

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF CUBA, NEW MEXICO

Financial Statements, Supplementary Information
and
Independent Auditors' Report

June 30, 2008

VILLAGE OF CUBA, NEW MEXICO

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VILLAGE OF CUBA, NEW MEXICO

List of Principal Officials

June 30, 2008

Elected Officials

Richard R. Velarde	Mayor
Brian L. Velarde	Mayor Pro-Tem
Roland A. Maestas	Councilor
Cecilia M. Delgado	Councilor
Lee V. Ramirez	Councilor

Administrative Officials

Vandora P. Casados	Clerk-Treasurer
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Independent Auditors' Report

Mr. Hector H. Balderas, Auditor and
Mr. Richard R. Velarde, Mayor and
The Village Council
Village of Cuba, New Mexico

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison of the general fund, of the Village of Cuba (Village), as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental funds and the budgetary comparisons for the nonmajor governmental funds and the major enterprise funds and library construction fund presented as supplementary information in the accompany combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Village'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 with 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.

The Village collected gross receipts tax on utility billings, but has not made payments to the state of New Mexico (State) for the gross receipts taxes collected. The Village is unsure when the last payment was made, or how much is owed to the State. The water and sewer enterprise balance sheet does not reflect a payable for the taxes. It was not possible to extend our procedures sufficiently to determine the balance of gross receipts taxes payable.

Mr. Hector H. Balderas, Auditor and
Mr. Richard R. Velarde, Mayor and
The Village Council
Village of Cuba, New Mexico

The Village's payroll tax reports did not match the amount of compensation reported in the financial statements. It was not possible to extend our procedures sufficiently to determine if the Village paid the correct amount of payroll taxes, or if there are taxes due. In addition, we could not verify that the Village withheld and remitted the correct amount for the Public Employees Retirement Plan.

The Village could not locate budgets for the Housing Authority or Section 8 Vouchers enterprise funds. We were not able to prepare budget to actual schedules for these funds as required by Generally Accepted Government Accounting standards.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary from the three paragraphs 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, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village, and the respective changes in financial position, thereof and the respective budgetary comparisons for the nonmajor governmental funds, the enterprise funds, and the library construction fund for the year then 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 May 31, 2012 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

For the year ended June 30, 2008, the Village has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Mr. Hector H. Balderas, Auditor and
Mr. Richard R. Velarde, Mayor and
The Village Council
Village of Cuba, New Mexico

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons of the Village. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Porch & Associates LLC

Albuquerque, New Mexico
May 31, 2012

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 180,932	124,452	305,384
Cash - restricted	27,854	-	27,854
Receivables			
Taxes			
Gross receipts	112,750	-	112,750
Gasoline	14,245	-	14,245
Motor vehicle	5,928	-	5,928
Property	957	-	957
Franchise	9,246	-	9,246
Lodgers	1,141	-	1,141
Cigarette	699	-	699
Grants	456,595	-	456,595
Court fines and fees	15,514	-	15,514
Accounts receivable, net of allowance	-	36,992	36,992
Other assets	-	617	617
Due from other funds	180,919	27,894	208,813
Capital assets, not depreciated	817,278	17,720	834,998
Capital assets, net of accumulated depreciation	2,242,807	3,395,729	5,638,536
Total assets	4,066,865	3,603,404	7,670,269
LIABILITIES			
Accounts payable	412,655	45,453	458,108
Installment agreement - IRS	99,547	-	99,547
Accrued compensation and benefits	46,488	3,860	50,348
Deposits payable	-	46,161	46,161
Due to other funds	27,894	180,919	208,813
Noncurrent liabilities:			
Compensated absences, due in one year	-	2,565	2,565
Long-term liabilities, due in one year	27,332	-	27,332
Long-term liabilities, due in more than one year	145,588	-	145,588
Total liabilities	759,504	278,958	1,038,462
NET ASSETS			
Invested in capital assets, net of related debt	2,887,165	3,413,449	6,300,614
Unrestricted	420,196	(89,003)	331,193
Total net assets	\$ 3,307,361	3,324,446	6,631,807

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

<u>Functions/Programs</u>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government							
Governmental activities							
General government	\$ 1,351,413	28,085	35,000	109,022	(1,179,306)	-	(1,179,306)
Public safety	288,850	134,390	279,550	-	125,090	-	125,090
Highways and streets	242,489	1,500	-	92,898	(148,091)	-	(148,091)
Culture and recreation	80,443	-	-	737,014	656,571	-	656,571
Debt service - interest	4,455	-	-	-	(4,455)	-	(4,455)
Total governmental activities	<u>1,967,650</u>	<u>163,975</u>	<u>314,550</u>	<u>938,934</u>	<u>(550,191)</u>	<u>-</u>	<u>(550,191)</u>
Business-type activities							
Water and Sewer	482,685	332,123	-	-	-	(150,562)	(150,562)
Housing Authority	133,126	51,860	86,402	-	-	5,136	5,136
Section 8 Voucher	249,171	-	197,178	-	-	(51,993)	(51,993)
Total business-type activities	<u>864,982</u>	<u>383,983</u>	<u>283,580</u>	<u>-</u>	<u>-</u>	<u>(197,419)</u>	<u>(197,419)</u>
Total primary government	<u>\$ 2,832,632</u>	<u>547,958</u>	<u>598,130</u>	<u>938,934</u>	<u>(550,191)</u>	<u>(197,419)</u>	<u>(747,610)</u>
General Revenues							
Franchise taxes					28,534	-	28,534
Gasoline taxes					80,592	-	80,592
Gross receipts taxes					788,173	-	788,173
Property taxes					46,411	-	46,411
Motor vehicle registrations					42,720	-	42,720
Lodger's taxes					12,460	-	12,460
Cigarette taxes					4,324	-	4,324
Other					76,300	-	76,300
Interest					5,694	-	5,694
Total general revenues and transfers					<u>1,085,208</u>	<u>-</u>	<u>1,085,208</u>
Change in net assets					535,017	(197,419)	337,598
Net assets, beginning of year					4,464,991	1,520,689	5,985,680
Restatement					(1,692,647)	2,001,176	308,529
Net assets, beginning of year, as restated					<u>2,772,344</u>	<u>3,521,865</u>	<u>6,294,209</u>
Net assets, end of year					<u>\$ 3,307,361</u>	<u>3,324,446</u>	<u>6,631,807</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CUBA, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2008

	General	Library Construction	Nonmajor Governmental Funds	Total
ASSETS				
Cash	\$ 100,084	-	80,848	180,932
Cash - restricted	-	-	27,854	27,854
Receivables				
Taxes				
Gross receipts	112,750	-	-	112,750
Gasoline	14,245	-	-	14,245
Motor vehicle	5,928	-	-	5,928
Property	957	-	-	957
Franchise	9,246	-	-	9,246
Lodgers tax	-	-	1,141	1,141
Cigarette tax	-	-	699	699
Grants	72,750	316,224	67,621	456,595
Court fines and fees	11,820	-	3,694	15,514
Due from other funds	215,010	-	57,434	272,444
Total assets	\$ 542,790	316,224	239,291	1,098,305
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 76,225	290,409	46,021	412,655
Installment agreement - IRS	99,547	-	-	99,547
Accrued compensation and benefits	46,488	-	-	46,488
Deferred revenue	49,283	-	-	49,283
Due to other funds	20,408	26,548	72,463	119,419
Total liabilities	291,951	316,957	118,484	727,392
FUND BALANCES				
Unreserved, undesignated, reported in:				
Special revenue funds	-	-	120,807	120,807
Capital projects funds	-	(733)	-	(733)
General fund	250,839	-	-	250,839
Total fund balances	250,839	(733)	120,807	370,913
Total liabilities and fund balances	\$ 542,790	316,224	239,291	1,098,305

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CUBA, NEW MEXICO
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008

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

Total fund balance - governmental funds	\$ 370,913
Deferred revenue is recorded as income under the accrual method, and not the modified accrual method.	49,283
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,060,085
Long-term liabilities, including loans payable, are not and payable in the current period and, therefore are not reported in the governmental fund.	<u>(172,920)</u>
Net assets - governmental activities	<u><u>\$ 3,307,361</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Library Construction	Nonmajor Governmental Funds	Total
Revenues				
Taxes	\$ 986,430	-	16,784	1,003,214
Licenses, permits, fees, and fines	135,498	-	28,477	163,975
From federal sources:				
Grants	50,400	-	-	50,400
From non-federal sources:				
Intergovernmental	99,488	687,014	367,299	1,153,801
Interest	3,497	-	2,197	5,694
Other	76,298	-	2	76,300
Total revenues	<u>1,351,611</u>	<u>687,014</u>	<u>414,759</u>	<u>2,453,384</u>
Expenditures				
Current				
General government	1,277,357	-	-	1,277,357
Public safety	135,259	-	126,816	262,075
Highways and streets	52,668	-	93,018	145,686
Culture and recreation	65,792	-	8,472	74,264
Debt service - principal	-	-	26,892	26,892
Debt service - interest and fees	-	-	4,455	4,455
Capital outlay	59,703	687,747	128,439	875,889
Total expenditures	<u>1,590,779</u>	<u>687,747</u>	<u>388,092</u>	<u>2,666,618</u>
(Deficiency) excess of revenues over expenditures before other financings sources	<u>(239,168)</u>	<u>(733)</u>	<u>26,667</u>	<u>(213,234)</u>
Other Financing Sources (Uses)				
Operating transfers in	100	-	-	100
Operating transfers out	-	-	(100)	(100)
Total other financing sources (uses)	<u>100</u>	<u>-</u>	<u>(100)</u>	<u>-</u>
Net change in fund balances	<u>(239,068)</u>	<u>(733)</u>	<u>26,567</u>	<u>(213,234)</u>
Fund balance, beginning of year	489,907	-	(106,234)	383,673
Restatement	-	-	200,474	200,474
Fund balance, beginning of year, restated	<u>489,907</u>	<u>-</u>	<u>94,240</u>	<u>584,147</u>
Fund balance, end of year	<u>\$ 250,839</u>	<u>(733)</u>	<u>120,807</u>	<u>370,913</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CUBA, NEW MEXICO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

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

Net changes in fund balances - governmental funds \$ (213,234)

Governmental funds report capital outlay 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 depreciation expense exceeded capital outlay in the current period.

Depreciation expense	(205,963)	
Capital outlay	<u>875,156</u>	
Excess of depreciation over capital outlay		669,193

The repayment of the principal of capital loans consumes the current financial resources of governmental funds, but has no effect on net assets.		26,892
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Deferred revenue is recorded as income under the accrual method, and not the modified accrual method		49,283
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Accrued compensated absences are expensed under the accrual method, and not the modified accrual method.		<u>2,883</u>
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Change in net assets - governmental activities \$ 535,017

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 788,690	788,690	843,304	54,614
Licenses, permits, fees, and fines	4,550	4,550	123,678	119,128
Grants	-	-	50,400	50,400
Intergovernmental	702,812	702,812	177,585	(525,227)
Interest	-	-	3,497	3,497
Other	-	-	76,298	76,298
Total revenues	1,496,052	1,496,052	1,274,762	(221,290)
Expenditures				
General government	1,137,343	1,137,343	1,064,458	72,885
Public safety	244,700	244,700	135,259	109,441
Highways and streets	27,809	27,809	52,668	(24,859)
Culture and recreation	235,273	235,273	65,792	169,481
Capital outlay	-	-	59,703	(59,703)
Total expenditures	1,645,125	1,645,125	1,377,880	267,245
(Deficiency) excess of revenues over expenditures	(149,073)	(149,073)	(103,118)	45,955
Other financing sources (uses)				
Operating transfers in	-	-	100	100
Total other financing sources	-	-	100	100
Net change in fund balance	(149,073)	(149,073)	(103,018)	46,055
Fund balance, beginning of year	489,907	489,907	489,907	-
Fund balance, end of year	\$ 340,834	340,834	386,889	46,055
Non-GAAP change in fund balance			\$ (103,018)	
Change in:				
Taxes receivable			143,126	
Court fines and fees receivable			11,820	
Grants receivable			(28,814)	
Accounts payable			(66,864)	
Installment agreement - IRS			(99,547)	
Accrued compensation and benefits			(46,488)	
Deferred revenue			(49,283)	
GAAP change in fund balance			\$ (239,068)	

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CUBA, NEW MEXICO
BALANCE SHEET -
PROPRIETARY FUNDS
June 30, 2008

	Water and Sewer	Housing Authority	Section 8 Voucher	Total
ASSETS				
Current Assets				
Cash	\$ 6,572	37,167	80,713	124,452
Accounts receivable, net of allowance	28,636	8,356	-	36,992
Other assets	-	617	-	617
Due from other funds	11,024	16,870	-	27,894
Total current assets	46,232	63,010	80,713	189,955
Capital Assets				
Land and water rights	2,112	15,608	-	17,720
Plant and equipment	3,368,456	-	-	3,368,456
Buildings, improvements, and equipment	-	1,777,000	4,754	1,781,754
Accumulated depreciation	(1,068,245)	(681,482)	(4,754)	(1,754,481)
Total capital assets, net of accumulated depreciation	2,302,323	1,111,126	-	3,413,449
Total assets	\$ 2,348,555	1,174,136	80,713	3,603,404
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 23,673	5,159	16,621	45,453
Accrued compensation and benefits	2,263	1,597	-	3,860
Accrued compensated absences	2,565	-	-	2,565
Deposits payable	44,300	1,861	-	46,161
Due to other funds	144,049	20,000	16,870	180,919
Total current liabilities	216,850	28,617	33,491	278,958
Net Assets				
Invested in capital assets, net of related debt	2,302,323	1,111,126	-	3,413,449
Unrestricted	(170,618)	34,393	47,222	(89,003)
Total net assets	2,131,705	1,145,519	47,222	3,324,446
Total liabilities and net assets	\$ 2,348,555	1,174,136	80,713	3,603,404

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Water and Sewer	Housing Authority	Section 8 Voucher	Total
Operating Revenues				
Sales and services	\$ 332,123	-	-	332,123
Facilities rentals	-	51,860	-	51,860
HUD grant and subsidy	-	86,402	197,178	283,580
	<u>332,123</u>	<u>138,262</u>	<u>197,178</u>	<u>667,563</u>
Operating expenses	363,660	106,108	249,171	718,939
Depreciation	119,025	27,018	-	146,043
Total operating expenses	<u>482,685</u>	<u>133,126</u>	<u>249,171</u>	<u>864,982</u>
Change in net assets	<u>(150,562)</u>	<u>5,136</u>	<u>(51,993)</u>	<u>(197,419)</u>
Net assets, beginning of year	1,520,689	85,278	-	1,605,967
Restatement	761,578	1,055,105	99,215	1,915,898
Net assets, beginning of year, as restated	<u>2,282,267</u>	<u>1,140,383</u>	<u>99,215</u>	<u>3,521,865</u>
Net assets, end of year	<u>\$ 2,131,705</u>	<u>1,145,519</u>	<u>47,222</u>	<u>3,324,446</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Water and Sewer	Housing Authority	Section 8 Voucher	Total
Cash Flows From Operating Activities				
Cash received from customers and grantors	\$ 339,591	137,061	197,178	673,830
Cash payments to vendors and employees	(338,909)	(102,611)	(234,826)	(676,346)
Net cash provided (used) by operating activities	<u>682</u>	<u>34,450</u>	<u>(37,648)</u>	<u>(2,516)</u>
Cash Flows From Noncapital and Related Financing Activities				
Change in due to/due from accounts	133,025	(16,870)	16,870	133,025
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	(144,007)	-	-	(144,007)
Net change in cash	(10,300)	17,580	(20,778)	(13,498)
Cash, beginning of year	16,872	19,587	101,491	137,950
Cash, end of year	<u>\$ 6,572</u>	<u>37,167</u>	<u>80,713</u>	<u>124,452</u>
Reconciliation of operating (loss) income to cash provided (used) by operating activities				
Operating (loss) income	\$ (150,562)	5,136	(51,993)	(197,419)
Adjustments to reconcile operating income to net cash flows:				
Depreciation expense	119,025	27,018	-	146,043
Allowance for uncollectible accounts	245	-	-	245
Changes in assets and liabilities:				
Accounts receivable	7,468	(1,344)	-	6,124
Other assets	-	8	-	8
Accounts payable	22,163	2,882	14,345	39,390
Accrued compensation and benefits	753	-	-	753
Accrued compensated absences	2,565	607	-	3,172
Deposits payable	(975)	143	-	(832)
Net cash provided (used) by operating activities	<u>\$ 682</u>	<u>34,450</u>	<u>(37,648)</u>	<u>(2,516)</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS
June 30, 2008

ASSETS

Cash	\$ 22,780
Total assets	<u>\$ 22,780</u>

LIABILITIES

Due to other entities	\$ 22,780
Total liabilities	<u>\$ 22,780</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity. The Village of Cuba (Village) was incorporated in 1963 under the laws of the State of New Mexico. The Village operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture and recreation, education, public improvements, and general administrative services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

A. Financial Reporting Entity

As required by GAAP, the financial statements present the Village and entities for which the Village is considered to be financially accountable. There are no component units for the fiscal year ended June 30, 2008.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principle ongoing operations.

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

Governmental financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

The Village follows the following revenue recognition principles applied to nonexchange transactions which are in accordance with GASB *Statement 33, Accounting and Reporting for Nonexchange Transactions*:

Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. Derived tax revenues include gross receipts tax, gasoline taxes, and cigarette taxes.

Imposed nonexchange revenues – property taxes are levied and collected by the Valencia County treasurer on behalf of the Village. The taxes are levied in November and payable in two installments, November 10th and May 10th. The County remits to the Village a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty, and interest 30 days after the date on which they are due.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

Imposed nonexchange revenue other than property taxes are recognized in the period when an enforceable legal claim has arisen and the resources are available.

Government-mandated nonexchange transactions and voluntary nonexchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Village reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Village before it has legal claim to the resources, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The Village reports the following major governmental funds:

General Fund. The general fund is the Village’s primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Library Construction. The library construction fund is used to account for grant revenue and construction expenses related to the construction of the Village’s public library.

Proprietary funds are accounted for on the flow of economic resources measurement focus (all assets and all liabilities associated with the operation of these funds are included on the balance sheet) and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Village applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Village reports the following major proprietary funds:

Waste and Sewer. To account for the provision of water and waste water services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance billing, and collection.

Housing Authority. To account for all of the financial resources related to public housing, except those required to be accounted for separately such as the capital projects fund and the section 8 voucher fund.

Section 8 Voucher. To account for the resources and expenditures that are directly related to the US Housing and Urban Development's Section 8 program.

The Village reports the following fund types:

General Fund is the general operating fund of the Village. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important functions of the Village, including the Village's general services and administration, are accounted for in this fund.

Special Revenue Funds are used to account for revenues derived from specific sources, which are usually required by law or regulation to be accounted for in separate funds.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those constructed for proprietary funds.

Agency Funds are used to account for monies held by the Village in a custodial capacity on behalf of third parties or other agencies.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, money market funds, and certificates of deposit. Cash deposits are reported at carrying amount, which reasonably estimates fair value. There were no cash equivalents at year-end.

All investments are stated at fair value that is determined by using selected bases. Interest income, realized gains, and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

The Village does not have an investment policy. Village funds are invested in accordance with New Mexico State Statute 6-10-36 which provides for the following investments:

1. United States Treasury Securities (Bills, Notes and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government.
2. Insured and/or collateralized (with U.S. Government Securities and/or New Mexico Bonds) certificates of deposit of banks, savings and loan associations, and credit unions, pursuant to State Board of Finance Collateral Policies.
3. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
4. Investments in the New Mexico State Treasurer external investment pool (Local Government investment Pool).

C. Capital Assets

Capital assets, which include software, library books, property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. Capital Assets (Continued)

Governmental Accounting Standards Board (GASB) 34 *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments* allows phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The Village has elected to not retroactively record infrastructure assets.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 50 years
Machinery and equipment	5 - 50 years
Furniture and fixtures	5 - 30 years
Infrastructure	5 - 50 years

Capital Assets in proprietary funds are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and other improvements	25 - 33 years
Water and sewer system	10 - 50 years
Machinery and equipment	5 - 10 years

The Audit Act, 12-6-10, NMSA 1978, requires all assets which cost more than \$5,000 and have a life greater than one year to be added to the General Fixed Asset Account Group and a yearly inventory of those assets must be taken.

D. Accrued Employee Benefits

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 for proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Fund Equity

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Fund equity and net assets were reported as follows:

Unreserved, undesignated - Amounts which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the Village.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

G. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

H. Cash Flows

For purposes of the Statement of Cash Flows, the various enterprise funds consider all highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

I. Budgetary Information

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general, special revenue, capital projects, and enterprise funds. The Village has not adopted a budget for the CDBG fund.

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

1. Prior to June 1, the Village Administrator submits to the Village Council 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 based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Village Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments.
3. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, capital projects fund and enterprise funds.
4. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year-end.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

K. Implementation of New Accounting Standards

During the year ended June 30, 2008, the Village adopted Government Accounting Standards Board Statement (GASB) No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB 50, *Pension Disclosures*. Neither statement will have a material impact on the Village's financial statements.

NOTE 2. CASH

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the Village will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Village does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. As of June 30, 2008, the Village's bank balance total of \$378,661 was exposed to credit risk in the amount of \$208,409 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Village's name	<u>\$ 208,409</u>
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In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Village is required to collateralize an amount equal to one-half of the public money in excess of \$100,000 at each financial institution.

The total balance in any single financial institution may at times exceed the \$100,000 in FDIC coverage available to individual time deposits. The Village is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account. Demand deposit accounts have unlimited FDIC coverage.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 3. ACCOUNTS RECEIVABLE – PROPRIETARY FUNDS

Accounts receivable represents billings for water and waste water fees. It is management's policy to cut off water and waste water services for non-payment. A lien is placed on the properties which have outstanding water bills. Management has not provided an allowance for doubtful accounts because it believes that the balance of the receivables is collectable.

	Water and Waste Water	Housing Authority
Accounts receivable	\$ 45,636	8,407
Allowance for uncollectible accounts	<u>(17,000)</u>	<u>(51)</u>
	<u>\$ 28,636</u>	<u>8,356</u>

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. CAPITAL ASSETS

Governmental fund capital asset activity for the year ending June 30, 2008 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Prior Period Adjustments	Ending Balance
Governmental Activities						
Capital assets, not depreciated:						
Land	\$ 101,738	-	-	(15,608)	-	86,130
Construction in process	-	731,148	-	-	-	731,148
Total, not depreciated	\$ 101,738	731,148	-	(15,608)	-	817,278
Capital assets, depreciated:						
Buildings and improvements	\$ 4,523,337	-	-	(57,500)	(2,472,168)	1,993,669
Equipment and other	1,374,373	144,008	-	57,500	62,254	1,638,135
Total, depreciated	5,897,710	144,008	-	-	(2,409,914)	3,631,804
Accumulated depreciation for:						
Buildings and improvements	1,425,758	52,613	-	(57,500)	(700,350)	720,521
Equipment and other	574,767	153,350	-	57,500	(117,141)	668,476
Total accumulated depreciation	2,000,525	205,963	-	-	(817,491)	1,388,997
Total capital assets, depreciated, net	\$ 3,897,185	(61,955)	-	-	(1,592,423)	2,242,807
Total capital assets, net	\$ 3,998,923	669,193	-	(15,608)	(1,592,423)	3,060,085

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities	
General government	\$ 76,206
Public safety	26,775
Highways and streets	96,803
Culture and recreation	6,179
Total depreciation expense	\$ 205,963

The transfers above were to reclassify assets from buildings and improvements to equipment and other.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. CAPITAL ASSETS (CONTINUED)

Enterprise fund capital asset activity for the year ending June 30, 2008 was as follows:

	Beginning Balance	Additions	Deletions	Prior Period Adjustments	Ending Balance
Business-type Activities					
Capital assets, not depreciated:					
Land- Water and Waste Water	\$ 2,112	-	-	-	2,112
Land - Housing Authority	-	-	-	15,608	15,608
Total, not depreciated	\$ 2,112	-	-	15,608	17,720
Capital assets, depreciated:					
Water and Waste Water:					
Plant and equipment	\$ 1,857,097	-	-	301,603	2,158,700
Infrastructure	-	127,931	-	776,746	904,677
Equipment and other	213,200	16,118	-	75,761	305,079
Housing Authority:					
Buildings and improvements	-	-	-	1,654,038	1,654,038
Equipment and other	-	-	-	122,962	122,962
Section 8 Voucher:					
Equipment and other	-	-	-	4,754	4,754
Total, depreciated	2,070,297	144,049	-	2,935,864	5,150,210
Accumulated depreciation for:					
Water and Waste Water	481,187	119,025	-	468,033	1,068,245
Housing Authority	-	27,018	-	654,464	681,482
Section 8 Voucher	-	-	-	4,754	4,754
Total accumulated depreciation	481,187	146,043	-	1,127,251	1,754,481
Total capital assets, depreciated, net	\$ 1,589,110	(1,994)	-	1,808,613	3,395,729
Total capital assets, net	\$ 1,591,222	(1,994)	-	1,824,221	3,413,449

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2008, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Loan payable	\$ 199,812	-	(26,892)	172,920	27,332
Compensated absences	2,883	-	(2,883)	-	-
Total	<u>\$ 202,695</u>	<u>-</u>	<u>(29,775)</u>	<u>172,920</u>	<u>27,332</u>

Loan Payable. The Village entered into a loan agreement with the New Mexico Finance Authority on March 5, 2004. Interest ranges from 2.36% to 4.09%. The proceeds from the loan were used for the purchase of a water pumper fire engine. The loan was in the amount of \$277,778 and matures May 1, 2014. The Village pledged their New Mexico Fire Protection Fund Revenues to secure the payment of the loan.

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 27,332	3,584	30,916
2010	27,839	3,146	30,985
2011	28,411	2,645	31,056
2012	29,051	2,077	31,128
2013	29,757	1,446	31,203
2014	30,530	750	31,280
	<u>\$ 172,920</u>	<u>13,648</u>	<u>186,568</u>

Accrued Compensated Absences. Regular full time employees receive two weeks of vacation per year after completion of one year of employment with the Village. Part time and seasonal employees are not entitled to vacation benefits. Vacation may not be carried over to the next year. Therefore, compensated absences balances are not accrued at year-end.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS

During the year ended June 30, 2008, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ -	5,791	(3,226)	<u>2,565</u>	<u>2,565</u>

NOTE 7. PROPERTY TAXES

Sandoval County is responsible for assessing, collecting, and distributing property taxes for the Village. Property taxes are assessed on November 1 of each year based on the assessed value on the prior January 1 and are payable in two equal installments by November 10 of the year in which the tax bill is prepared and by May 10 of the following year. Property taxes are delinquent if not paid by December 10 and June 10. Taxes on real property are liened on January 1 of the year for which the taxes are imposed.

NOTE 8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008 consisted of the following:

Transfers to the general fund from:

CDBG fund	<u>\$ 100</u>
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The primary purpose of the transfers was to close the CDBG fund.

NOTE 9. INTERFUND BALANCES

Interfund balances at June 30, 2009 consisted of the following amounts:

Due to the general fund from:

Library construction	\$ 26,548
Streets	31,556
Law enforcement protection	32,891
Capital projects	8,016
Water and sewer	95,999
Housing authority	<u>20,000</u>
Total due to the general fund	<u>\$ 215,010</u>

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 9. INTERFUND BALANCES (CONTINUED)

Due from general fund to:	
Fire protection fund	<u>\$ 20,408</u>
Due from the library construction fund to:	
General fund	<u>\$ 26,548</u>
Due to the water and sewer fund from:	
Water and sewer interfund balance	<u>\$ 11,024</u>
Due from the water and sewer to:	
General fund	\$ 95,999
Water and sewer interfund balance	11,024
Streets	<u>37,026</u>
Total due from the water and sewer fund	<u>\$ 144,049</u>
Due to the housing authority from:	
Section 8 voucher	<u>\$ 16,870</u>
Due from the housing authority fund to:	
General fund	<u>\$ 20,000</u>
Due to the fire protection fund from:	
General fund	<u>\$ 20,408</u>
Due from the law enforcement protection fund to:	
General fund	<u>\$ 32,891</u>
Due from the streets fund to:	
General fund	<u>\$ 31,556</u>
Due to the streets fund from:	
Water and sewer	<u>\$ 37,026</u>
Due from the capital projects fund to:	
General fund	<u>\$ 8,016</u>

Interfund balances were caused by expenses being paid out of incorrect funds.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 10. PERA PENSION PLAN

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, PO Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. For the period July 1, 2007 to December 31, 2007 plan members are required to contribute 7.00%, for regular members, and 10.00%, for police personnel, of their gross salary. The Village is required to contribute 7.00% for regular members, and 10.00% for police personnel, of their gross salary, respectively.

For the period January 1, 2008 to June 30, 2008, plan members are required to contribute 9.15%, for regular members, and 16.30%, for police personnel, of their gross salary. The Village is required to contribute 9.15% for regular members, and 18.50% for police personnel, of their gross salary, respectively.

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 years ending June 30, 2008, 2007, and 2006 were \$59,862, \$31,329, and, \$44,676, respectively. We could not determine if the proper amounts were paid during the three years.

NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 12. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The Village participates in the State of New Mexico Self-Insurers Fund for workers' compensation claims and employers' liability insurance including general, auto, uninsured motorist, law enforcement, and public official's errors and omissions liabilities

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for claims and judgments is reported in the General Long-Term Debt Account Group because it is not expected to be liquidated with expendable available financial resources.

NOTE 13. PRIOR PERIOD ADJUSTMENT

Beginning net assets in the water and sewer fund were increased by \$761,578 for infrastructure assets that were expensed in prior years.

In prior years the housing authority fund and section 8 voucher fund were reported as a single governmental fund instead of an enterprise fund. Beginning net assets were increased in the housing authority fund for amount of net capital assets recorded on the balance sheet in the amount of \$1,055,057. Beginning net assets in the section 8 voucher fund was increased by \$99,215 which is net assets moved from the housing authority fund to the section 8 voucher fund.

Loans payable were recorded in the fire protection fund in the year ending June 30, 2007. The loan and related interest payable and fees were removed from the fund financial statements in the current year. The beginning current year net assets were reduced by \$199,812 which represents the loan payable balance, and \$662 in accrued interest and fees.

Net assets on the Statement of Net Assets were restated for \$1,122,536 in housing authority assets transferred from governmental funds to enterprise funds, the fire protection fund loan removed from governmental funds, and \$369,637 in assets added to the governmental funds which should have been added in prior years.

NOTE 14. DEFICIT FUND BALANCE

The Village had a deficit fund balance of \$733 in the Library Construction fund. The cause of the deficit is unknown. Money will be transferred to the fund to increase the fund balance and eliminate the deficit.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 15. EXCESS OF EXPENDITURES OVER BUDGET

The following funds expenditures exceeded their authorized budgets:

- Emergency Medical Services by \$43,543
- Law Enforcement Protection by \$28,801
- Streets by \$7,027

NOTE 16. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through May 31, 2012, the date the financial statements were available to be issued. Subsequent to June 30, 2008, the following major subsequent events occurred:

- The Village transferred the Section 8 Voucher program to the Town of Bernalillo in January of 2009.

VILLAGE OF CUBA, NEW MEXICO
NONMAJOR FUNDS
June 30, 2008

SPECIAL REVENUE FUNDS

Corrections. To establish an additional sources of funds for municipalities to offset the costs of corrections. The source of funds is a five-dollar fee which must be paid by all persons violating laws relating the operations of a motor vehicle. Authority is NMSA 33-9-3.

Emergency Medical Services. To account for funds available for emergency medical equipment and supplies attributable to such services. Financing is provided by the State of New Mexico. Authority is the Emergency Medical Services Fund Act, NMSA 24-10A.

Fire Protection. To account for the operations and maintenance of the fire department. The operations are financed by an allotment from the annual fire grant from the State of New Mexico. Authority is NMSA 59-A-53-1.

Law Enforcement Protection. To account for the expenditures from the State of New Mexico for training, equipment and capital outlay. Authority is NMSA 29-13-4.

Lodger's Tax. To account for lodger's tax collections. The tax is to be used for cultural and recreational activities. Authority is NMSA 3-38-14.

Streets. To account for funds used to maintain roads for which the Village is responsible. Funding is provided by the gas tax. Expenditures are restricted to the construction and maintenance of Village roads. Authority is NMSA 7-1-6.27.

Recreation. To account for revenues and expenditures relating to village recreational facilities and programs. Financing is provided by the State. Such revenue provides for payment of all current operating costs and may be used for that purpose only. Authority is NMSA 7-12-15.

CAPITAL PROJECTS FUNDS

Capital Projects Fund. To account for revenues and expenses related to capital projects. Authority is by Village Ordinance.

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 Housing and Urban Development through the State Department of Finance and Administration under Grant 88-C-RS-1-2-G36 ABD 89-C-RS-11-G20.

VILLAGE OF CUBA, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2008

	Corrections	Emergency Medical Services	Fire Protection
ASSETS			
Cash	\$ 14,101	6,322	28,187
Cash - restricted	-	-	27,854
Receivables			
Taxes			
Lodgers tax	-	-	-
Cigarette tax	-	-	-
Grants	-	-	-
Court fines and fees	3,694	-	-
Due from other funds	-	-	20,408
	<hr/>		
Total assets	\$ 17,795	6,322	76,449
	<hr/> <hr/>		
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,472	-	3,094
Due to other funds	-	-	-
Total liabilities	1,472	-	3,094
	<hr/>		
FUND BALANCES			
Unreserved, undesignated, reported in:			
Restricted, special revenues	16,323	6,322	73,355
Restricted, capital projects	-	-	-
Total fund balances	16,323	6,322	73,355
	<hr/>		
Total liabilities and fund balances	\$ 17,795	6,322	76,449
	<hr/> <hr/>		

VILLAGE OF CUBA, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2008

	Law Enforcement Protection	Lodgers Tax	Streets
ASSETS			
Cash	\$ 5,359	15,947	1,173
Cash - restricted	-	-	-
Receivables			
Taxes			
Lodgers tax	-	1,141	-
Cigarette tax	-	-	-
Grants	49,987	-	-
Court fines and fees	-	-	-
Due from other funds	-	-	37,026
	<hr/>		
Total assets	\$ 55,346	17,088	38,199
	<hr/> <hr/>		
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 19,827	2,200	101
Due to other funds	32,891	-	31,556
	<hr/>		
Total liabilities	52,718	2,200	31,657
	<hr/> <hr/>		
FUND BALANCES			
Unreserved, undesignated, reported in:			
Restricted, special revenues	2,628	14,888	6,542
Restricted, capital projects	-	-	-
	<hr/>		
Total fund balances	2,628	14,888	6,542
	<hr/> <hr/>		
Total liabilities and fund balances	\$ 55,346	17,088	38,199
	<hr/> <hr/>		

VILLAGE OF CUBA, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2008

	Recreation	Capital Projects	CDGB
ASSETS			
Cash	\$ 9,759	-	-
Cash - restricted	-	-	-
Receivables			
Taxes			
Lodgers tax	-	-	-
Cigarette tax	699	-	-
Grants	-	17,634	-
Court fines and fees	-	-	-
Due from other funds	-	-	-
	<hr/>		
Total assets	\$ 10,458	17,634	-
	<hr/> <hr/>		
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 9,709	9,618	-
Due to other funds	-	8,016	-
	<hr/>		
Total liabilities	9,709	17,634	-
	<hr/> <hr/>		
FUND BALANCES			
Unreserved, undesignated, reported in:			
Restricted, special revenues	749	-	-
Restricted, capital projects	-	-	-
	<hr/>		
Total fund balances	749	-	-
	<hr/> <hr/>		
Total liabilities and fund balances	\$ 10,458	17,634	-
	<hr/> <hr/>		

**VILLAGE OF CUBA, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2008**

	Total Nonmajor
ASSETS	
Cash	\$ 80,848
Cash - restricted	27,854
Receivables	
Taxes	
Lodgers tax	1,141
Cigarette tax	699
Grants	67,621
Court fines and fees	3,694
Due from other funds	<u>57,434</u>
Total assets	<u><u>\$ 239,291</u></u>
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 46,021
Due to other funds	<u>72,463</u>
Total liabilities	<u><u>118,484</u></u>
 FUND BALANCES	
Unreserved, undesignated, reported in:	
Restricted, special revenues	120,807
Restricted, capital projects	<u>-</u>
Total fund balances	<u><u>120,807</u></u>
 Total liabilities and fund balances	 <u><u>\$ 239,291</u></u>

VILLAGE OF CUBA, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2008

	Corrections	Emergency Medical Services	Fire Protection
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, and fines	26,977	-	-
From non-federal sources			
Intergovernmental	-	86,693	71,787
Interest	-	-	2,197
Other	-	2	-
Total revenues	26,977	86,695	73,984
Expenditures			
Current			
Public safety	24,896	84,236	12,743
Highways and streets	-	-	-
Culture and recreation	-	-	-
Debt service - principal	-	-	26,892
Debt service - interest and fees	-	-	4,455
Capital outlay	-	-	-
Total expenditures	24,896	84,236	44,090
Excess (deficiency) of revenues over expenditures before other financing sources	2,081	2,459	29,894
Other financing sources (uses)			
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	2,081	2,459	29,894
Fund balance, beginning of year	14,242	3,863	(157,013)
Restatement	-	-	200,474
Fund balance, beginning of year, as restated	14,242	3,863	43,461
Fund balance, end of year	\$ 16,323	6,322	73,355

VILLAGE OF CUBA, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2008

	Law Enforcement Protection	Lodgers Tax	Streets
Revenues			
Taxes	\$ -	12,460	-
Licenses, permits, fees, and fines	-	-	-
From non-federal sources			
Intergovernmental	71,787	-	92,898
Interest	-	-	-
Other	-	-	-
	<hr/>		
Total revenues	71,787	12,460	92,898
	<hr/>		
Expenditures			
Current			
Public safety	4,941	-	-
Highways and streets	-	-	93,018
Culture and recreation	-	7,657	-
Debt service - principal	-	-	-
Debt service - interest and fees	-	-	-
Capital outlay	65,487	-	9,109
	<hr/>		
Total expenditures	70,428	7,657	102,127
	<hr/>		
Excess (deficiency) of revenues over expenditures before other financing sources	1,359	4,803	(9,229)
	<hr/>		
Other financing sources (uses)			
Operating transfers out	-	-	-
	<hr/>		
Total other financing sources (uses)	-	-	-
	<hr/>		
Net change in fund balances	1,359	4,803	(9,229)
	<hr/>		
Fund balance, beginning of year	1,269	10,085	15,771
Restatement	-	-	-
	<hr/>		
Fund balance, beginning of year, as restated	1,269	10,085	15,771
	<hr/>		
Fund balance, end of year	\$ 2,628	14,888	6,542
	<hr/> <hr/>		

**VILLAGE OF CUBA, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2008**

	Recreation	Capital Projects	CDBG
Revenues			
Taxes	\$ 4,324	-	-
Licenses, permits, fees, and fines	1,500	-	-
From non-federal sources			
Intergovernmental	-	44,134	-
Interest	-	-	-
Other	-	-	-
	<hr/>		
Total revenues	5,824	44,134	-
	<hr/>		
Expenditures			
Current			
Public safety	-	-	-
Highways and streets	-	-	-
Culture and recreation	815	-	-
Debt service - principal	-	-	-
Debt service - interest and fees	-	-	-
Capital outlay	9,709	44,134	-
	<hr/>		
Total expenditures	10,524	44,134	-
	<hr/>		
Excess (deficiency) of revenues over expenditures before other financing sources	(4,700)	-	-
	<hr/>		
Other financing sources (uses)			
Operating transfers out	-	-	(100)
	<hr/>		
Total other financing sources (uses)	-	-	(100)
	<hr/>		
Net change in fund balances	(4,700)	-	(100)
	<hr/>		
Fund balance, beginning of year	5,449	-	100
Restatement	-	-	-
Fund balance, beginning of year, as restated	5,449	-	100
	<hr/>		
Fund balance, end of year	\$ 749	-	-
	<hr/> <hr/>		

**VILLAGE OF CUBA, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2008**

	Total Non-major
Revenues	
Taxes	\$ 16,784
Licenses, permits, fees, and fines	28,477
From non-federal sources	
Intergovernmental	367,299
Interest	2,197
Other	2
	<hr/>
Total revenues	414,759
	<hr/>
Expenditures	
Current	
Public safety	126,816
Highways and streets	93,018
Culture and recreation	8,472
Debt service - principal	26,892
Debt service - interest and fees	4,455
Capital outlay	128,439
	<hr/>
Total expenditures	388,092
	<hr/>
Excess (deficiency) of revenues over expenditures before other financing sources	<hr/> 26,667
Other financing sources (uses)	
Operating transfers out	<hr/> (100)
	<hr/>
Total other financing sources (uses)	(100)
	<hr/>
Net change in fund balances	<hr/> 26,567
	<hr/>
Fund balance, beginning of year	(106,234)
Restatement	200,474
	<hr/>
Fund balance, beginning of year, as restated	<hr/> 94,240
	<hr/>
Fund balance, end of year	\$ 120,807
	<hr/> <hr/>

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CORRECTIONS
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses, permits, fees and fines	\$ 55,000	55,000	26,854	(28,146)
Total revenues	55,000	55,000	26,854	(28,146)
Expenditures				
Public safety	55,000	55,000	24,896	30,104
Total expenditures	55,000	55,000	24,896	30,104
Net change in fund balance	-	-	1,958	1,958
Fund balance, beginning of year	14,242	14,242	14,242	-
Fund balance, end of year	\$ 14,242	14,242	16,200	1,958
Non-GAAP change in fund balance			1,958	
Change in:				
Court fines and fees receivable			123	
GAAP change in fund balance			<u>\$ 2,081</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
EMERGENCY MEDICAL SERVICES
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grants	40,693	40,693	86,693	46,000
Other income	-	-	2	2
Total revenues	40,693	40,693	86,695	46,002
Expenditures				
Public safety	40,693	40,693	84,236	(43,543)
Total expenditures	40,693	40,693	84,236	(43,543)
Net change in fund balance	-	-	2,459	2,459
Fund balance, beginning of year	3,863	3,863	3,863	-
Fund balance, end of year	\$ 3,863	3,863	6,322	2,459

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE PROTECTION
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Grants	\$ 64,307	64,307	71,787	7,480
Interest	-	-	2,197	2,197
Total revenues	64,307	64,307	73,984	9,677
Expenditures				
Public safety	64,307	64,307	12,743	51,564
Debt service - principal	-	-	26,892	(26,892)
Debt service - interest and fees	-	-	4,455	(4,455)
Total expenditures	64,307	64,307	44,090	20,217
Net change in fund balance	-	-	29,894	29,894
Fund balance, beginning of year	43,461	43,461	43,461	-
Fund balance, end of year	\$ 43,461	43,461	73,355	29,894

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 21,800	21,800	21,800	-
Total revenues	21,800	21,800	21,800	-
Expenditures				
Public safety	16,000	16,000	4,941	11,059
Capital outlay	5,800	5,800	45,660	(39,860)
Total expenditures	21,800	21,800	50,601	(28,801)
Net change in fund balance	-	-	(28,801)	(28,801)
Fund balance, beginning of year	1,269	1,269	1,269	-
Fund balance, end of year	\$ 1,269	1,269	(27,532)	(28,801)
Non-GAAP change in fund balance			\$ (28,801)	
Change in:				
Grants receivable			49,987	
Accounts payable			<u>(19,827)</u>	
GAAP change in fund balance			<u>\$ 1,359</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LODGERS TAX
Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 10,500	10,500	11,319	819
Total revenues	10,500	10,500	11,319	819
Expenditures				
Culture and recreation	10,500	10,500	7,657	2,843
Total expenditures	10,500	10,500	7,657	2,843
Net change in fund balance	-	-	3,662	3,662
Fund balance, beginning of year	10,085	10,085	10,085	-
Fund balance, end of year	\$ 10,085	10,085	13,747	3,662
Non-GAAP change in fund balance			3,662	
Change in:				
Lodgers tax receivable			1,141	
GAAP change in fund balance			\$ 4,803	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
STREETS
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 35,000	35,000	-	(35,000)
Grants	60,000	60,000	92,898	32,898
Total revenues	95,000	95,000	92,898	(2,102)
Expenditures				
Highways and streets	95,000	95,000	92,918	2,082
Capital outlay	-	-	9,109	(9,109)
Total expenditures	95,000	95,000	102,027	(7,027)
Net change in fund balance	-	-	(9,129)	(9,129)
Fund balance, beginning of year	15,771	15,771	15,771	-
Fund balance, end of year	\$ 15,771	15,771	6,642	(9,129)
Non-GAAP change in fund balance			\$ (9,129)	
Change in:				
Accounts payable			(100)	
GAAP change in fund balance			<u>\$ (9,229)</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
RECREATION
Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Taxes	\$ 3,000	3,000	4,117	1,117
Licenses, permits, fees, and fines	4,500	4,500	1,500	(3,000)
Total revenues	7,500	7,500	5,617	(1,883)
Expenditures				
Culture and recreation	9,000	9,000	815	8,185
Capital outlay	5,000	5,000	9,709	(4,709)
Total expenditures	14,000	14,000	10,524	3,476
Net change in fund balance	(6,500)	(6,500)	(4,907)	1,593
Fund balance, beginning of year	5,449	5,449	5,449	-
Fund balance, end of year	(1,051)	(1,051)	542	1,593
Prior year cash appropriated	1,051	1,051		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP change in fund balance			\$ (4,907)	
Change in:				
Accounts receivable			<u>207</u>	
GAAP change in fund balance			<u>\$ (4,700)</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 1,125,000	1,125,000	26,500	(1,098,500)
Expenditures				
Capital outlay	1,125,000	1,125,000	34,516	1,090,484
Net change in fund balance	-	-	(8,016)	(8,016)
Fund balance, beginning of year	5,449	5,449	5,449	-
Fund balance, end of year	\$ 5,449	5,449	(2,567)	(8,016)
Prior year cash appropriated			2,567	
			-	
Non-GAAP change in fund balance			\$ (8,016)	
Change in:				
Grants receivable			17,634	
Accounts payable			(9,618)	
GAAP change in fund balance			\$ -	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LIBRARY CONSTRUCTION
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 1,266,062	1,266,062	370,790	(895,272)
Expenditures				
Capital outlay	1,266,062	1,266,062	397,338	868,724
Net change in fund balance	-	-	(26,548)	(26,548)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	-	(26,548)	(26,548)
Prior year cash appropriated			26,548	
			-	
Non-GAAP change in fund balance			\$ (26,548)	
Change in:				
Grants receivable			316,224	
Accounts payable			(290,409)	
GAAP change in fund balance			<u>\$ (733)</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WATER AND SEWER ENTERPRISE FUND
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Charges for services	\$ 396,666	396,666	340,213	(56,453)
Total revenues	396,666	396,666	340,213	(56,453)
Expenses				
Operating	352,063	352,063	339,234	12,829
Capital outlay	44,603	44,603	-	44,603
Total expenditures	396,666	396,666	339,234	57,432
Change in net assets	-	-	979	979
Net assets, beginning of year	2,282,267	2,282,267	2,282,267	-
Net assets, end of year	\$ 2,282,267	2,282,267	2,283,246	979
Non-GAAP change in fund balance			\$ 979	
Change in:				
Accounts receivable, net of allowance			(6,622)	
Accounts payable			(23,673)	
Accrued compensation and benefits			(753)	
Accrued compensated absences			(2,565)	
Deferred revenue			(1,468)	
Non-budgeted items				
Depreciation			(119,025)	
GAAP change in net assets			<u>\$ (150,562)</u>	

VILLAGE OF CUBA, NEW MEXICO
AGENCY FUNDS
June 30, 2008

Motor Vehicle Fund. To account for motor vehicle fees collected by the Village on behalf of the State of New Mexico.

Municipal Court Fund. To account for the receipt and disbursement of money collected through the Municipal Judicial System and held for payment to various other state and local governmental agencies.

Municipal Judge's Bond Fund. To account for the receipt and disbursement of bond funds collected through the Municipal Judicial System and held for refund or conversion to pay fines and fees.

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
MOTOR VEHICLE FUND				
ASSETS				
Cash	\$ 2,926	9,074	11,219	781
Total assets	<u>\$ 2,926</u>	<u>9,074</u>	<u>11,219</u>	<u>781</u>
LIABILITIES				
Due to other entities	\$ 2,926	9,074	11,219	781
Total liabilities	<u>\$ 2,926</u>	<u>9,074</u>	<u>11,219</u>	<u>781</u>
MUNICIPAL COURT FUND				
ASSETS				
Cash	\$ 16,472	5,228	5,801	15,899
Total assets	<u>\$ 16,472</u>	<u>5,228</u>	<u>5,801</u>	<u>15,899</u>
LIABILITIES				
Due to other entities	\$ 16,472	5,228	5,801	15,899
Total liabilities	<u>\$ 16,472</u>	<u>5,228</u>	<u>5,801</u>	<u>15,899</u>
MUNICIPAL JUDGE'S BOND FUND				
ASSETS				
Cash	\$ 4,927	2,482	1,309	6,100
Total assets	<u>\$ 4,927</u>	<u>2,482</u>	<u>1,309</u>	<u>6,100</u>
LIABILITIES				
Due to other entities	\$ 4,927	2,482	1,309	6,100
Total liabilities	<u>\$ 4,927</u>	<u>2,482</u>	<u>1,309</u>	<u>6,100</u>
TOTAL				
ASSETS				
Cash	\$ 24,325	16,784	18,329	22,780
Total assets	<u>\$ 24,325</u>	<u>16,784</u>	<u>18,329</u>	<u>22,780</u>
LIABILITIES				
Due to other entities	\$ 24,325	16,784	18,329	22,780
Total liabilities	<u>\$ 24,325</u>	<u>16,784</u>	<u>18,329</u>	<u>22,780</u>

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2008

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Wells Fargo	General	Checking	\$ 21,717	12,556
Wells Fargo	General Obligation Bond	Checking	46,760	46,760
Wells Fargo	Miscellaneous Grants	Checking	2,061	2,061
Wells Fargo	County Grant	Checking	360	360
Wells Fargo	Corrections Fund	Checking	14,101	14,101
Wells Fargo	EMS	Checking	4,619	4,619
Wells Fargo	EMS	Savings	1,703	1,703
Wells Fargo	Fire Protection	Checking	24,136	24,136
Wells Fargo	Law Enforcement Protection	Checking	5,309	5,309
Wells Fargo	Lodgers Tax	Checking	15,947	15,947
Wells Fargo	Streets	Checking	1,173	1,173
Wells Fargo	Recreation	Checking	9,709	9,709
Wells Fargo	Water and Sewer System	Checking	17,410	4,104
Wells Fargo	Water and Sewer Improvements	Checking	2,810	2,810
Wells Fargo	W/S Deposits	Checking	134	(439)
Wells Fargo	Public Housing	Checking	37,167	37,167
Wells Fargo	Section 8 Vouchers	Checking	80,713	80,713
Bank of Albuquerque	Debt Service Reserve	Checking	27,854	27,854
Bank of Albuquerque	Debt Service	Checking	2,325	2,325
Bank of Albuquerque	Debt Service Program Funds	Checking	1,726	1,726
Cuba Credit Union	Regular Share Account	Savings	38,347	38,347
Cash and cash equivalents			<u>356,081</u>	<u>333,041</u>
Petty cash	Petty cash - police	Petty Cash	-	50
Petty cash	Petty cash - library	Petty Cash	-	50
Petty cash	Petty cash - water	Petty Cash	-	97
Petty cash			<u>-</u>	<u>197</u>
Total deposit and investment accounts - non-agency			<u>356,081</u>	<u>333,238</u>
Agency funds cash accounts				
Wells Fargo	Motor Vehicle Division	Checking	581	581
Petty cash	MVD Cash Drawer	Petty Cash	-	200
Wells Fargo	Municipal Court	Checking	15,898	15,898
Wells Fargo	Municipal Judge'S Bonds	Checking	6,101	6,101
Total cash - agency funds			<u>22,580</u>	<u>22,780</u>
Total depository accounts			<u>\$ 378,661</u>	<u>356,018</u>

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2008

	Wells Fargo	Cuba Credit Union	Bank of Albuquerque	Total
Deposits at June 30, 2008	\$ 308,409	38,347	31,905	378,661
Less: FDIC coverage	100,000	38,347	31,905	170,252
Uninsured public funds	208,409	-	-	208,409
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	599,526	-	-	599,526
Uninsured and uncollateralized	\$ -	-	-	-
50% pledged collateral requirement per statute	\$ 104,205	-	-	104,205
Total pledged collateral	599,526	-	-	599,526
Pledged collateral over the requirement	\$ (495,322)	-	-	(495,322)

Pledged collateral at June 30, 2008 consists of the following:

Security	CUSIP	Maturity	Par or Fair Mkt. Value
Wells Fargo FNCL	31409CV69	5/1/2036	599,526
Total pledged collateral			\$ 599,526

The custodian of the pledged securities for Wells Fargo Bank is the Federal Home Loan Bank in Dallas, Texas.

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF JOINT POWERS AGREEMENTS
June 30, 2008

Joint Power Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Village	Amount contributed by Village during fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
Emergency 911 Regional Emergency Communications Center	County of Sandoval Village of Cuba	Sandoval County	Provision of enhanced emergency 911 services	Indefinite	The Village agrees to pay Sandoval County \$14,100.	\$ 14,100	Sandoval County	Sandoval County

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF APPROPRIATIONS
June 30, 2008

Appropriation	Beginning Date	Ending Date	Original Amount	Funds Expended	Funds Remaining
04-L-G-1006	9/23/2004	06/30/2009	100,000	50,159	49,841
04-L-G-322	9/23/2004	06/30/2009	150,000	51,099	98,901
05-L-G-1582	9/15/2005	06/30/2010	250,000	247,500	2,500
06-L-G-503	8/26/2006	06/30/2008	75,000	-	75,000
06-L-G-504	9/12/2006	06/30/2010	500,000	44,134	455,866
06-L-G-1829	9/12/2006	06/30/2010	750,000	334,722	415,278
07-L-G-5471	6/1/2007	06/30/2011	50,000	50,000	-
07-L-G-5472	6/1/2007	06/30/2009	50,000	49,987	13
SAP 07-4559-GF	6/1/2007	06/30/2011	225,000	-	225,000
SAP 07-4560-GF	6/1/2007	06/30/2011	350,000	-	350,000
08-L-G-4452	5/27/2008	06/30/2012	25,000	-	25,000
08-L-G-4453	5/27/2008	06/30/2012	85,000	-	85,000
Total			2,610,000	827,601	1,782,399

Unexpended balances will be earned when all grant requirements have been met.

The funds remaining are encumbered.

VILLAGE OF CUBA, NEW MEXICO
HOUSING AUTHORITY FINANCIAL DATA SCHEDULE
June 30, 2008

FDS		Low Rent	Section 8	
<u>Line #</u>	<u>Accounts Description</u>	<u>Housing Project</u>	<u>Housing Choice</u>	<u>Total</u>
		<u>(LRH)</u>	<u>Vouchers (HCV)</u>	
ASSETS:				
111	Cash - Unrestricted	\$ 35,326	10,388	45,714
113	Cash - Other Restricted	-	36,834	36,834
114	Cash - Tenant Security Deposits	1,841	-	1,841
115	Cash - Restricted for Payment of Current Liability	-	33,491	33,491
100	Total Cash	<u>37,167</u>	<u>80,713</u>	<u>117,880</u>
126	Accounts Receivable - Tenants - Dwelling Rents	7,759	-	7,759
126.1	Allowance for Doubtful Accounts	(51)	-	(51)
120	Total Receivables, net of allowances for doubtful accounts	<u>7,708</u>	<u>-</u>	<u>7,708</u>
142	Prepaid Expenses and Other Assets	1,265	-	1,265
144	Inter Program Due From	16,870	-	16,870
150	Total Current Assets	<u>63,010</u>	<u>80,713</u>	<u>143,723</u>
161	Land	15,608	-	15,608
162	Buildings	1,586,889	-	1,586,889
163	Furniture, Equipment & Machinery - Dwelling	42,798	-	42,798
164	Furniture, Equipment & Machinery - Administration	73,412	4,754	78,166
165	Leasehold Improvements	73,901	-	73,901
166	Accumulated Depreciation	(681,482)	(4,754)	(686,236)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,111,126</u>	<u>-</u>	<u>1,111,126</u>
180	Total Non-Current Assets	<u>1,111,126</u>	<u>-</u>	<u>1,111,126</u>
190	Total Assets	<u>\$ 1,174,136</u>	<u>80,713</u>	<u>1,254,849</u>
LIABILITIES:				
312	Accounts payable < 90 days	\$ 5,160	-	5,160
321	Accrued wage/payroll taxes payable	1,597	-	1,597
333	Accounts payable - Other Government	20,000	-	20,000
341	Tenant Security Deposits	1,860	-	1,860
345	Other Current Liabilities	-	16,621	16,621
347	Inter Program - Due to	-	16,870	16,870
310	Total Current Liabilities	<u>28,617</u>	<u>33,491</u>	<u>62,108</u>
300	Total Liabilities	<u>28,617</u>	<u>33,491</u>	<u>62,108</u>
508.1	Invested in Capital Assets, Net of Related Debt	1,111,126	-	1,111,126
511	Total Reserved Fund Balance	<u>1,111,126</u>	<u>-</u>	<u>1,111,126</u>
511.1	Restricted Net Assets	-	36,834	36,834
512.1	Unrestricted Net Assets	34,393	10,388	44,781
513	Total Equity/Net Assets	<u>1,145,519</u>	<u>47,222</u>	<u>1,192,741</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 1,174,136</u>	<u>80,713</u>	<u>1,254,849</u>

VILLAGE OF CUBA, NEW MEXICO
HOUSING AUTHORITY FINANCIAL DATA SCHEDULE (CONTINUED)
June 30, 2008

FDS		Low Rent	Section 8	
<u>Line #</u>	<u>Accounts Description</u>	<u>Housing Project</u>	<u>Housing Choice</u>	<u>Total</u>
		<u>(LRH)</u>	<u>Vouchers (HCV)</u>	
REVENUE:				
703	Net Tenant Rental Revenue	\$ 50,935	-	50,935
704	Tenant Revenue - Other	925	-	925
705	Total Tenant Revenue	<u>51,860</u>	<u>-</u>	<u>51,860</u>
706	HUD PHA Operating Grants	86,402	-	86,402
706.1	Housing Assistance Payments	-	162,517	162,517
706.2	Ongoing Administrative Fees Earned	-	34,660	34,660
700	Total Revenue	<u>138,262</u>	<u>197,177</u>	<u>335,439</u>
EXPENSES:				
911	Administrative Salaries	29,563	20,000	49,563
915	Employee Benefit Contributions - Administrative	3,495	4,000	7,495
916	Office Expenses	7,189	4,920	12,109
918	Travel	2,865	-	2,865
919	Other	3,550	8,482	12,032
910	Total Operating - Administrative	<u>46,662</u>	<u>37,402</u>	<u>84,064</u>
931	Water	13,998	-	13,998
932	Electricity	3,283	-	3,283
933	Gas	2,108	-	2,108
930	Total Utilities	<u>19,389</u>	<u>-</u>	<u>19,389</u>
941	Ordinary Maintenance and Operations - Labor	13,840	-	13,840
942	Ordinary Maintenance and Operations - Materials and Other	9,692	-	9,692
943	Ordinary Maintenance and Operations - Contracts	12,182	-	12,182
945	Employee Benefit Contributions - Ordinary Maintenance	1,374	-	1,374
940	Total Maintenance	<u>37,088</u>	<u>-</u>	<u>37,088</u>
962	Other General Expenses	2,969	-	2,969
960	Total Other General Expenses	<u>2,969</u>	<u>-</u>	<u>2,969</u>
969	Total Operating Expenses	<u>106,108</u>	<u>37,402</u>	<u>143,510</u>
970	Excess Operating Revenue over Operating Expenses	<u>32,154</u>	<u>159,775</u>	<u>191,929</u>
973	Housing Assistance Payments	-	211,769	211,769
974	Depreciation Expense	27,018	-	27,018
900	Total Expenses	<u>133,126</u>	<u>249,171</u>	<u>382,297</u>

VILLAGE OF CUBA, NEW MEXICO
HOUSING AUTHORITY FINANCIAL DATA SCHEDULE (CONTINUED)
June 30, 2008

FDS		Low Rent	Section 8	
Line #	Accounts Description	Housing Project	Housing Choice	Total
		(LRH)	Vouchers (HCV)	
OTHER FINANCING SOURCES (USES):				
1001	Operating Transfers In	-	-	-
1002	Operating Transfers Out	-	-	-
1009.3	Transfers Between Programs & Projects - In	-	-	-
1009.4	Transfers Between Programs & Projects - Out	-	-	-
1010	Total Other Financing Sources (Uses)	-	-	-
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 5,136	(51,994)	(46,858)
1103	Beginning Equity	\$ 85,278	99,215	184,493
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	1,055,105		1,055,105
1117	Administrative Fee Equity	-	10,388	10,388
1118	Housing Assistance Payments Equity	-	36,834	36,834
1119	Unit Months Available	336	696	1,032
1121	Number of Unit Months Leased	324	522	846

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
10612 ROYAL BIRKDALE NE
ALBUQUERQUE, NM 87111

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Mr. Hector H. Balderas, Auditor and
Mr. Richard R. Velarde, Mayor and
The Village Council
Village of Cuba, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Village of Cuba, New Mexico (Village), as of and for the year ended June 30, 2008, and have issued our report thereon dated May 31, 2012 which expressed a qualified opinion on the financial statements. 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

Management of the Village is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

Mr. Hector H. Balderas, Auditor and
Mr. Richard R. Velarde, Mayor and
The Village Council
Village of Cuba, New Mexico

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2007-1, 2007-8, 2008-7, 2008-8, and 2008-9.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompany schedule of findings and responses to be significant deficiencies: 2007-4 and 2008-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and are described in the accompanying schedule of findings and recommendations and responses as items 2007-5, 2008-1, 2008-3, 2008-4, 2008-5, 2008-6, and 2008-8.

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 responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Village of Cuba' management, grantors, Village Councilors, the Department of Finance and Administration, the New Mexico State Legislature, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



Albuquerque, New Mexico
May 31, 2012

VILLAGE OF CUBA, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008

2007-1	Late Audit Report	Modified and repeated
2007-2	Inaccurate and Untimely Filing of Reports	Resolved
2007-3	Cash Reconciliations	Resolved
2007-4	Water and Sewer Deposits not Adequately Funded	Modified and repeated
2007-5	Expenditures over Authorized Budget	Modified and repeated
2007-6	Lack of Timely Monitoring of Budget Line Items	Included as part of 2007-5
2007-7	Failure to Follow Chart of Accounts	Resolved
2007-8	Preparation of Financial Statements	Modified and Repeated
2007-9	Unauthorized Loan	Resolved
2007-10	Public Monies Were Not Adequately Collateralized	Resolved

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS – FINANCIAL STATEMENTS AUDIT

2007-1 Late Audit Report (Material Weakness)

CONDITION

The June 30, 2008 audit report was not filed timely as required by State Auditor Rule NMAC 2.2.2.9.A. The audit report was submitted to the Office of the State Auditor on July 24, 2012.

CRITERIA

According to State Auditor Rule NMAC 2.2.2.9.A, the audited financial statements are due by December 1 following the fiscal year-end, thus requiring the June 30, 2008 report to be filed by December 1, 2008.

EFFECT

The Village is not in compliance with State Auditor rule NMAC 2.2.2.9.A for the fiscal year ended June 30, 2008. The Village does not have audited financial statements for use in borrowing, bonds, and grant applications.

CAUSE

The books and records were not reconciled until after the due date.

RECOMMENDATION

The Village should consider hiring an outside public accountant to help train the accounting staff, help reconcile the accounting records, and help with the year-end close and audit preparation.

MANAGEMENT RESPONSE

The Department of Finance and Administration made the recommendation to Mayor Velarde to hire an outside public accountant. DFA suggested Mr. Gary E. Gaylord, whom is also contracted with other entities with a housing authority. Mayor Velarde hired Mr. Gaylord to reconcile the financials. Mr. Gaylord's contract is approved every year for his services.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

2007-4 Water and Sewer Deposits not Adequately Funded

CONDITION

The Village has a \$44,300 water and sewer deposit liability, but only \$7,011 in cash in the water and sewer fund. The Village does not have enough money to cover the deposit liability.

CRITERIA

The Village should maintain enough cash to cover the deposit liability.

EFFECT

The Village could not cover all of the deposits if a significant number of residents needed their deposits back.

CAUSE

The Village has not funded the deposit list that was developed in a prior year.

RECOMMENDATION

The Village should establish a separate bank account to hold deposit money, and fund the account as cash if available.

MANAGEMENT RESPONSE

The Village established a separate bank account in 2000 for the Water & Sewer deposits only. Prior to the year 2000, all water & sewer deposits were deposited and recorded in the Water & Sewer Operating Fund since 1961. The Village is in the process of researching records to transfer the funds from the water & sewer operating fund to the water & sewer deposit fund.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

2007-5 Excess of Expenditures Over Authorized Budget

CONDITION

The Village's expenditures exceeded the authorized budget in the following funds:

- Emergency Medical Services by \$43,543
- Law Enforcement Protection by \$28,801
- Streets by \$7,027

CRITERIA

Section 6-6-6, NMSA 1978, requires the Village to keep expenditures within budgeted amounts.

CAUSE

Insufficient budget tracking procedures.

EFFECT

The Village may not have precise information for planning the activities and cash flows in the funds that are over budget.

RECOMMENDATION

The Village should develop a process to ensure that funds do not exceed their budgets.

MANAGEMENT RESPONSE

The Village of Cuba Emergency Medical Services only received \$7000.00 for EMS Supplies for ambulance services from the NM Department of Health. The Law Enforcement Protection Fund received \$23,000.00 from the Department of Finance and Administration. The Village of Cuba Street Fund exceeded the budget.

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2007-8 Preparation of Financial Statements (Material Weakness)

CONDITION

The Auditing Standards Board has issued *Statement on Auditing Standards No. 115, Communicating Internal Control Related Matters Identified in and Audit* (SAS 115). The new standard provides guidance to auditors on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements. The standard requires the auditor to evaluate identified control deficiencies and determine whether these deficiencies, individually or in combination, are significant deficiencies or material weaknesses.

SAS 115 provides examples of circumstances that may be control deficiencies, significant deficiencies or material weaknesses (these terms are defined in the report on internal control above). One of the examples provided by SAS 115 is:

Employees or management who lack the qualifications and training to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

The auditor prepares the financial statements for the Village because Village staff does not have the training or experience to prepare financial statements.

CRITERIA

The Village's accounting staff should have the training and experience necessary to prepare the Village's financial statements. SAS 115 indicates that a lack of qualifications to prepare the financial statements is a control deficiency.

EFFECT

The Village's management and accounting staff may not be able to detect errors in reporting or financial presentation if they exist. Management may not be qualified to review the financial statements prepared by the auditor.

CAUSE

The Village's accounting staff has not been trained on Governmental Accounting Standards and the related procedures to prepare financial statements.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2007-8 Preparation of Financial Statements (Material Weakness) (Continued)

RECOMMENDATION

We recommend that Village employees who participate in the accounting function obtain training in governmental accounting and the preparation of financial statements.

MANAGEMENT RESPONSE

The Village Clerk-Treasurer has participated in trainings with the Office of the State Auditor, The Department of Finance and Administration Budget Division and the New Mexico Municipal League. DFA made a recommendation to purchase a new accounting software and training package.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-1 Board Meeting Minutes

CONDITION

As part of our audit we reviewed minutes of regular and special board meetings. We noted the Village was unable to produce a record of meeting minutes for two of the meetings held in the year under audit.

CRITERIA

Good accounting practices dictates that records should be maintained for review by auditors and according to record retention policies.

CAUSE

Records have been lost or misplaced because of turnover in employees and inadequate control over the storage of records.

EFFECT

Auditors were unable to review board meeting minutes from two meetings held in the year under audit to determine if any items with audit significance were discussed.

RECOMMENDATION

The Village should consider implementing record retention policies to ensure records are maintained for sufficient time periods and are available to auditing agencies.

MANAGEMENT RESPONSE

The Minutes for the Regular Meeting held on September 25, 2007 have not yet been located, perhaps may have been lost in transit. The minutes for the Regular Meeting held on May 28, 2008 have been located. These minutes were misplaced and scanned to Porch & Associates for their review. All minutes are filed the next day in a binder and locked in the office of the Village Clerk.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-2 Disaster Recovery Plan and Information Technology General Controls

CONDITION

The disaster recovery plan in place is inadequate for the size and operations of the Village. A disaster recovery plan should be a map for reestablishing operations after a disaster. This map should include details of, at minimum, the following:

- What hardware and software are in place and which vendors may be used to replace the hardware and software.
- Potential off-site locations for running operations.
- Names and telephone numbers of critical operations personnel that should be contacted during a disaster.
- Backup and recovery procedures for data.
- The location of the offsite data backups.
- A detailed list of instructions to be followed in order to reestablish operations.

We reviewed the information technology general controls and found the following:

- There are no operational policies for the information technology function of the Village.
- System backups are not taken offsite. This is inadequate for the amount of data being processed by the Village.

CRITERIA

Section 12-6-5, NMSA 1978, requires the annual financial and compliance audit of agencies to detail any violation of law or good accounting practices found by the audit. An adequate disaster recovery plan is a requirement for continuing operations after a disaster. Backups should go offsite at least once a week. The Village should develop sufficient policies and procedures to govern the information technology function.

The Village would not be able to continue operations if there was a significant disaster.

EFFECT

The Village may not be able to continue operations in the event of a disaster.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

**2008-2 Disaster Recovery Plan and Information Technology General Controls
(Continued)**

CAUSE

The Village has not developed a detailed disaster recovery plan or adequate information technology general controls.

RECOMMENDATION

We recommend that the Village prepare a detailed disaster recovery plan. We further recommend that the Village consider taking the backups offsite at least once a week. The Village should consider developing policies and procedures governing the information technology function.

MANAGEMENT RESPONSE

The Village is in the process of developing a Disaster Recovery Plan for operations after disaster. The Village will consider developing policies and procedures governing the information technology functions.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-3 Compliance with Procurement Code

CONDITION

We tested 12 large disbursements for compliance with the procurement code as part of our audit. We noted the following:

- For four of the projects tested the Village was unable to produce bid opening documents, thus we were unable to test if the bids were opened in the presence of more than one witness, or if the lowest bid was accepted.
- For four of the projects tested the Village was unable to produce supporting documentation that bids or proposals were solicited or accepted for the project, in accordance with the procurement code.
- For five of the projects tested the Village was unable to produce supporting documentation that an invitation for bid was published at least ten days before the bid opening was scheduled.

CRITERIA

- NMSA 13-1-104 and 13-1-111, states that competitive sealed bids or competitive sealed proposals shall be required for expenditures of more than \$20,000. An invitation for bids or a notice thereof shall be published not less than ten calendar days prior to the date set forth for the opening of bids.
- NMSA 13-1-107 states bids shall be opened publicly in the presence of one or more witnesses. The amount of each bid and each bid item, together with the name of each bidder, shall be recorded, and the record and each bid shall be open to public inspection.

CAUSE

Inadequate training of procurement code requirements and record retention.

EFFECT

Awarded contracts or purchases could be protested by bidders because the Village may not have been in compliance with the procurement code.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-3 Compliance with Procurement Code (Continued)

RECOMMENDATION

The Village should maintain backup for all transactions.

The Village should obtain training on procurement code requirements.

MANAGEMENT RESPONSE

The Village will maintain backup for all transactions and obtain training on procurement code requirements.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-4 Cash Disbursement Testwork

CONDITION

We tested 25 items in internal control disbursement testwork, we noted the following:

For one of the items tested in the amount of \$708.50, the Village could not produce supporting documentation for the disbursement.

CRITERIA

State Auditor Rule 2.2.2.10 J, and Section 12-6-5, NMSA 1978, requires good accounting practices to be followed. Support for all transactions should be maintained.

CAUSE

Inadequate record retention.

EFFECT

Disbursements could be protested and the Village does not have the supporting documentation to dispute a claim.

RECOMMENDATION

The Village should maintain backup for all transactions.

MANAGEMENT RESPONSE

The Village has been unable to locate the disbursement for \$708.50. The Village will maintain backup for all transactions.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-5 Payroll Disbursements

CONDITION

As part of our audit we tested internal controls over 25 payroll disbursements. We noted the following:

1. For seven employees timecards were missing.
2. For six employees the base wage used for PERA withholding incorrectly included overtime and incorrectly excluded leave.
3. For one employee PERA reports were missing from their personnel file.
4. For one employee the village failed to provide documentation authorizing payment of prepaid legal premiums.
5. For twenty one employees authorized pay rates were not on file.
6. For six employees the I-9 was missing from their personnel file and/or the proper forms of ID were not documented on the I9 form.
7. For one employee the timesheet activity does not match the payroll register.
8. Leave accrual is not tracked.

CRITERIA

State Auditor Rule 2.2.2.10 J, and Section 12-6-5, NMSA 1978, requires good accounting practices to be followed. Good internal controls dictate that pay rate increases should not only be input into the payroll system, but should be documented in the employee's personnel file. Payroll should be reviewed sufficiently to ensure it does not contain errors in PERA withholding. I-9 forms should be correctly filled out with the proper forms of identification documented and in all of the employee files. Authorized pay rates should be on file. Timesheets should be reviewed to ensure hours are paid in accordance with what is presented on timesheets. It is important the accrual rates for leave be documented on each personnel file.

CAUSE

The Village of Cuba has inadequate procedures over the maintenance of personnel files. There is insufficient review of payroll.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-5 Payroll Disbursements (Continued)

EFFECT

Payroll errors may occur and not be caught by the internal controls in place. The result would be incorrect payroll expense and related leave accruals.

Employees have not had the correct amount of PERA withheld from their paychecks. PERA may be underpaid, or the Village may have paid part of the employee's share of PERA.

RECOMMENDATION

The Village should consider performing a personnel file audit in order to correct any deficiencies. It should also consider implementing procedures to ensure that the files are maintained.

The Village of Cuba should consider reviewing payroll more thoroughly to ensure that errors in accrued leave, time cards, and payroll processing are caught and corrected before final checks are processed.

MANAGEMENT RESPONSE

The Village will consider performing a personnel file audit in order to correct any deficiencies and implement procedures to ensure that all files are maintained. The Village will consider reviewing payroll more thoroughly so that accrued leave, time cards and payroll processing are caught and corrected before final checks are processed.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-6 Compliance with Travel and Per Diem

CONDITION

As part of our audit we tested internal controls over 4 travel disbursements. We noted the following:

For one of the travel disbursements we noted the supporting documentation did not match the disbursement. The purchase order is for travel to the State Legislature from January 22, 2008 to January 23, 2008. Supporting documentation for this reimbursement contain a confirmed reservation from January 26, 2008 to January 27, 2008. This date range is outside the date range referenced on the Purchase order.

CRITERIA

Good internal controls dictate that purchase orders match invoices.

CAUSE

The Village has inadequate procedures over travel and per diem reimbursements.

EFFECT

Travel reimbursement errors may occur and not be caught by the internal controls in place. The result would be incorrect travel expense and related reimbursements.

RECOMMENDATION

The Village should consider performing a travel and per diem audit in order to correct any deficiencies. It should also consider implementing procedures to ensure that correct supporting documentation be on file which discloses travel dates.

MANAGEMENT RESPONSE

The Village will comply with good internal controls so that the purchase orders match the invoices. The Village will enforce procedures over travel and per diem reimbursements and maintain the supporting documents on file which disclose travel dates.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-7 Joint Utility Billing Revenue and Taxes Payable

CONDITION

As part of our audit we compared joint utility revenue as per the billing registers to recorded revenue. Recorded revenue exceeded billing reports by \$27,693. In addition management does not believe that gross receipts taxes collected on utility billings were remitted to the State.

CRITERIA

Two of the assertions inherent in the financial statements are existence, occurrence, and completeness. Because the Village is not reconciling billing registers to recorded revenues, utility billing revenues may be misstated. Good internal controls dictate that revenue and liability accounts be reconciled on a regular basis. Good internal controls also dictate that revenues and liabilities should be recorded separately, not as a net entry.

As per the New Mexico Taxation and Revenue Department, a governmental gross receipts tax of 5% is imposed on the receipts of New Mexico State and local governments from sewage services and the sale of water by a utility owned or operated by a municipality.

EFFECT

Utility billing revenue and taxes payable may be misstated.

CAUSE

Management believes part of the difference in recorded revenues and billings is caused by gross receipts tax being recorded as a revenue instead of a liability. We could not determine why gross receipts taxes were not remitted to the State.

RECOMMENDATION

The Village should reconcile current year and prior year utility billing revenues and gross receipts taxes to determine if amounts are owed to the State.

MANAGEMENT RESPONSE

The Village is reconciling the current year and prior year utility billing revenues and gross receipts taxes to determine if amounts are owed to the State. The sewer tax was not recorded on the utility billing and has been corrected on the CUSI utility program.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-8 Grant Compliance

CONDITION

As part of our audit we tested grant compliance and tracking, we noted the following:

- The Village did not meet the matching requirements for one NMDOT grant. The Village was short a combined total of \$9,796 for meeting the matching requirement.
- The Village did not record grant revenue and the related expenditure or receivable for grants received totaling \$174,998. The Village requested reimbursement for a \$5,744 invoice twice. The Village requested reimbursement for expenditures that were not incurred.

CRITERIA

Section 2 of the cooperative grant agreement states the total estimated cost of the project is to be funded in proportional share by the NMDOT for 75% and the Village for 25%.

GASB Statement No. 33 paragraph 11, requires recognition of nonexchange transactions unless the transactions are not measurable or are not probable of collection.

EFFECT

The Village is not in compliance with grant requirements.

Grant revenue was misstated prior to adjustment.

CAUSE

The Village requested reimbursement of 75% of the estimated project costs from NMDOT. The actual costs of the project were less than the estimated costs, thus the contribution by the NMDOT was more than 75%.

For one of the grants received, the grant revenue and grant expense was not recorded. The grantor paid the vendor directly for expenses incurred, thus the expense was not paid by the Village and the reimbursement was not received by the Village.

Grant revenue of \$5,744 was reimbursed twice from the grantor for the same invoice.

Grant revenue of 3,532 was reimbursed without proper expense documentation.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-8 Grant Compliance (Continued)

RECOMMENDATION

The Village should obtain a matching requirement waiver from the NMDOT or should consider returning the NMDOT contribution to the project in excess of 75% of costs.

The Village should consider developing a method to track and record all revenue and expenditures related to grants.

MANAGEMENT RESPONSE

The Village now meets compliance with grant agreements. The Village requested a matching requirement waiver from the NMDOT, but the request was denied by DFA Budget Bureau because the audits were not up to date. The Village pays a portion of 25.0%.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-9 Payroll Tax Reporting

CONDITION

Salary expense as per the trial balance does not match the amount of salaries reported on the quarterly 941 reports. The 941 reports for July 2007 through December 2007 reports wages, tips, and other compensation at an amount higher than taxable social security wages. Because the amount of wages, tips and other compensation does not include elective deferrals but the amount reported in taxable social security wages includes elective deferrals, the amount reported for total wages should not be higher than the amount reported for social security wages.

CRITERIA

Internal Revenue Service Publication 15 (Circular E) defines amounts that are includable in taxable wages and amounts that are includable in total wages. Elective deferrals such as a retirement plan should not be included in Wages, tips, and other compensation but should be included in taxable social security wages.

CAUSE

The Village does not have sufficient training in payroll tax reporting.

EFFECT

Wages were incorrectly reported to the Internal Revenue Service, which could result in fines and penalties for underpayment of federal taxes.

RECOMMENDATION

The Village should consider hiring a CPA firm or a payroll company to process their payroll tax reporting. The Village should also reconcile 941 reports to salary expense.

MANAGEMENT RESPONSE

On July 1, 2008, The Village hired Wells Fargo Payroll Services to process payroll and report taxes to Federal & State agencies. The Village participated in an IRS audit. The Internal Revenue Service offered a payment plan to pay back payroll taxes from 2005, 2006, and 2007.

**VILLAGE OF CUBA, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2008**

An exit conference was held on July 3, 2012, and attended by the following:

Village of Cuba, New Mexico

Richard R. Velarde, Mayor

Brian L. Velarde, Mayor Pro-Tem

Vandora P. Casados, Clerk-Treasurer

Porch & Associates LLC

Thad Porch, Managing Principal

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The financial statements were prepared by Porch & Associates LLC from the books and records of the Village of Cuba. However, the contents of these financial statements remain the responsibility of the Village's management.