

STATE OF NEW MEXICO
VILLAGE OF CUBA

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2007
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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Year Ended June 30, 2007

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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, 2007

Elected Officials (through present)

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

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FINANCIAL SECTION

FISCAL YEAR 2007

JULY 1, 2006 THROUGH JUNE 30, 2007

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KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Farmington, NM 87401

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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, 2007, 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 nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, 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, 2007. 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, 2007.

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, 2007 of the revenues and expenditures and the related classifications for the year ended June 30, 2007 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, 2007.

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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, 2007, 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 nonmajor 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 July 7, 2011, 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 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, 2007. Therefore, we do not express an opinion on the supplemental information.


July 7, 2011

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

**STATEMENT OF NET ASSETS
June 30, 2007**

	Primary Government		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 573,921	\$ 16,872	\$ 590,793
Receivables:			
Grant	3,613	-	3,613
Intergovernmental Accounts	105,873 -	- 21,575	105,873 21,575
Non-current:			
Customer deposits	-	14,774	14,774
Non-depreciable assets	101,738	2,112	103,850
Depreciable capital assets, net	3,897,185	1,513,609	5,410,794
 Total assets	 4,682,330	 1,568,942	 6,251,272
<u>LIABILITIES</u>			
Accounts payable	\$ 12,184	\$ -	\$ 12,184
Accrued salaries	-	1,510	1,510
Deferred grant revenue	-	1,468	1,468
Deposits held for others	742	-	742
Compensated absences	2,883	-	2,883
Rental deposits	1,718	45,275	46,993
Noncurrent liabilities:			
Due within one year	26,892	-	26,892
Due in more than one year	172,920	-	172,920
 Total liabilities	 217,339	 48,253	 265,592
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	3,799,111	1,515,721	5,314,832
Restricted:			
Debt service	199,812	-	199,812
Capital projects	100	-	100
Unrestricted	465,968	4,968	470,936
 Total net assets	 \$ 4,464,991	 \$ 1,520,689	 \$ 5,985,680

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, 2007

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	\$ 760,257	\$ 27,987	\$ 102,466	\$ -	\$ (629,804)	\$ -	\$ (629,804)
Public safety	271,382	9,990	36,577	-	(224,815)	-	(224,815)
Public works	971,138	35,750	130,889	-	(804,499)	-	(804,499)
Culture and recreation	51,450	1,894	6,934	-	(42,622)	-	(42,622)
Bond interest paid	6,536	-	-	-	(6,536)	-	(6,536)
Total governmental activities	<u>\$ 2,060,763</u>	<u>\$ 75,621</u>	<u>\$ 276,866</u>	<u>\$ -</u>	<u>(1,708,276)</u>	<u>-</u>	<u>(1,708,276)</u>
Business-type activities:							
Water and Sewer	\$ 348,979	\$ 245,821	\$ -	\$ -	-	(103,158)	(103,158)
General revenues:							
Taxes:							
Property					47,066	-	47,066
Oil and gas					91,827	-	91,827
Gross receipts					541,667	-	541,667
Cigarette					2,687	-	2,687
Franchise					33,404	-	33,404
Lodgers					11,023	-	11,023
Grants and contributions not restricted					333,702	-	333,702
Unrestricted investment earnings					26,125	-	26,125
Fines					129,150	-	129,150
Miscellaneous income					314,984	-	314,984
Transfers					1,317	(1,317)	-
Total general revenues and transfers					<u>1,532,952</u>	<u>(1,317)</u>	<u>1,531,635</u>
Change in net assets					<u>(175,324)</u>	<u>(104,475)</u>	<u>(279,799)</u>
Net assets - beginning					4,640,315	1,645,150	6,285,465
Restatement					-	(19,986)	(19,986)
Net assets - as restated					<u>4,640,315</u>	<u>1,625,164</u>	<u>6,265,479</u>
Net assets - ending					<u>\$ 4,464,991</u>	<u>\$ 1,520,689</u>	<u>\$ 5,985,680</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, 2007

	<u>General</u> <u>Fund</u>	<u>Fire</u> <u>Fund</u>	<u>Housing</u> <u>Authority</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>ASSETS</u>					
Pooled cash and investments	\$ 377,704	\$ 43,541	\$ 105,660	\$ 47,016	\$ 573,921
Receivables:					
Accounts	-	-	3,613	-	3,613
Intergovernmental	101,564	-	-	4,309	105,873
Due from other funds	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
 Total assets	 <u>\$ 499,268</u>	 <u>\$ 43,541</u>	 <u>\$ 109,273</u>	 <u>\$ 51,325</u>	 <u>\$ 703,407</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 9,361	\$ -	\$ 2,277	\$ 546	\$ 12,184
Due to other funds	-	-	20,000	-	20,000
Interest payable	-	742	-	-	742
Rental deposits	-	-	1,718	-	1,718
Notes payable	<u>-</u>	<u>199,812</u>	<u>-</u>	<u>-</u>	<u>199,812</u>
 Total liabilities	 <u>9,361</u>	 <u>200,554</u>	 <u>23,995</u>	 <u>546</u>	 <u>234,456</u>
Fund balance:					
Unreserved reported in:					
General fund	489,907	-	-	-	489,907
Special revenue funds	-	(157,013)	85,278	50,679	(21,056)
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
 Total fund balance	 <u>489,907</u>	 <u>(157,013)</u>	 <u>85,278</u>	 <u>50,779</u>	 <u>468,951</u>
 Total liabilities and fund balance	 <u>\$ 499,268</u>	 <u>\$ 43,541</u>	 <u>\$ 109,273</u>	 <u>\$ 51,325</u>	 <u>\$ 703,407</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, 2007

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

Fund balances - total governmental funds	\$ 468,951
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	5,999,448
Accumulated depreciation	(2,000,525)
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>(2,883)</u>
Net assets of governmental activities	<u>\$ 4,464,991</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, 2007

	General <u>Fund</u>	Fire <u>Fund</u>	Housing Authority <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:					
Federal grant	\$ -	\$ -	\$ 276,866	\$ -	\$ 276,866
Taxes:					
Property	47,066	-	-	-	47,066
Oil and gas	91,827	-	-	-	91,827
Gross receipts	541,667	-	-	-	541,667
Cigarette	223	-	-	2,464	2,687
Franchise	33,404	-	-	-	33,404
Lodgers	-	-	-	11,023	11,023
Intergovernmental	223,686	38,994	-	44,093	306,773
Licenses and permits	26,929	-	-	-	26,929
Charges for services	16,031	-	57,070	2,520	75,621
Fines	91,636	-	-	37,514	129,150
Earnings from investments	23,044	3,081	-	-	26,125
Miscellaneous	311,791	775	620	1,798	314,984
	<u>1,407,304</u>	<u>42,850</u>	<u>334,556</u>	<u>99,412</u>	<u>1,884,122</u>
Total revenues					
Expenditures:					
Current:					
General government	659,265	-	-	-	659,265
Public safety	150,955	31,699	-	52,677	235,331
Public works	515,619	-	300,649	27,215	843,483
Culture and recreation	23,448	-	-	21,167	44,615
Capital outlay	490,344	-	-	12,500	502,844
Debt service:					
Interest paid	1,715	4,821	-	-	6,536
	<u>1,841,346</u>	<u>36,520</u>	<u>300,649</u>	<u>113,559</u>	<u>2,292,074</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>(434,042)</u>	<u>6,330</u>	<u>33,907</u>	<u>(14,147)</u>	<u>(407,952)</u>
Other financing sources and uses:					
Transfers in	71,208	-	-	-	71,208
Transfers out	-	(60,096)	-	(9,795)	(69,891)
	<u>71,208</u>	<u>(60,096)</u>	<u>-</u>	<u>(9,795)</u>	<u>1,317</u>
Total other financing sources and uses					
Net change in fund balance	(362,834)	(53,766)	33,907	(23,942)	(406,635)
Fund balance (deficit) at beginning of the year	852,741	(103,247)	51,371	74,721	875,586
Fund balance (deficit) at end of the year	<u>\$ 489,907</u>	<u>\$ (157,013)</u>	<u>\$ 85,278</u>	<u>\$ 50,779</u>	<u>\$ 468,951</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, 2007**

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

Net change in fund balance - total governmental funds	#####
<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	502,844
Depreciation	(272,885)
<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, 2006	4,235
June 30, 2007	<u>(2,883)</u>
Change in net assets of governmental activities	#####

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, 2007

	<u>Budgeted Amounts</u>		Actual Amounts <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property	\$ 41,113	\$ 41,113	\$ 47,066	\$ 5,953
Oil and gas	905,754	905,754	91,827	(813,927)
Gross receipts	208,011	208,011	541,666	333,655
Cigarette	12,549	12,549	223	(12,326)
Franchise	23,051	23,051	33,404	10,353
Intergovernmental	35,000	35,000	223,686	188,686
Licenses and permits	27,469	27,469	26,929	(540)
Charges for services	1,700	1,700	16,031	14,331
Fines	-	-	91,637	91,637
Earnings from investments	-	-	23,044	23,044
Miscellaneous	-	-	311,791	311,791
	<u>1,254,647</u>	<u>1,254,647</u>	<u>1,407,304</u>	<u>152,657</u>
Total revenues				
Expenditures:				
Current:				
General government	1,561,552	1,561,552	659,265	902,287
Public safety	-	-	150,955	(150,955)
Public works	-	-	515,619	(515,619)
Culture and recreation	-	-	23,448	(23,448)
Capital outlay:				
Buildings and improvements	35,000	35,000	490,344	(455,344)
Debt service:				
Bond interest paid	-	-	1,715	(1,715)
	<u>1,596,552</u>	<u>1,596,552</u>	<u>1,841,346</u>	<u>(244,794)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(341,905)	(341,905)	(434,042)	(92,137)
Other financing sources:				
Transfers in	-	-	71,208	71,208
	<u> </u>	<u> </u>	<u>71,208</u>	<u>71,208</u>
Net change in fund balance				
	(341,905)	(341,905)	(362,834)	(20,929)
Fund balance at beginning of the year	-	-	852,741	852,741
Fund balance at end of the year	<u>\$ (341,905)</u>	<u>\$ (341,905)</u>	489,907	<u>\$ 831,812</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u> </u>	
			<u>\$ 489,907</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, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 69,000	\$ 69,000	\$ 38,994	\$ (30,006)
Earnings from investments	5,600	5,600	3,081	(2,519)
Miscellaneous	-	-	775	775
Total revenues	74,600	74,600	42,850	(31,750)
Expenditures:				
Current:				
Public safety	74,600	74,600	31,699	42,901
Debt service:				
Bond interest paid	-	-	4,821	(4,821)
Total expenditures	74,600	74,600	36,520	38,080
Excess of revenues over expenditures	-	-	6,330	6,330
Other uses:				
Transfers out	-	-	(60,096)	(60,096)
Net change in fund balance	-	-	(53,766)	(53,766)
Fund balance (deficit) at beginning of the year	-	-	(103,247)	(103,247)
Fund balance (deficit) at end of the year	\$ -	\$ -	(157,013)	\$ (157,013)
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
			\$ (157,013)	

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, 2007

	<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:				
Federal grant	\$ -	\$ -	\$ 276,866	\$ 276,866
Rents	-	-	57,070	57,070
Miscellaneous	-	-	<u>620</u>	<u>620</u>
Total revenues	-	-	334,556	334,556
 Expenditures:				
Current:				
Public works	-	-	<u>300,649</u>	<u>(300,649)</u>
Excess of revenues over expenditures	-	-	33,907	33,907
Fund balance at beginning of the year	-	-	<u>51,371</u>	<u>51,371</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>85,278</u>	<u>\$ 85,278</u>
 RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u>\$ 85,278</u>	

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

STATE OF NEW MEXICO
VILLAGE OF CUBA

PROPRIETARY FUND - WATER AND SEWER
STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$	16,872
Receivables:		
Accounts receivable - net		21,575
Total current assets		38,447

Noncurrent assets:

Customer deposits		14,774
Land		2,112
Buildings		1,857,097
Machinery and equipment		213,200
Less: accumulated depreciation		(556,688)
Total noncurrent assets		1,530,495

Total assets	\$	1,568,942
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LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities:

Accrued liabilities	\$	1,510
Deferred revenue:		
Federal, state, and local grants		1,468
Total current liabilities		2,978

Current liabilities payable from restricted assets:

Customer deposits payable		45,275
Total liabilities		48,253

Net assets:

Investment in Capital assets		1,515,721
Undesignated		4,968
Total net assets		1,520,689
Total liabilities and net assets	\$	1,568,942

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, 2007

Operating revenues:	
Charges for sales and services:	
Water and sewer charges	<u>\$ 245,821</u>
Operating expenses:	
Personal services	171,807
Operating expenses	87,531
Supplies	14,139
Depreciation	<u>75,502</u>
Total operating expenses	<u>348,979</u>
Operating loss	(103,158)
Transfers out	<u>(1,317)</u>
Change in net assets	<u>(104,475)</u>
Net assets - beginning of year	1,645,150
Restatement	<u>(19,986)</u>
Net assets after restatement	<u>1,625,164</u>
Net assets - ending of year	<u><u>\$ 1,520,689</u></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, 2007

CASH FLOWS FROM OPERATING

ACTIVITIES

Receipts from customers and users	\$ 274,287
Payments to supplies and maintenance	(190,718)
Payments to employees	<u>(86,021)</u>
Net cash used in operating activities	<u>(2,452)</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES

Transfer to other funds	(1,317)
Subsidy from federal grant	1,467
Restatement	<u>(19,986)</u>
Net cash provided (used) by capitol and related financing activities	<u>(19,836)</u>

Net increase (decrease) in cash and cash equivalents (22,288)

Cash and cash equivalents, beginning of year 39,160

Cash and cash equivalents, end of year \$ 16,872

RECONCILIATION OF OPERATING INCOME

TO NET CASH PROVIDED (USED) BY

OPERATING ACTIVITIES

Operating income (loss)	\$ <u>(103,158)</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	30,457
Increase (decrease) in liabilities:	
Accounts payable	(4,772)
Accrued liabilities	1,510
Customer deposits	<u>(1,991)</u>
Total adjustments	<u>100,706</u>
Net cash used in operating activities	<u><u>\$ (2,452)</u></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, 2007

ASSETS

Pooled cash and investments	\$	<u>24,325</u>
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LIABILITIES

Deposits held for others	\$	<u>24,325</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, 2007

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STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2007

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, 2007.
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, 2007.
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. 39, *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, 2007

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, 2007

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 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, 2007

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. 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, 2007

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, 2007

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, construction in progress, buildings and improvements, equipment, and water and sewer 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>
Buildings and improvements	10 to 50
Motor vehicles and motorized equipment	5 to 10
Furniture, machinery, equipment, and software	5 to 10
Water and sewer	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, 2007

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.

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, 2007

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, 2007

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 2007-5 and 2007-6 on pages 79 and 80. 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 \$157,013 as of June 30, 2007 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, 2007

III. DETAILED NOTES FOR ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2007, the carrying amount of the District's deposits was \$631,687 and the bank balance and overnight investments totaled \$805,310. Of this balance \$175,534 was covered by federal depository insurance \$240,965 was covered by collateral held in joint safekeeping by a third party, \$29,682 was invested in U.S. Government Money Market Funds. The overnight investment account of \$388,811 was uncollateralized.

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, 2007, \$388,811 of the Village's bank balance of \$805,310 was exposed to custodial risk.

	Over	Under	
	<u>Collateralized</u>	<u>Collateralized</u>	<u>Total</u>
Uninsured and uncollateralized	\$ -	\$ 388,811	\$ 388,811
Over collateralized	(828,129)	-	(828,129)
Uninsured and collateral held by the pledging bank's in the Village's name	<u>1,069,094</u>	<u>-</u>	<u>1,069,094</u>
Total uninsured	240,965	388,811	629,776
Insured (FDIC)	<u>175,534</u>	<u>-</u>	<u>175,534</u>
Total deposits	<u>\$ 416,499</u>	<u>\$ 388,811</u>	<u>\$ 805,310</u>
State of New Mexico collateral requirement:			
50% of uninsured public fund bank deposits	\$ (120,483)	\$ -	\$ (120,483)
102% of uninsured public fund bank deposits	-	(396,587)	(396,587)
Pledged security	1,039,412	-	1,039,412
U.S. government backed securities	<u>29,682</u>	<u>-</u>	<u>29,682</u>
Over (Under) collateralization	<u>\$ 948,611</u>	<u>\$ 396,587</u>	<u>\$ 552,024</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, 2007

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 Village may temporarily invest money held in demand deposits and not immediately needed for the operation of the Village. 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, 2007, the Village owned \$29,682 in securities that were backed 100% by the U.S. government.

B. Receivables

Receivables as of June 30, 2007 are as follows:

	<u>General</u>	<u>Housing Authority</u>	<u>Other Governmental</u>	<u>Total</u>
Receivables:				
Accounts receivable	\$ -	\$ 3,613	\$ -	\$ 3,613
Intergovernmental	<u>101,564</u>	<u>-</u>	<u>4,309</u>	<u>105,873</u>
Total receivables	<u>\$ 101,564</u>	<u>\$ 3,613</u>	<u>\$ 4,309</u>	<u>\$ 109,486</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2007

III. DETAILED NOTES FOR ALL FUNDS (continued)

C. Inter-Fund Receivables, Payables and Transfer

Inter-fund loans at June 30, 2007 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, 2007, 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	<u>101,738</u>	<u> -</u>	<u> -</u>	<u>101,738</u>
Capital assets being depreciated:				
Buildings and improvements	4,434,337	89,000	-	4,523,337
Equipment and other	<u>960,529</u>	<u>413,844</u>	<u> -</u>	<u>1,374,373</u>
Total capital assets being depreciated	<u>5,394,866</u>	<u>502,844</u>	<u> -</u>	<u>5,897,710</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,256,922)	(168,836)	-	(1,425,758)
Equipment and other	<u>(470,718)</u>	<u>(104,049)</u>	<u> -</u>	<u>(574,767)</u>
Total accumulated depreciation	<u>(1,727,640)</u>	<u>(272,885)</u>	<u> -</u>	<u>(2,000,525)</u>
Total capital assets being depreciated, net	<u>3,667,226</u>	<u>229,959</u>	<u> -</u>	<u>3,897,185</u>
Governmental Activities Capital Assets, net	<u>\$ 3,768,964</u>	<u>\$ 229,959</u>	<u>\$ -</u>	<u>\$ 3,998,923</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2007

III. DETAILED NOTES FOR ALL FUNDS (continued)

D. Capital Assets (continued)

<u>Depreciation by fund:</u>	
General	\$ 100,984
Public works	36,145
Public safety	128,903
Culture and recreation	<u>6,853</u>
Total	<u>\$ 272,885</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	2,070,297	-	-	2,070,297
Less accumulated depreciation for:				
Buildings and improvements	<u>(481,187)</u>	<u>(75,501)</u>	<u>-</u>	<u>(556,688)</u>
Total capital assets being depreciated, net	<u>1,589,110</u>	<u>(75,501)</u>	<u>-</u>	<u>1,513,609</u>
Business-type Activities Capital Assets, net	<u>\$ 1,591,222</u>	<u>\$ (75,501)</u>	<u>\$ -</u>	<u>\$ 1,515,721</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 Village pledged New Mexico Fire Protection Fund Revenues to secure the payment of the loan. These funds are sent directly to New Mexico Finance Authority from the State Treasury for payment of this indebtedness. The details of the bonds and notes as of June 30, 2007 are as follows:

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2007

III. DETAILED NOTES FOR ALL FUNDS (continued)

E. Long-Term Debt (continued)

	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Balance Due</u>	<u>Current Balance</u>
Notes payable	\$ 277,778	2.36% - 4.09%	\$ 199,812	\$ 26,892

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

General Obligation Bonds			
Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
<u>June 30.</u>			
2008	\$ 26,892	\$ 5,008	\$ 31,900
2009	27,127	4,556	31,683
2010	27,735	4,018	31,753
2011	28,431	3,393	31,824
2012	29,230	2,668	31,898
2013-2014	<u>60,397</u>	<u>2,818</u>	<u>63,215</u>
Total	<u>\$ 199,812</u>	<u>\$ 22,461</u>	<u>\$ 222,273</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2007, 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	\$ 4,235	\$ 6,536	\$ (7,888)	\$ 2,883	\$ 2,883
Note payable	<u>281,082</u>	<u>-</u>	<u>(81,270)</u>	<u>199,812</u>	<u>26,892</u>
Total long-term liabilities	<u>\$ 285,317</u>	<u>\$ 6,536</u>	<u>\$ (89,158)</u>	<u>\$ 202,695</u>	<u>\$ 29,775</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2007

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 loan is paid from the New Mexico Fire Protection Fund Revenue.

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.

F. Inter-fund transfers

There were three inter-fund transfers totaling \$71,208 during the year ended June 30, 2007 from the Fire fund, the Transportation fund, and the Correction fund.

	<u>From</u>	<u>To</u>
General Fund	\$ -	\$ 71,208
Fire Fund	60,096	-
Transportation Fund	1,795	-
Corrections Fund	8,000	-
Water and Sewer	1,317	-
Total	\$ 71,208	\$ 71,208

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 management, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Grants

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

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2007

IV. OTHER NOTE DISCLOSURES (continued)

B. Employee Retirement Systems and Plans

Plan Description

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

Funding Policy

Plan members are required to contribute 7% (ranges from 4.78% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Village is required to contribute 10% for police and 7% for other employees (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Village are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Village's contributions to PERA for the fiscal years ending June 30, 2007, 2006 and 2005 were \$31,329, \$44,676, and \$39,103, respectively, which equal the amount of the required contributions for each fiscal year.

Retirement Eligibility

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

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

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

STATE OF NEW MEXICO
VILLAGE OF CUBA

Notes to Basic Financial Statements
June 30, 2007

IV. OTHER NOTE DISCLOSURES (continued)

B. Employee Retirement Systems and Plans (continued)

Contribution Requirements

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

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

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.

A. 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).

B. 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, 2007

IV. OTHER NOTE DISCLOSURES (continued)

C. 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.

D. Restatement

An employee was having part of his payroll check directly deposited into his bank account and was issued a check for the remaining amount. The employee did not cash these checks. In prior years \$19,986 was written off as old outstanding checks. In the current year, the Village agreed to honor these checks. In the financial statements cash and fund balances were decreased in the amount of \$19,986.

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NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
VILLAGE OF CUBA

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2007

	Special Revenue Funds				
	Transportation <u>Fund</u>	Street <u>Fund</u>	Corrections <u>Fund</u>	Emergency Medical Services <u>Fund</u>	Law Protection <u>Fund</u>
<u>ASSETS</u>					
Pooled cash and investments	\$ -	\$ 15,771	\$ 10,425	\$ 3,863	\$ 1,269
Receivables:					
Intergovernmental	-	-	3,817	-	-
Total assets	<u>\$ -</u>	<u>\$ 15,771</u>	<u>\$ 14,242</u>	<u>\$ 3,863</u>	<u>\$ 1,269</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Unreserved and reported in:					
Special revenues funds	-	15,771	14,242	3,863	1,269
Capital projects funds	-	-	-	-	-
Total fund balance	<u>-</u>	<u>15,771</u>	<u>14,242</u>	<u>3,863</u>	<u>1,269</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 15,771</u>	<u>\$ 14,242</u>	<u>\$ 3,863</u>	<u>\$ 1,269</u>

(continued)

STATE OF NEW MEXICO
VILLAGE OF CUBA

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2006

	Special Revenue Funds			Capital Project	
	Recreation Fund	Lodger's Tax Fund	Total Nonmajor Special Revenue Funds	CDBG Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Pooled cash and investments	\$ 5,503	\$ 10,085	\$ 46,916	\$ 100	\$ 47,016
Receivables:					
Intergovernmental	492	-	4,309	-	4,309
Total assets	\$ 5,995	\$ 10,085	\$ 51,225	\$ 100	\$ 51,325
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 546	\$ -	\$ 546	\$ -	\$ 546
Fund balance:					
Unreserved and reported in:					
Special revenues funds	5,449	10,085	50,679	-	50,679
Capital projects funds	-	-	-	100	100
Total fund balance	5,449	10,085	50,679	100	50,779
Total liabilities and fund balance	\$ 5,995	\$ 10,085	\$ 51,225	\$ 100	\$ 51,325

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, 2007

	Special Revenue Funds			
	Transportation <u>Fund</u>	Street <u>Fund</u>	Corrections <u>Fund</u>	Emergency Medical Services <u>Fund</u>
Revenues:				
Taxes:				
Cigarette	\$ -	\$ -	\$ -	\$ -
Lodgers	-	-	-	-
Intergovernmental	-	-	-	20,493
Charges for services	-	-	-	-
Fines	-	-	37,514	-
Miscellaneous	-	-	-	8
	-	-	37,514	20,501
Total revenues	-	-	37,514	20,501
Expenditures:				
Current:				
Public safety	-	-	27,017	-
Public works	-	8,630	-	18,585
Culture and recreation	-	-	-	-
Capital outlay	-	12,500	-	-
	-	21,130	27,017	18,585
Total expenditures	-	21,130	27,017	18,585
Excess (deficiency) of revenues over expenditures	-	(21,130)	10,497	1,916
Other uses:				
Transfers out	(1,795)	-	(8,000)	-
Net change in fund balance	(1,795)	(21,130)	2,497	1,916
Fund balance at beginning of the year	1,795	36,901	11,745	1,947
Fund balance at end of the year	\$ -	\$ 15,771	\$ 14,242	\$ 3,863

(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, 2007

	Special Revenue Funds			Total Nonmajor Special Revenue Funds
	Law Protection Fund	Recreation Fund	Lodger's Tax Fund	
Revenues:				
Taxes:				
Cigarette	\$ -	\$ 2,464	\$ -	\$ 2,464
Lodgers	-	-	11,023	11,023
Intergovernmental	23,600	-	-	44,093
Charges for services	-	2,520	-	2,520
Fines	-	-	-	37,514
Miscellaneous	1,790	-	-	1,798
	25,390	4,984	11,023	99,412
Total revenues				
Expenditures:				
Current:				
Public safety	25,660	-	-	52,677
Public works	-	-	-	27,215
Culture and recreation	-	8,643	12,524	21,167
Capital outlay	-	-	-	12,500
	25,660	8,643	12,524	113,559
Total expenditures				
Excess (deficiency) of revenues over expenditures	(270)	(3,659)	(1,501)	(14,147)
Other financing uses:				
Transfers out	-	-	-	(9,795)
Net change in fund balance	(270)	(3,659)	(1,501)	(23,942)
Fund balance at beginning of the year	1,539	9,108	11,586	74,621
Fund balance at end of the year	\$ 1,269	\$ 5,449	\$ 10,085	\$ 50,679

(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, 2007

	<u>Capital Project</u>	<u>Total</u>
	<u>CDBG</u>	<u>Nonmajor</u>
	<u>Fund</u>	<u>Governmental</u>
		<u>Funds</u>
Revenues:		
Taxes:		
Cigarette	\$ -	\$ 2,464
Lodgers	-	11,023
Intergovernmental	-	44,093
Charges for services	-	2,520
Fines	-	37,514
Miscellaneous	-	1,798
	-	1,798
Total revenues	-	99,412
 Expenditures:		
Current:		
Public safety	-	52,677
Public works	-	27,215
Culture and recreation	-	21,167
Capital outlay	-	12,500
	-	12,500
Total expenditures	-	113,559
 Excess (deficiency) of revenues over expenditures	-	(14,147)
 Other financing uses:		
Transfers out	-	(9,795)
	-	(9,795)
 Net change in fund balance	-	(23,942)
 Fund balance at beginning of the year	100	74,721
Fund balance at end of the year	\$ 100	\$ 50,779

(continued)

BUDGETARY PRESENTATION

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STATE OF NEW MEXICO
VILLAGE OF CUBA

NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2007

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>with Final</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public safety	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other uses:				
Transfers out	-	-	(1,795)	(1,795)
Net change in fund balance	-	-	(1,795)	(1,795)
Beginning cash balance budgeted	-	-	-	-
Fund balance at beginning of the year	-	-	1,795	1,795
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
			<u>\$ -</u>	

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

**STREET SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007**

	<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	\$ 283,000	\$ 283,000	\$ -	\$ (283,000)
Expenditures:				
Current:				
Public works	-	-	8,630	(8,630)
Capital outlay:				
Buildings and improvements	33,000	33,000	12,500	20,500
Total expenditures	33,000	33,000	21,130	11,870
Excess (deficiency) of revenues over expenditures	250,000	250,000	(21,130)	(271,130)
Fund balance at beginning of the year	-	-	36,901	36,901
Fund balance at end of the year	\$ 250,000	\$ 250,000	15,771	\$ (234,229)
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
			\$ 15,771	

**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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines	\$ 40,000	\$ 40,000	\$ 36,992	\$ (3,008)
Expenditures:				
Current:				
Public safety	<u>40,000</u>	<u>40,000</u>	<u>27,017</u>	<u>12,983</u>
Excess of revenues over expenditures	-	-	9,975	9,975
Other uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>(8,000)</u>	<u>(8,000)</u>
Net change in fund balance	-	-	1,975	1,975
Beginning cash balance budgeted	-	-	-	-
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>11,745</u>	<u>11,745</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>13,720</u>	<u>\$ 13,720</u>
RECONCILIATION TO GAAP BASIS:				
Change in receivables			<u>522</u>	
			<u>\$ 14,242</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, 2007

	<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	\$ 13,900	\$ 13,900	\$ 20,501	\$ 6,601
Expenditures:				
Current:				
Public works	<u>13,900</u>	<u>13,900</u>	<u>18,585</u>	<u>(4,685)</u>
Excess of revenues over expenditures	-	-	1,916	1,916
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>1,947</u>	<u>1,947</u>
Fund balance at end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>3,863</u>	<u><u>\$ 3,863</u></u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>-</u>	
			<u><u>\$ 3,863</u></u>	

STATE OF NEW MEXICO
VILLAGE OF CUBA

LAW PROTECTION SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<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	\$ 23,600	\$ 23,600	\$ 23,600	\$ -
Miscellaneous	-	-	1,790	1,790
Total revenues	23,600	23,600	25,390	1,790
 Expenditures:				
Current:				
Public safety	23,600	23,600	26,228	(2,628)
Excess (deficiency) of revenues over expenditures	-	-	(838)	(838)
Fund balance at beginning of the year	-	-	1,539	1,539
Fund balance at end of the year	\$ -	\$ -	701	\$ 701
 RECONCILIATION TO GAAP BASIS:				
Change in payables			568	
			\$ 1,269	

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, 2007

	<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	\$ -	\$ -	\$ 2,464	\$ 2,464
Charges for services	14,000	14,000	2,520	(11,480)
Total revenues	14,000	14,000	4,984	(9,016)
 Expenditures:				
Current:				
Culture and recreation	14,000	14,000	8,643	5,357
Excess (deficiency) of revenues				
over expenditures	-	-	(3,659)	(3,659)
Fund balance at beginning of the year	-	-	9,108	9,108
Fund balance at end of the year	\$ -	\$ -	5,449	\$ 5,449
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			-	
			\$ 5,449	

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Lodgers	\$ 10,500	\$ 10,500	\$ 11,023	\$ 523
 Expenditures:				
Current:				
Culture and recreation	<u>10,500</u>	<u>10,500</u>	<u>12,524</u>	<u>(2,024)</u>
Excess (deficiency) of revenues over expenditures	-	-	(1,501)	(1,501)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>11,586</u>	<u>11,586</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>10,085</u>	<u>\$ 10,085</u>
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>-</u>	
			<u>\$ 10,085</u>	

STATE OF NEW MEXICO
VILLAGE OF CUBA

CAPITAL PROJECTS FUNDS
Year Ended June 30, 2007

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Federal grant	\$ 550,000	\$ 550,000	\$ -	\$ (550,000)
 Expenditures:				
Capital outlay:				
Equipment	550,000	550,000	-	550,000
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, 2007

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis)	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Operating revenues:				
Charges for sales and services:				
Water and sewer charges	\$ 359,973	\$ 359,973	\$ 245,821	\$ (114,152)
Operating expenses:				
Personal services	172,799	172,799	171,807	992
Operating expenses	91,689	91,689	87,531	4,158
Supplies	10,579	10,579	14,139	(3,560)
Depreciation	<u>77,583</u>	<u>77,583</u>	<u>75,502</u>	<u>2,081</u>
Total operating expenses	<u>352,650</u>	<u>352,650</u>	<u>348,979</u>	<u>3,671</u>
Operating income (loss)	7,323	7,323	(103,158)	(110,481)
Transfers out	<u>-</u>	<u>-</u>	<u>(1,317)</u>	<u>(1,317)</u>
Change in net assets	<u>7,323</u>	<u>7,323</u>	<u>(104,475)</u>	<u>(111,798)</u>
Net assets - beginning of year	-	-	1,645,150	1,645,150
Restatement	<u>-</u>	<u>-</u>	<u>(19,986)</u>	<u>(19,986)</u>
Net assets after restatement	<u>-</u>	<u>-</u>	<u>1,625,164</u>	<u>1,625,164</u>
Net assets - ending of year	<u>\$ 7,323</u>	<u>\$ 7,323</u>	<u>\$ 1,520,689</u>	<u>\$ 1,513,366</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, 2007

<u>ASSETS</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2007</u>
Motor Vehicle	\$ (4,294)	\$ 276,238	\$ 269,018	\$ 2,926
Municipal Court	10,671	120,231	114,430	16,472
Municipal Court Bond	<u>7,409</u>	<u>3,501</u>	<u>5,983</u>	<u>4,927</u>
Pooled cash and investments	<u>\$ 13,786</u>	<u>\$ 399,970</u>	<u>\$ 389,431</u>	<u>\$ 24,325</u>
<u>LIABILITIES</u>				
Deposits held for others	<u>\$ 13,786</u>	<u>\$ 399,970</u>	<u>\$ 389,431</u>	<u>\$ 24,325</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2007

	Cuba Credit <u>Union</u>	Wells Fargo <u>Bank</u>	Wells Fargo <u>Bank - Sweep</u>	Bank of <u>Albuquerque</u>	New Mexico Finance <u>Authority</u>	<u>Total</u>
Cash on deposit at June 30, 2007	\$ 75,534	\$ 303,951	\$ 388,811	\$ 29,682	\$ 5,537	\$ 803,515
Less FDIC coverage	<u>75,534</u>	<u>100,000</u>	-	-	-	<u>175,534</u>
Uninsured funds	<u>\$ -</u>	<u>\$ 203,951</u>	<u>\$ 388,811</u>	<u>\$ 29,682</u>	<u>\$ 5,537</u>	<u>\$ 627,981</u>
50% collateral requirement	-	101,976	-	14,841	2,768	119,585
102% collateral requirement (Repo Account)	<u>-</u>	<u>-</u>	<u>396,587</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount requiring pledged collateral	-	101,975	396,587	14,841	2,768	508,396
Pledged collateral	<u>-</u>	<u>1,036,643</u>	<u>-</u>	<u>29,682</u>	<u>2,768</u>	<u>1,069,093</u>
Excess (deficiency) of pledged collateral	<u>\$ -</u>	<u>\$ 934,667</u>	<u>\$ (396,587)</u>	<u>\$ 14,841</u>	<u>\$ -</u>	<u>\$ 949,508</u>

Pledged collateral of financial institutions consists of the following at June 30, 2007

	<u>Maturity</u>	<u>CUSIP #</u>	<u>Market Value</u>
Wells Fargo Bank:			
FNCL	1/1/2009	31368HVG5	\$ 398
FNCL	5/1/2036	31409CV69	698,857
FNCL	5/1/2036	31409UUZ6	44,176
GNSF	12/15/2029	36225BG85	10,462
GNSF	2/15/2031	36225BL30	274,182
GNSF	7/15/2031	36225BN95	8,568
			<u>\$ 1,036,643</u>
Sweep Account			<u>\$ -</u>

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

Bank of Albuquerque - Government Securities \$ 29,682

State of New Mexico

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

Reconciliation to Financial Statements

Bank Balances	\$ 75,534	\$ 303,951	\$ 388,811	\$ 29,682	\$ 5,537	\$ 803,515
Reconciling items:						
Deposits in transit	-	491	-	-	-	491
Outstanding checks	<u>-</u>	<u>(174,114)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(174,114)</u>
Total per books	<u>\$ 75,534</u>	<u>\$ 130,328</u>	<u>\$ 388,811</u>	<u>\$ 29,682</u>	<u>\$ 5,537</u>	<u>\$ 629,892</u>
Total per financial statements						<u>\$ 629,892</u>

(continued)

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2007

Financial Statements:	
Cash and cash equivalents:	
Governmental activities	\$ 573,921
Cash in agency funds	24,325
Business-type activities	<u>31,646</u>
 Total per financial statements	 <u>\$ 629,892</u>

	<u>Bank Balance</u>	<u>Outstanding Deposits</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
Wells Fargo Bank				
General	\$ 388,811	\$ -	\$ (66,864)	\$ 321,947
General	-	-	-	-
General Library	359	-	-	359
General Savings	-	-	-	-
MCI/MOA	-	-	-	-
Clean-up	-	-	-	-
Transporation	-	-	-	-
Recreation	13,404	-	(7,901)	5,503
Streets	15,771	-	-	15,771
Traffic Safety	-	-	-	-
Fire Protection	17,996	-	(9,674)	8,322
Law Enforcement	4,249	-	(2,980)	1,269
Corrections	16,121	-	(5,696)	10,425
EMS	2,163	-	-	2,163
EMS Savings	1,700	-	-	1,700
Lodgers Tax	12,085	-	(2,000)	10,085
Housing Operating	24,531	491	(7,172)	17,850
Housing Section 8	103,941	-	(17,929)	86,012
Housing Tenant Security	1,798	-	-	1,798
Water/Sewer Systems	70,770	-	(53,898)	16,872
Water Deposits	14,774	-	-	14,774
Sewer Repair	-	-	-	-
CDBG	100	-	-	100
Motor Vehicle	2,926	-	-	2,926
Miscellaneous Grants	1,263	-	-	1,263
Cuba Credit Union				
Checking	54,135	-	-	54,135
Municipal Court	16,472	-	-	16,472
Municipal Court Bond	4,927	-	-	4,927
Bank of Albuquerque				
Checking	1,668	-	-	1,668
Checking	28,014	-	-	28,014
New Mexico Finance Authority Account	<u>5,537</u>	<u>-</u>	<u>-</u>	<u>5,537</u>
	<u>\$ 803,515</u>	<u>\$ 491</u>	<u>\$ (174,114)</u>	<u>\$ 629,892</u>

**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, 2007, and have issued our report thereon dated July 7, 2011. We did not express an opinion on the statement of activities and cash flows because of the lack of substantiating evidence and the correct posting and classification of revenues and expenses. Except as discussed in the preceding sentence, 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 identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 responses to be significant deficiencies in internal control over financial reporting. Findings 2007-1 through 2007-10.

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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 2007-2, 2007-3, 2007-7, 2007-8 and 2007-9 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 responses as findings 2007-2, 2007-5, 2007-6 and 2007-10.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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, Members of the Village of Cuba Commissioners, Management others within the organization and applicable federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

Keystone Accounting, LLC
July 6, 2011

STATE OF NEW MEXICO
VILLAGE OF CUBA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2007

A. PRIOR YEAR AUDIT FINDINGS

2004 – 1 LATE AUDIT REPORT

Current status: Not resolved. Repeated in the current year as finding 2007 – 1.

2004 – 2 LACK OF INTERNAL CONTROLS OVER FINANCIAL

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

2004 – 3 ERRORS IN THE GENERAL LEDGER AMOUNTS

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

2004 – 4 WATER AND SEWER DEPOSITS NOT ADEQUATELY FUNDED

Current status: Not resolved. Repeated in the current year as finding 2007 – 4.

2004 – 7 BUDGET OVER EXPENDITURES

Current status: Not resolved. Repeated in the current year as finding 2007 – 5.

2005 – 2 INACCURATE AND UNTIMELY FILING OF REPORTS

Current status: Not resolved. Repeated in the current year as finding 2007 – 2.

2005 – 3 CASH RECONCILIATION

Current status: Not resolved. Repeated in the current year as finding 2007 – 3.

2005 – 6 NONQUALIFIED TENANT IN HUD HOUSING

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

2005 – 8 PRENUMBERED CHECKS

Current status: Resolved. Not repeated in the current year as finding 2007-10.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2007

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 2007 – 6.

2005 – 11 FAILURE TO FOLLOW CHART OF ACCOUNTS

Current status: Not resolved. Repeated in the current year as finding 2007 – 7.

2005 – 12 PREPARATION OF FINANCIAL STATEMENTS

Current status: Not resolved. Repeated in the current year as finding 2007 – 8.

2005 – 13 LATE FILING OF FEDERAL CLEARING HOUSE REPORTING

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

2006 – 14 PUBLIC MONIES WERE NOT ADEQUATELY COLLATERALIZED

Current status: Not resolved. Repeated in the current year as finding 2007-10.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2007

B. FINDINGS AND RESPONSES

2007 – 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, 2007. 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 2011.

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 RESPONSES
Year Ended June 30, 2007

B. FINDINGS AND RESPONSES (continued)

2007 – 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.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2007

B. FINDINGS AND RESPONSES (continued)

2007 – 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. (This has been corrected except for Water & Sewer, the General fund, and the Housing Authority).

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 RESPONSES
Year Ended June 30, 2007

B. FINDINGS AND RESPONSES (continued)

2007 – 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 \$30,501 as of June 30, 2007.

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 RESPONSES
Year Ended June 30, 2007

B. FINDINGS AND RESPONSES (continued)

2007 – 5 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	\$ 1,596,552	\$ 1,839,551	\$ (242,999)
Housing Authority	-	300,649	(300,649)
Emergency Medical Services	13,900	18,585	(4,685)
Law Protection	23,600	26,228	(2,628)
Lodger's Tax	<u>10,500</u>	<u>12,524</u>	<u>(2,024)</u>
Total	<u>\$ 1,644,552</u>	<u>\$ 2,197,537</u>	<u>\$ (552,985)</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 RESPONSES
Year Ended June 30, 2007

B. FINDINGS AND RESPONSES (continued)

2007 – 6 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	Public Safety	150,955
General Fund	Public Works	515,619
General Fund	Culture & recreation	23,448
General Fund	Capital Outlay	455,344
General Fund	Bond interest paid	1,715
Fire Fund	Bond interest paid	4,821
Housing Authority	Public Works	300,649
Street	Public Works	8,630
Emergency Medical Services	Public Works	4,685
Law Protection	Public Safety	2,628
Lodger's Tax	Culture & recreation	2,024
Water & sewer	Supplies	3,560

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 RESPONSES
Year Ended June 30, 2007

B. FINDINGS AND RESPONSES (continued)

2007 – 7 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 RESPONSES
Year Ended June 30, 2007

B. FINDINGS AND RESPONSES (continued)

2007 – 8 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 RESPONSES
Year Ended June 30, 2007

B. FINDINGS AND RESPONSES (continued)

2007 – 9 UNAUTHORIZED LOAN- Repaid during Current year.

Condition: The Sheriff borrowed funds in the Villages name in order to purchase and install two mobile homes for the police to use as lodging facilities.

Criteria: The Village used funds obligated for the future without voter approval.

Effect of condition: The Village had an unauthorized loan it was obligated to pay.

Cause: The Sheriff requested funds to complete a project for police lodging.

Recommendation: The Village should not receive loans unless properly approved.

Response: This loan was paid off during the year ended June 30, 2007.

STATE OF NEW MEXICO
VILLAGE OF CUBA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2007

2007 – 10 PUBLIC MONIES WERE NOT ADEQUATELY COLLATERALIZED

Condition: The Village has an overnight investment account (repurchase agreement) with Wells Fargo Bank in the amount of \$388,811. The Village was unable to locate the repurchase agreement which shows the pledged collateral or obtain a copy from the Bank. The amount of collateral required by the Bank \$396,587 (102 percent of \$388,811) defined by 1978 NMSA 6-10-7.

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 6-10-6 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 6-10-6 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.” In accordance with this law, repurchase agreements require a collateralization of 102 percent of the investment balance.

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 and document the collateralization in proper files.

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 requirement and document the collateral in proper files.

REQUIRED DISCLOSURES

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STATE OF NEW MEXICO
VILLAGE OF CUBA

REQUIRED DISCLOSURES
Year Ended June 30, 2007

REQUIRED DISCLOSURE

The financial statements were prepared by the independent public accountants.

An exit conference was held July 19, 2011, during which the audit findings were discussed. The exit conference was attended by the following individuals:

VILLAGE OF CUBA

Brian L. Velarde
Vandora Cosados
Gary Gaylord

Mayor Pro-Tem
Village Clerk
Accounting Consultant

KEYSTONE ACCOUNTING, LLC

Terry Ogle, CPA

Partner