6C, 2006-7C, 2006-9C, 2006-10C, 2006-11C, and 2006-13C 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 2006-2C, 2006-3C, 2006-6C, 2006-7C, 2006-9C, 2006-10C, 2006-11C, and 2006-13C to be material weaknesses.

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.


December 1, 2010

STATE OF NEW MEXICO
VILLAGE OF CUBA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2006

A. PRIOR YEAR AUDIT FINDINGS

2004 – 1 LATE AUDIT REPORT

Current status: Not resolved. Repeated in the current year as finding 2006 – 1.

2004 – 2 LACK OF INTERNAL CONTROLS OVER FINANCIAL

Current status: Not resolved. Repeated in the current year as finding 2006 – 7.

2004 – 3 ERRORS IN THE GENERAL LEDGER AMOUNTS

Current status: Not resolved. Repeated in the current year as finding 2006 – 5.

2004 – 4 WATER AND SEWER DEPOSITS NOT ADEQUATELY FUNDED

Current status: Not resolved. Repeated in the current year as finding 2006 – 4.

2004 – 7 BUDGET OVER EXPENDITURES

Current status: Not resolved. Repeated in the current year as finding 2006 – 9.

2005 – 2 INACCURATE AND UNTIMELY FILING OF REPORTS

Current status: Not resolved. Repeated in the current year as finding 2006 – 2.

2005 – 3 CASH RECONCILIATION

Current status: Not resolved. Repeated in the current year as finding 2006 – 3.

2005 – 6 NONQUALIFIED TENANT IN HUD HOUSING

Current status: Not resolved. Repeated in the current year as finding 2006 – 6.

2005 – 8 PRENUMBERED CHECKS

Current status: Not resolved. Repeated in the current year as finding 2006 – 8.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2006

A. PRIOR YEAR AUDIT FINDINGS (continued)

2005 – 10 LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS

Current status: Not resolved. Repeated in the current year as finding 2006 – 10.

2005 – 11 FAILURE TO FOLLOW CHART OF ACCOUNTS

Current status: Not resolved. Repeated in the current year as finding 2006 – 11.

2005 – 12 PREPARATION OF FINANCIAL STATEMENTS

Current status: Not resolved. Repeated in the current year as finding 2006 – 12.

2005 – 13 LATE FILING OF FEDERAL CLEARING HOUSE REPORTING

Current status: Not resolved. Repeated in the current year as finding 2006 – 13.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a disclaimer of opinion on 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 – Proprietary Fund, Statement of Cash Flows – Proprietary Fund, Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds , and budgetary comparison schedules of Village of Cuba
2. Fourteen 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. Eight 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. Eight 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 Section Eight Housing CFDA# 14.872.
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, 2006

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2006 – 1 LATE AUDIT REPORT
(Repeat of Prior Year Finding 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, 2006 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 three (3) year period to have the audits performed.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2006 – 2 INACCURATE AND UNTIMELY FILING OF REPORTS
(Repeat of Prior Year Finding 2005 – 2)

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

HUD Reporting

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 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, 2006

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2006 – 3 CASH RECONCILIATION

Condition: The bank reconciliations were not completed correctly, causing the general ledger to be incorrect, the reports to be inaccurate, and overdraft fees 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 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. Current administration was not aware of the existence of the bond escrow accounts. Additionally, a bank account previously thought to have been closed was still being used by the sheriff's office.

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

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, 2006

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2006 – 4 WATER AND SEWER DEPOSITS NOT ADEQUATELY FUNDED
(Repeat of Prior Year Finding 2004 – 4)

Condition: Water and Sewer deposits are not adequately funded

Criteria: The Water and Sewer Deposit liability account was under-funded by \$32,492 as of June 30, 2006.

Effect of condition: The funds are not operating funds and should be refunded when the customer moves.

Cause: The Village has done research 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, 2006

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2006 – 5 ERRORS IN THE GENERAL LEDGER AMOUNTS
(Repeat of Prior Year Finding 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 various 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 done timely to the general ledger.

Response: The accounting personnel had changed five times from 2002 up to May 1, 2006. The accounting personnel attend 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, 2006

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2006 – 6 NONQUALIFIED TENANT IN HUD HOUSING
(Repeat of Prior Year Finding 2005 – 6)

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

Criteria: HUD requires tenants to qualify as low income in order to live in a low income project.

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

Cause: The Village overrode the HUD requirements.

Recommendation: The Village needs to follow all HUD requirements.

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

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2006 – 7 LACK OF INTERNAL CONTROLS OVER FINANCIAL REPORTING
(Repeat of Prior Year Finding 2004 – 2)

Condition: The assessment of internal controls could not be completed due to missing or non-existing documentation. The business manager that that was employed during the year ended June 30, 2006 was no longer employed at the time of the audit of this report and was not available to assist in locating missing documentation. It cannot 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.

Criteria: .A system of internal controls requires the proper approval and execution steps of 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 can be located.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2006 – 8 PRENUMBERED CHECKS
(Repeat of Prior Year Finding 2005 – 8)

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

Criteria: Internal controls procedures require the Village to use procedures to ensure that the public funds are as safe as possible.

Effect of condition: The Village is more susceptible to misappropriation of funds if they do not use pre-numbered checks.

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, 2006

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2006 – 9 BUDGET OVER EXPENDITURES
(Repeat of Prior Year Finding 2004 – 7)

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

<u>Fund</u>	<u>Approved Budget</u>	<u>Actual Expenditures</u>	<u>Amount Over Expended</u>
General Fund	\$ 452,568	\$ 1,930,015	\$ (1,477,447)
Housing Authority	207,705	385,180	(177,475)
Corrections	20,000	53,184	(33,184)
Water and Sewer	<u>351,448</u>	<u>364,020</u>	<u>(12,572)</u>
Total	<u>\$ 1,031,721</u>	<u>\$ 2,732,399</u>	<u>\$ (1,700,678)</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, 2006

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2006 – 10 LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS
(Repeat of Prior Year Finding 2004 – 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	\$ 774,584
General Fund	Public Safety	132,578
General Fund	Public Works	417,823
General Fund	Capital Outlay	423,824
General Fund	Principal Retirement	761
Fire Fund	Bond interest paid	4,553
Housing Authority	Public Works	159,252
Housing Authority	Capital Outlay	18,223
Corrections	Public Safety	33,184
Water and Sewer	Operating Expense	76,330
Water and Sewer	Supplies	48,556
Water and Sewer	Depreciation	75,502

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 records prior to being 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, 2006

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2006 – 11 FAILURE TO FOLLOW CHART OF ACCOUNTS
(Repeat of Prior Year Finding 2004 – 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, 2006

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2006 – 12 PREPARATION OF FINANCIAL STATEMENTS
(Repeat of Prior Year Finding 2005 – 12)

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, 2006

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2006 – 13 LATE FILING OF FEDERAL CLEARING HOUSE REPORTING
(Repeat of Prior Year Finding 2005 – 13)

Condition: The June 30, 2006 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, 2006

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

2006 – 14 PUBLIC MONIES WERE NOT ADEQUATELY COLLATERALIZED

Condition: The securities held by Cuba Credit Union, one of the Village’s depository banks, did not provide adequate collateral security as required by state statute for deposits of public monies. The amount of collateral provided was \$14,279 less than that required by 1978 NMSA 6-10-17.

Criteria: According to New Mexico State Statute (NMSA 1978) 6-10-17, “Any bank or savings and loan association designated as a depository of public money shall deliver securities of the kind specified in Section 6-10-16 NMSA 1978 to a custodial bank described in Section 6-10-21 NMSA 1978 and shall then deliver a joint safekeeping receipt issued by the custodial bank to the public official from whom or the public board from which the public money is received for deposit. The securities delivered shall have an aggregate value equal to one-half the amount of public money to be received in accordance with Subsection B of Section 6-10-16 NMSA 1978. However, any such bank or savings and loan association may deliver a depository bond executed by a surety company as provided in Section 6-10-15 NMSA 1978 as security for any portion of a deposit of public money.”

Effect of condition: The Village’s deposits were excessively exposed to risk of loss and the Village is not in compliance with 1978 NMSA 6-10-17.

Recommendation: It is the responsibility of management to insure that adequate safekeeping of the Village’s assets is maintained. As part of its fiscal responsibility, management should work closely with its depository banks to closely monitor types and amounts of collateral to meet the state requirements.

Management’s response: Resolved by the Business Office is responsible of managing to insure that adequate safekeeping of the Village’s assets is maintained. As part of its fiscal responsibility, management should work closely with its depository banks to closely monitor types and amounts of collateral to meet the state requirements.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

C. AUDIT FINDINGS – MAJOR FEDERAL PROGRAM AUDIT

Housing Authority CFDA# 14.872
Community Development Block Grant CFDA # 14.218

2006 – 2C INACCURATE AND UNTIMELY FILING OF REPORTS
(Repeat of Prior Year Finding 2005 – 2)

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

HUD Reporting
Quarterly 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 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, 2006

C. AUDIT FINDINGS – MAJOR FEDERAL PROGRAM AUDIT (continued)

Housing Authority CFDA# 14.872
Community Development Block Grant CFDA # 14.218

2006 – 5C ERRORS IN THE GENERAL LEDGER AMOUNTS
(Repeat of Prior Year Finding 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, 2006

C. AUDIT FINDINGS – MAJOR FEDERAL PROGRAM AUDIT (continued)

Housing Authority CFDA# 14.872
Community Development Block Grant CFDA # 14.218

2006 – 6C NONQUALIFIED TENANT IN HUD HOUSING

Condition: The Village had an employee living in HUD housing 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 rules and regulations.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

C. AUDIT FINDINGS – MAJOR FEDERAL PROGRAM AUDIT (continued)

Housing Authority CFDA# 14.872
Community Development Block Grant CFDA # 14.218

2006 – 7C LACK OF INTERNAL CONTROLS OVER FINANCIAL REPORTING
(Repeat of Prior Year Finding 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, 2006 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 can be located.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

C. AUDIT FINDINGS – MAJOR FEDERAL PROGRAM AUDIT (continued)

Housing Authority CFDA# 14.872
Community Development Block Grant CFDA # 14.218

2006 – 9C BUDGET OVER EXPENDITURES
(Repeat of Prior Year Finding 2004 – 5)

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

<u>Fund</u>	<u>Approved Budget</u>	<u>Actual Expenditures</u>	<u>Amount Over Expended</u>
Housing Authority	\$ 207,705	\$ 385,180	\$ (177,475)

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, 2006

C. AUDIT FINDINGS – MAJOR FEDERAL PROGRAM AUDIT (continued)

Housing Authority CFDA# 14.872
Community Development Block Grant CFDA # 14.218

2006 – 10C LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS
(Repeat of Prior Year Finding 2005 – 10)

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

Housing Authority	Public Works	159,252
Housing Authority	Capital Outlay	18,223

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, 2006

C. AUDIT FINDINGS – MAJOR FEDERAL PROGRAM AUDIT (continued)

Housing Authority CFDA# 14.872
Community Development Block Grant CFDA # 14.218

2006 – 11C FAILURE TO FOLLOW CHART OF ACCOUNTS
(Repeat of Prior Year Finding 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, 2006

C. AUDIT FINDINGS – MAJOR FEDERAL PROGRAM AUDIT (continued)

Housing Authority CFDA# 14.872
Community Development Block Grant CFDA # 14.218

2006 – 13C LATE FILING OF FEDERAL CLEARING HOUSE REPORTING
(Repeat of Prior Year Finding 2005 – 13)

Condition: The June 30, 2006 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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

<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 Public Safety FEMA	97.036	101	\$ 57,000
U.S. Department of Housing and Urban Development Community Development Block Grant	14.218	300	232,840
Pass-through Program From New Mexico Department of Finance and Administration: Housing Authority	14.872	230	<u>385,180</u>
Total Expenditures of Federal Awards			<u>\$ 675,020</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes To The Schedule Of Expenditures Of Federal Awards
Year Ended June 30, 2006

1. Scope of audit pursuant to OMB Circular A-133

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, 2006), 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 2006 cash expenditures to ensure coverage of at least 50% (high-risk auditee) of federally granted funds. Actual coverage is approximately fifty-seven percent (57%) 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 2006 Expenditures</u>
Cash assistance:	
Housing Authority	<u>\$ 385,180</u>

The Housing Authority CFDA# 14.149 was determined to be high-risk type A program for the 2006 audit. The U.S. Department of Housing and Urban Development is the Village's oversight agency for the Single Audit.

2. 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, 2006. 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.

3. 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, 2006.

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REQUIRED DISCLOSURES

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STATE OF NEW MEXICO
VILLAGE OF CUBA

REQUIRED DISCLOSURES
Year Ended June 30, 2006

REQUIRED DISCLOSURE

The financial statements were prepared by the independent public accountants.

An exit conference was held December 10, 2010, during which the audit findings were discussed. The exit conference was attended by the following individuals:

VILLAGE OF CUBA

Brian L. Velarde
Vandora Cosados

Mayor Pro-Tem
Village Clerk

KEYSTONE ACCOUNTING, LLC

Terry Ogle, CPA

Partner