

# **PORCH & ASSOCIATES LLC**

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**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

**VILLAGE OF CUBA, NEW MEXICO**

**Financial Statements, Supplementary Information  
and  
Independent Auditors' Report**

**June 30, 2009**

VILLAGE OF CUBA, NEW MEXICO

TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
List of Principal Officials.....	i

FINANCIAL SECTION

Independent Auditors' Report.....	1
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Basic Financial Statements

Statement of Net Assets .....	4
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Statement of Activities.....	5
------------------------------	---

Balance Sheet – Governmental Funds .....	6
--	---

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets .....	7
--	---

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	8
---	---

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	9
--	---

Statement of Revenues and Expenditures - Budget and Actual – (Non-GAAP Budgetary Basis) General Fund.....	10
Emergency Medical Services.....	11

Balance Sheet – Proprietary Funds .....	12
---	----

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	13
--	----

Statement of Cash Flows – Proprietary Funds.....	14
--	----

Statement of Fiduciary Net Assets – Agency Funds .....	15
--	----

Notes to Financial Statements.....	16
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VILLAGE OF CUBA, NEW MEXICO

TABLE OF CONTENTS (CONTINUED)

Supplementary Information

Combining and Individual Fund Statements

Nonmajor Funds

	Page
Combining Balance Sheet.....	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	38
Statements of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis):	
Corrections.....	41
Fire Protection.....	42
Law Enforcement Protection .....	43
Lodgers Tax .....	44
Streets.....	45
Recreation .....	46
Library Construction.....	47
Capital Projects .....	48
Statements of Revenues and Expenses – Budget and Actual (Non-GAAP Budgetary Basis):	
Waste and Sewer Enterprise Fund .....	49

SUPPLEMENTAL SCHEDULES

Schedule of Changes in Assets and Liabilities – Agency Funds .....	51
Schedule of Deposit Accounts .....	52
Schedule of Pledged Collateral .....	53
Schedule of Joint Powers Agreements.....	54
Schedule of Appropriations .....	55

VILLAGE OF CUBA, NEW MEXICO  
TABLE OF CONTENTS (CONTINUED)

Supplementary Information (Continued)

	Page
Housing Authority Financial Data Schedule .....	56
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 <i>Government Auditing Standards</i> .....	59
Summary Schedule of Prior Audit Findings.....	61
Schedule of Findings and Responses.....	62
Exit Conference .....	79

VILLAGE OF CUBA, NEW MEXICO

List of Principal Officials

June 30, 2009

**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 and emergency medical services fund, of the Village of Cuba (Village), as of and for the year ended June 30, 2009, 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, the library construction fund, and the capital projects fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, 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.

The Village could not locate the financial records for the Section 8 Vouchers enterprise fund. They could not provide financial statements that could be used for audit. It was not possible to extend our procedures sufficiently to prepare the statement of revenues, expenditures and changes in fund balances for the year under audit. The Section 8 Voucher program was transferred to the Town of Bernalillo, New Mexico, during the year under audit.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary from the four 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and emergency medical services 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, the library construction fund, and the capital project 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.

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

For the year ended June 30, 2009, 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.

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, 2009**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 99,991	119,903	219,894
Cash - restricted	27,793	-	27,793
Receivables			
Taxes			
Gross receipts	156,720	-	156,720
Gasoline	14,741	-	14,741
Motor vehicle	5,538	-	5,538
Property	2,934	-	2,934
Franchise	11,603	-	11,603
Lodgers	3,077	-	3,077
Cigarette	596	-	596
Grants	232,259	11,809	244,068
Court fines and fees	3,150	-	3,150
Accounts receivable, net of allowance	-	44,111	44,111
Other assets	-	410	410
Due from other funds	164,000	49	164,049
Capital assets, not depreciated	673,991	35,676	709,667
Capital assets, net of accumulated depreciation	3,720,218	3,238,700	6,958,918
<b>Total assets</b>	<b>5,116,611</b>	<b>3,450,658</b>	<b>8,567,269</b>
<b>LIABILITIES</b>			
Accounts payable	277,326	134,120	411,446
Installment agreement - IRS	84,939	-	84,939
Accrued compensation and benefits	71,325	3,778	75,103
Deposits payable	-	47,294	47,294
Due to other funds	-	164,049	164,049
Noncurrent liabilities:			
Compensated absences, due in one year	9,925	6,456	16,381
Long-term liabilities, due in one year	42,712	-	42,712
Long-term liabilities, due in more than one year	181,031	-	181,031
<b>Total liabilities</b>	<b>667,258</b>	<b>355,697</b>	<b>1,022,955</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,170,466	3,274,376	7,444,842
Unrestricted	278,887	(179,415)	99,472
<b>Total net assets</b>	<b>\$ 4,449,353</b>	<b>3,094,961</b>	<b>7,544,314</b>

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

**VILLAGE OF CUBA, NEW MEXICO**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2009**

<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	
<b>Primary government</b>							
Governmental activities							
General government	\$ 1,196,217	2,474	78,795	33,875	(1,081,073)	-	(1,081,073)
Public safety	440,127	164,848	189,570	581,726	496,017	-	496,017
Highways and streets	108,648	-	49,124	-	(59,524)	-	(59,524)
Culture and recreation	95,435	-	-	738,751	643,316	-	643,316
Debt service - interest	5,172	-	-	-	(5,172)	-	(5,172)
<b>Total governmental activities</b>	<u>1,845,599</u>	<u>167,322</u>	<u>317,489</u>	<u>1,354,352</u>	<u>(6,436)</u>	<u>-</u>	<u>(6,436)</u>
Business-type activities							
Water and Sewer	466,739	282,058	-	-	-	(184,681)	(184,681)
Housing Authority	162,759	53,735	111,442	-	-	2,418	2,418
Section 8 Voucher	-	-	-	-	-	-	-
<b>Total business-type activities</b>	<u>629,498</u>	<u>335,793</u>	<u>111,442</u>	<u>-</u>	<u>-</u>	<u>(182,263)</u>	<u>(182,263)</u>
<b>Total primary government</b>	<u>\$ 2,475,097</u>	<u>503,115</u>	<u>428,931</u>	<u>1,354,352</u>	<u>(6,436)</u>	<u>(182,263)</u>	<u>(188,699)</u>
General Revenues							
Franchise taxes					27,893	-	27,893
Gasoline taxes					81,403	-	81,403
Gross receipts taxes					886,496	(47,222)	839,274
Property taxes					47,060	-	47,060
Motor vehicle registrations					33,454	-	33,454
Lodger's taxes					13,204	-	13,204
Cigarette taxes					22,884	-	22,884
Other					35,365	-	35,365
Interest					669	-	669
<b>Total general revenues and transfers</b>					<u>1,148,428</u>	<u>(47,222)</u>	<u>1,101,206</u>
<b>Change in net assets</b>					<u>1,141,992</u>	<u>(229,485)</u>	<u>912,507</u>
Net assets, beginning of year					<u>3,307,361</u>	<u>3,324,446</u>	<u>6,631,807</u>
<b>Net assets, end of year</b>					<u>\$ 4,449,353</u>	<u>3,094,961</u>	<u>7,544,314</u>

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

**VILLAGE OF CUBA, NEW MEXICO**  
**BALANCE SHEET -**  
**GOVERNMENTAL FUNDS**  
**June 30, 2009**

	General	Emergency Medical Services	Library Construction	Capital Projects	Nonmajor Governmental Funds	Total
<b>ASSETS</b>						
Cash	\$ 49,185	5,453	-	-	45,353	99,991
Cash - restricted	-	-	-	-	27,793	27,793
Receivables						
Taxes						
Gross receipts	156,720	-	-	-	-	156,720
Gasoline	14,741	-	-	-	-	14,741
Motor vehicle	5,538	-	-	-	-	5,538
Property	2,934	-	-	-	-	2,934
Franchise	11,603	-	-	-	-	11,603
Lodgers tax	-	-	-	-	3,077	3,077
Cigarette tax	-	-	-	-	596	596
Grants	-	97,108	42,291	92,860	-	232,259
Court fines and fees	-	-	-	-	3,150	3,150
Due from other funds	266,934	11,983	-	-	126,206	405,123
<b>Total assets</b>	<b>\$ 507,655</b>	<b>114,544</b>	<b>42,291</b>	<b>92,860</b>	<b>206,175</b>	<b>963,525</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 42,925	98,811	-	92,860	42,730	277,326
Installment agreement - IRS	84,939	-	-	-	-	84,939
Accrued compensation and benefits	71,325	-	-	-	-	71,325
Deferred revenue	37,017	-	-	-	-	37,017
Due to other funds	101,163	974	90,777	-	48,209	241,123
<b>Total liabilities</b>	<b>337,369</b>	<b>99,785</b>	<b>90,777</b>	<b>92,860</b>	<b>90,939</b>	<b>711,730</b>
<b>FUND BALANCES</b>						
Unreserved, undesignated, reported in:						
Special revenue funds	-	14,759	-	-	115,236	129,995
Capital projects funds	-	-	(48,486)	-	-	(48,486)
General fund	170,286	-	-	-	-	170,286
<b>Total fund balances</b>	<b>170,286</b>	<b>14,759</b>	<b>(48,486)</b>	<b>-</b>	<b>115,236</b>	<b>251,795</b>
<b>Total liabilities and fund balances</b>	<b>\$ 507,655</b>	<b>114,544</b>	<b>42,291</b>	<b>92,860</b>	<b>206,175</b>	<b>963,525</b>

*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, 2009**

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

<b>Total fund balance - governmental funds</b>	\$	251,795
Accrued compensated absences not payable from current revenues.		(9,925)
Deferred revenue is recorded as income under the accrual method, and not the modified accrual method.		37,017
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		4,394,209
Long-term liabilities, including loans payable, are not and payable in the current period and, therefore are not reported in the governmental fund.		<u>(223,743)</u>
<b>Net assets - governmental activities</b>	<b>\$</b>	<b><u>4,449,353</u></b>

*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, 2009**

	General	Emergency Medical Services	Library Construction	Capital Projects	Nonmajor Governmental Funds	Total
<b>Revenues</b>						
Taxes	\$ 1,076,306	-	-	-	36,088	1,112,394
Licenses, permits, fees, and fines	119,495	-	-	-	47,827	167,322
From federal sources:						
Grants	33,875	-	174,999	-	38,000	246,874
From non-federal sources:						
Intergovernmental	78,795	109,091	563,752	543,726	141,869	1,437,233
Interest	-	-	-	-	669	669
Other	34,626	1	-	-	738	35,365
<b>Total revenues</b>	<b>1,343,097</b>	<b>109,092</b>	<b>738,751</b>	<b>543,726</b>	<b>265,191</b>	<b>2,999,857</b>
<b>Expenditures</b>						
Current						
General government	1,143,711	-	-	-	-	1,143,711
Public safety	106,296	100,655	-	-	110,746	317,697
Highways and streets	34,714	-	-	-	57,241	91,955
Culture and recreation	40,267	-	2,814	-	13,028	56,109
Debt service - principal	-	-	-	-	27,332	27,332
Debt service - interest and fees	-	-	-	-	5,172	5,172
Capital outlay	98,662	-	783,690	543,726	129,076	1,555,154
<b>Total expenditures</b>	<b>1,423,650</b>	<b>100,655</b>	<b>786,504</b>	<b>543,726</b>	<b>342,595</b>	<b>3,197,130</b>
(Deficiency) excess of revenues over expenditures before other financings sources	(80,553)	8,437	(47,753)	-	(77,404)	(197,273)
<b>Other Financing Sources (Uses)</b>						
Proceeds from the issuance of debt	-	-	-	-	78,155	78,155
<b>Net change in fund balances</b>	<b>(80,553)</b>	<b>8,437</b>	<b>(47,753)</b>	<b>-</b>	<b>751</b>	<b>(119,118)</b>
Fund balance, beginning of year	250,839	6,322	(733)	-	114,485	370,913
<b>Fund balance, end of year</b>	<b>\$ 170,286</b>	<b>14,759</b>	<b>(48,486)</b>	<b>-</b>	<b>115,236</b>	<b>251,795</b>

*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, 2009**

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

**Net changes in fund balances - governmental funds** \$ (119,118)

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	(221,030)	
Capital outlay	<u>1,555,154</u>	
Excess of depreciation over capital outlay		1,334,124

The issuance of long-term debt (e.g., capital leases) provides current financial resources to governmental funds, but has no effect on net assets. (78,155)

The repayment of the principal of capital loans consumes the current financial resources of governmental funds, but has no effect on net assets. 27,332

Deferred revenue is recorded as income under the accrual method, and not the modified accrual method (12,266)

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. (9,925)

**Change in net assets - governmental activities** \$ 1,141,992

*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, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 954,811	954,811	1,027,896	73,085
Licenses, permits, fees, and fines	216,034	216,034	131,315	(84,719)
Grants	-	-	33,875	33,875
Intergovernmental	428,625	428,625	139,279	(289,346)
Other	99,869	99,869	34,626	(65,243)
<b>Total revenues</b>	<b>1,699,339</b>	<b>1,699,339</b>	<b>1,366,991</b>	<b>(332,348)</b>
Expenditures				
General government	1,130,798	1,130,798	1,166,782	(35,984)
Public safety	74,521	74,521	106,296	(31,775)
Highways and streets	6,322	6,322	34,714	(28,392)
Culture and recreation	102,473	102,473	40,267	62,206
Capital outlay	-	-	98,662	(98,662)
<b>Total expenditures</b>	<b>1,314,114</b>	<b>1,314,114</b>	<b>1,446,721</b>	<b>(132,607)</b>
Net change in fund balance	385,225	385,225	(79,730)	(464,955)
Fund balance, beginning of year	250,839	250,839	250,839	-
<b>Fund balance, end of year</b>	<b>\$ 636,064</b>	<b>636,064</b>	<b>171,109</b>	<b>(464,955)</b>
Non-GAAP change in fund balance			\$ (79,730)	
Change in:				
Taxes receivable			48,410	
Grants receivable			(72,750)	
Court fines and fees receivable			(11,820)	
Accounts payable			33,300	
Installment agreement - IRS			14,608	
Accrued compensation and benefits			(24,837)	
Deferred revenue			12,266	
GAAP change in fund balance			<u>\$ (80,553)</u>	

*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)**  
**EMERGENCY MEDICAL SERVICES**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grants	75,000	75,000	11,983	(63,017)
Other income	11,983	11,983	1	(11,982)
<b>Total revenues</b>	<b>86,983</b>	<b>86,983</b>	<b>11,984</b>	<b>(74,999)</b>
Expenditures				
Public safety	86,983	86,983	1,844	85,139
<b>Total expenditures</b>	<b>86,983</b>	<b>86,983</b>	<b>1,844</b>	<b>85,139</b>
Net change in fund balance	-	-	10,140	10,140
Fund balance, beginning of year	6,322	6,322	6,322	-
<b>Fund balance, end of year</b>	<b>\$ 6,322</b>	<b>6,322</b>	<b>16,462</b>	<b>10,140</b>
Non-GAAP change in fund balance			10,140	
Change in:				
Grants receivable			97,108	
Accounts payable			<u>(98,811)</u>	
GAAP change in fund balance			<u>\$ 8,437</u>	

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



**VILLAGE OF CUBA, NEW MEXICO**  
**BALANCE SHEET -**  
**PROPRIETARY FUNDS**  
**June 30, 2009**

	Water and Sewer	Housing Authority	Section 8 Voucher	Total
<b>ASSETS</b>				
Current Assets				
Cash	\$ 21,388	98,515	-	119,903
Accounts receivable, net of allowance	28,561	15,550	-	44,111
Grants receivable	11,809	-	-	11,809
Other assets	-	410	-	410
Due from other funds	49	-	-	49
<b>Total current assets</b>	<b>61,807</b>	<b>114,475</b>	<b>-</b>	<b>176,282</b>
Capital Assets				
Land and water rights	2,112	21,756	-	23,868
Construction in process	11,808	-	-	11,808
Plant and equipment	3,368,456	-	-	3,368,456
Buildings, improvements, and equipment	-	1,777,000	-	1,777,000
Accumulated depreciation	(1,182,650)	(724,106)	-	(1,906,756)
<b>Total capital assets, net of accumulated depreciation</b>	<b>2,199,726</b>	<b>1,074,650</b>	<b>-</b>	<b>3,274,376</b>
<b>Total assets</b>	<b>\$ 2,261,533</b>	<b>1,189,125</b>	<b>-</b>	<b>3,450,658</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities				
Accounts payable	\$ 116,508	17,612	-	134,120
Accrued compensation and benefits	2,788	990	-	3,778
Accrued compensated absences	6,456	-	-	6,456
Deposits payable	44,708	2,586	-	47,294
Due to other funds	144,049	20,000	-	164,049
<b>Total current liabilities</b>	<b>314,509</b>	<b>41,188</b>	<b>-</b>	<b>355,697</b>
Net Assets				
Invested in capital assets, net of related debt	2,199,726	1,074,650	-	3,274,376
Unrestricted	(252,702)	73,287	-	(179,415)
<b>Total net assets</b>	<b>1,947,024</b>	<b>1,147,937</b>	<b>-</b>	<b>3,094,961</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,261,533</b>	<b>1,189,125</b>	<b>-</b>	<b>3,450,658</b>

*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, 2009**

	Water and Sewer	Housing Authority	Section 8 Voucher	Total
<b>Operating Revenues</b>				
Sales and services	\$ 270,249	-	-	270,249
Intergovernmental grants	11,809	-	-	11,809
Facilities rentals	-	53,735	-	53,735
HUD grant and subsidy	-	111,442	-	111,442
	<u>282,058</u>	<u>165,177</u>	<u>-</u>	<u>447,235</u>
Operating expenses	352,333	120,136	-	472,469
Depreciation	114,406	42,623	-	157,029
<b>Total operating expenses</b>	<u>466,739</u>	<u>162,759</u>	<u>-</u>	<u>629,498</u>
Operating (Loss) Income	<u>(184,681)</u>	<u>2,418</u>	<u>-</u>	<u>(182,263)</u>
Nonoperating Transfers				
Transfer of program	-	-	(47,222)	(47,222)
<b>Change in net assets</b>	<u>(184,681)</u>	<u>2,418</u>	<u>(47,222)</u>	<u>(229,485)</u>
Net assets, beginning of year	<u>2,131,705</u>	<u>1,145,519</u>	<u>47,222</u>	<u>3,324,446</u>
<b>Net assets, end of year</b>	<u>\$ 1,947,024</u>	<u>1,147,937</u>	<u>-</u>	<u>3,094,961</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, 2009**

	Water and Sewer	Housing Authority	Section 8 Voucher	Total
<b>Cash Flows From Operating Activities</b>				
Cash received from customers and grantors	\$ 271,624	103,971	-	375,595
Cash payments to vendors and employees	(255,974)	(53,344)	(16,621)	(325,939)
<b>Net cash provided (used) by operating activities</b>	<b>15,650</b>	<b>50,627</b>	<b>(16,621)</b>	<b>49,656</b>
<b>Cash Flows From Noncapital and Related Financing Activities</b>				
Change in due to/due from accounts	10,975	16,870	(16,870)	10,975
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchase of capital assets	(11,809)	(6,149)	-	(17,958)
Transfer of program	-	-	(47,222)	(47,222)
<b>Net cash used by capital and related financing activities</b>	<b>(11,809)</b>	<b>(6,149)</b>	<b>(47,222)</b>	<b>(65,180)</b>
<b>Net change in cash</b>	<b>14,816</b>	<b>61,348</b>	<b>(80,713)</b>	<b>(4,549)</b>
Cash, beginning of year	6,572	37,167	80,713	124,452
<b>Cash, end of year</b>	<b>\$ 21,388</b>	<b>98,515</b>	<b>-</b>	<b>119,903</b>
<b>Reconciliation of operating (loss) income to cash provided (used) by operating activities</b>				
Operating (loss) income	\$ (184,681)	2,418	-	(182,263)
<b>Adjustments to reconcile operating income to net cash flows:</b>				
Depreciation expense	114,406	42,623	-	157,029
Allowance for uncollectible accounts	(1,300)	-	-	(1,300)
<b>Changes in assets and liabilities:</b>				
Accounts receivable	1,375	(7,192)	-	(5,817)
Grants receivable	(11,809)	-	-	(11,809)
Other assets	-	207	-	207
Accounts payable	92,835	12,453	(16,621)	88,667
Accrued compensation and benefits	525	-	-	525
Accrued compensated absences	3,891	(607)	-	3,284
Deposits payable	408	725	-	1,133
<b>Net cash provided (used) by operating activities</b>	<b>\$ 15,650</b>	<b>50,627</b>	<b>(16,621)</b>	<b>49,656</b>

*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, 2009**

**ASSETS**

Cash	\$ 17,085
<b>Total assets</b>	<u>\$ 17,085</u>

**LIABILITIES**

Due to other entities	\$ 17,085
<b>Total liabilities</b>	<u>\$ 17,085</u>

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

**VILLAGE OF CUBA, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**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, 2009.

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, 2009

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 10<sup>th</sup> and May 10<sup>th</sup>. 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, 2009**

**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.

*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.

*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.

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

**VILLAGE OF CUBA, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**A. Financial Reporting Entity (Continued)**

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.

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.

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.



**VILLAGE OF CUBA, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**A. Financial Reporting Entity (Continued)**

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

**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).

**VILLAGE OF CUBA, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**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.

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.

**VILLAGE OF CUBA, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**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.

**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.

**VILLAGE OF CUBA, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**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.

**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 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.

**VILLAGE OF CUBA, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**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.

**K. Implementation of New Accounting Standards**

During the year ended June 30, 2009, the Village adopted Government Accounting Standards Board Statement (GASB) No. 52, *Land and Other Real Estate Held as Investments by Endowments* (GASB 52). GASB 52 will not 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, 2009, the Village's bank balance total of \$285,710 was covered by FDIC insurance.

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 \$250,000 at each financial institution.

The total balance in any single financial institution may at times exceed the \$250,000 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, 2009**

**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	\$ 44,261	15,601
Allowance for uncollectible accounts	<u>(15,700)</u>	<u>(51)</u>
	<u>\$ 28,561</u>	<u>15,550</u>

**VILLAGE OF CUBA, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 4. CAPITAL ASSETS**

Governmental fund capital asset activity for the year ending June 30, 2009 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not depreciated:					
Land	\$ 86,130	-	-	-	86,130
Construction in process	731,148	1,327,416	-	(1,470,703)	587,861
<b>Total, not depreciated</b>	<b>\$ 817,278</b>	<b>1,327,416</b>	<b>-</b>	<b>(1,470,703)</b>	<b>673,991</b>
Capital assets, depreciated:					
Buildings and improvements	\$ 1,993,669	49,051	-	1,470,703	3,513,423
Equipment and other	1,638,135	178,687	-	-	1,816,822
<b>Total, depreciated</b>	<b>3,631,804</b>	<b>227,738</b>	<b>-</b>	<b>1,470,703</b>	<b>5,330,245</b>
Accumulated depreciation for:					
Buildings and improvements	720,521	57,224	-	-	777,745
Equipment and other	668,476	163,806	-	-	832,282
<b>Total accumulated depreciation</b>	<b>1,388,997</b>	<b>221,030</b>	<b>-</b>	<b>-</b>	<b>1,610,027</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 2,242,807</b>	<b>6,708</b>	<b>-</b>	<b>1,470,703</b>	<b>3,720,218</b>
<b>Total capital assets, net</b>	<b>\$ 3,060,085</b>	<b>1,334,124</b>	<b>-</b>	<b>-</b>	<b>4,394,209</b>

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

Governmental activities	
General government	\$ 42,581
Public safety	122,430
Highways and streets	16,693
Culture and recreation	39,326
<b>Total depreciation expense</b>	<b>\$ 221,030</b>

The transfers above were to reclassify assets from construction in process to buildings and improvements.

**VILLAGE OF CUBA, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 4. CAPITAL ASSETS (CONTINUED)**

Enterprise fund capital asset activity for the year ending June 30, 2009 was as follows:

	Beginning Balance	Additions	Deletions	Prior Period Adjustments	Ending Balance
<b>Business-type Activities</b>					
Capital assets, not depreciated:					
Land- Water and Waste Water	\$ 2,112	-	-	-	2,112
Land - Housing Authority	15,608	6,148	-	-	21,756
Construction in process	-	11,808	-	-	11,808
<b>Total, not depreciated</b>	<b>\$ 17,720</b>	<b>17,956</b>	<b>-</b>	<b>-</b>	<b>35,676</b>
Capital assets, depreciated:					
Water and Waste Water:					
Plant and equipment	\$ 2,158,700	-	-	-	2,158,700
Infrastructure	904,677	-	-	-	904,677
Equipment and other	305,079	-	-	-	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)	-	-
<b>Total, depreciated</b>	<b>5,150,210</b>	<b>-</b>	<b>(4,754)</b>	<b>-</b>	<b>5,145,456</b>
Accumulated depreciation for:					
Water and Waste Water	1,068,245	114,406	-	-	1,182,651
Housing Authority	681,482	42,623	-	-	724,105
Section 8 Voucher	4,754	-	(4,754)	-	-
<b>Total accumulated depreciation</b>	<b>1,754,481</b>	<b>157,029</b>	<b>(4,754)</b>	<b>-</b>	<b>1,906,756</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 3,395,729</b>	<b>(157,029)</b>	<b>-</b>	<b>-</b>	<b>3,238,700</b>
<b>Total capital assets, net</b>	<b>\$ 3,413,449</b>	<b>(139,073)</b>	<b>-</b>	<b>-</b>	<b>3,274,376</b>

The transfer out of \$4,754 represents the transfer of the Section 8 Voucher program to the Town of Bernalillo.



**VILLAGE OF CUBA, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS**

During the year ended June 30, 2009, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Loan payable	\$ 172,920	78,155	(27,332)	<b>223,743</b>	42,712
Compensated absences	-	22,819	(12,894)	<b>9,925</b>	9,925
<b>Total</b>	<b>\$ 172,920</b>	<b>100,974</b>	<b>(40,226)</b>	<b>233,668</b>	<b>52,637</b>

*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
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>\$ 145,588</u>	<u>10,064</u>	<u>155,652</u>

*Loan Payable.* The Village entered into a loan agreement with the New Mexico Finance Authority on January 9, 2009. Interest is at 4.264%. The proceeds from the loan were used for the purchase of a street sweeper. The loan was in the amount of \$78,155 and matures May 1, 2014. The Village pledged their State Gross Receipts Tax revenues to secure the payment of the loan.

**VILLAGE OF CUBA, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS**  
**(CONTINUED)**

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 15,585	173	15,758
2011	15,605	110	15,715
2012	15,628	86	15,714
2013	15,654	60	15,714
2014	15,683	32	15,715
	<u>\$ 78,155</u>	<u>461</u>	<u>78,616</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.

**NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS**

During the year ended June 30, 2009, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
Compensated absences	<u>\$ 2,565</u>	<u>5,967</u>	<u>(2,076)</u>	<u>6,456</u>	<u>6,456</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.

**VILLAGE OF CUBA, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 8. TRANSFER OF PROGRAM**

The Section 8 Voucher program was transferred to the Town of Bernalillo on January 7, 2009. A transfer out of \$47,222 is recorded in the statement of revenues, expenses and changes in fund net assets – proprietary funds.

**NOTE 9. INTERFUND BALANCES**

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

Due to the general fund from:	
Library construction	\$ 90,777
Streets	39,727
Law enforcement protection	8,482
Emergency medical services	974
Water and sewer	106,974
Housing authority	<u>20,000</u>
Total due to the general fund	<u>\$ 266,934</u>
Due from general fund to:	
Law enforcement protection	\$ 13,452
Fire protection	39,507
Emergency medical services	11,983
Lodgers tax	4,537
Corrections	<u>31,684</u>
Total due from the general fund	<u>\$ 101,163</u>
Due to the emergency medical services fund from:	
General fund	<u>\$ 11,983</u>
Due from the emergency medical services fund to:	
General fund	<u>\$ 974</u>
Due from the library construction fund to:	
General fund	<u>\$ 90,777</u>
Due to the water and sewer fund from:	
Water and sewer interfund balance	<u>\$ 49</u>
Due from the water and sewer to:	
General fund	\$ 106,974
Water and sewer interfund balance	49
Streets	<u>37,026</u>
Total due from the water and sewer fund	<u>\$ 144,049</u>

**VILLAGE OF CUBA, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 9. INTERFUND BALANCES (CONTINUED)**

Due from the housing authority fund to: General fund	<u>\$      20,000</u>
Due to the correction fund from: General fund	<u>\$      31,684</u>
Due to the fire protection fund from: General fund	<u>\$      39,507</u>
Due to the law enforcement protection fund from: General fund	<u>\$      13,452</u>
Due from the law enforcement protection fund to: General fund	<u>\$       8,482</u>
Due to the lodgers tax fund from: General fund	<u>\$       4,537</u>
Due to the streets fund from: Water and sewer	<u>\$      37,026</u>
Due from the streets fund to: General fund	<u>\$      39,727</u>

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

**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](http://www.pera.state.nm.us).

**VILLAGE OF CUBA, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 10. PERA PENSION PLAN (CONTINUED)**

*Funding Policy.* 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, 2009, 2008, and 2007 were \$37,892, \$59,862, and, \$31,329, 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).

**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. DEFICIT FUND BALANCE**

The Village had a deficit fund balance of \$48,486 in the Library Construction fund and \$1,575 in the streets 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, 2009**

**NOTE 14. EXCESS OF EXPENDITURES OVER BUDGET**

The following funds expenditures exceeded their authorized budgets:

- General Fund by \$132,607
- Fire Protection by \$57,719
- Law Enforcement Protection by \$18,223
- Lodgers tax by \$350
- Streets by \$7,027
- Library construction by \$326,913

**NOTE 15. SUBSEQUENT EVENTS**

The Village has evaluated subsequent events through May 31, 2012, the date the financial statements were available to be issued. There were no material subsequent events.

**VILLAGE OF CUBA, NEW MEXICO**  
**NONMAJOR FUNDS**  
**June 30, 2009**

**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.

*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.

**VILLAGE OF CUBA, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2009**

	Corrections	Fire Protection	Law Enforcement Protection
<b>ASSETS</b>			
Cash	\$ 7,300	2,460	-
Cash - restricted	-	27,793	-
Receivables			
Taxes			
Lodgers tax	-	-	-
Cigarette tax	-	-	-
Court fines and fees	3,150	-	-
Due from other funds	31,684	39,507	13,452
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 42,134</b>	<b>69,760</b>	<b>13,452</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 9,472	28,581	697
Due to other funds	-	-	8,482
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<b>9,472</b>	<b>28,581</b>	<b>9,179</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>FUND BALANCES</b>			
Unreserved, undesignated, reported in:			
Restricted, special revenues	32,662	41,179	4,273
	<hr/>	<hr/>	<hr/>
<b>Total fund balances</b>	<b>32,662</b>	<b>41,179</b>	<b>4,273</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities and fund balances</b>	<b>\$ 42,134</b>	<b>69,760</b>	<b>13,452</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



**VILLAGE OF CUBA, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2009**

	Lodgers Tax	Streets	Recreation
<b>ASSETS</b>			
Cash	\$ 11,978	1,126	22,489
Cash - restricted	-	-	-
Receivables			
Taxes			
Lodgers tax	3,077	-	-
Cigarette tax	-		596
Court fines and fees	-	-	-
Due from other funds	4,537	37,026	-
	<hr/>		
<b>Total assets</b>	<b>\$ 19,592</b>	<b>38,152</b>	<b>23,085</b>
	<hr/> <hr/>		
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,350	-	1,630
Due to other funds	-	39,727	-
	<hr/>		
<b>Total liabilities</b>	<b>2,350</b>	<b>39,727</b>	<b>1,630</b>
	<hr/> <hr/>		
<b>FUND BALANCES</b>			
Unreserved, undesignated, reported in:			
Restricted, special revenues	17,242	(1,575)	21,455
	<hr/>		
<b>Total fund balances</b>	<b>17,242</b>	<b>(1,575)</b>	<b>21,455</b>
	<hr/> <hr/>		
<b>Total liabilities and fund balances</b>	<b>\$ 19,592</b>	<b>38,152</b>	<b>23,085</b>
	<hr/> <hr/>		

**VILLAGE OF CUBA, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2009**

	Total Nonmajor
<b>ASSETS</b>	
Cash	\$ 45,353
Cash - restricted	27,793
Receivables	
Taxes	
Lodgers tax	3,077
Cigarette tax	596
Court fines and fees	3,150
Due from other funds	<u>126,206</u>
<b>Total assets</b>	<u><u>\$ 206,175</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 42,730
Due to other funds	<u>48,209</u>
<b>Total liabilities</b>	<u><u>90,939</u></u>
 <b>FUND BALANCES</b>	
Unreserved, undesignated, reported in:	
Restricted, special revenues	<u>115,236</u>
<b>Total fund balances</b>	<u><u>115,236</u></u>
 <b>Total liabilities and fund balances</b>	 <u><u>\$ 206,175</u></u>

**VILLAGE OF CUBA, NEW MEXICO  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND  
 BALANCES - NONMAJOR FUNDS  
 Year Ended June 30, 2009**

	Corrections	Fire Protection	Law Enforcement Protection
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, and fines	47,827	-	-
From federal sources			
Grants	-	38,000	-
From non-federal sources			
Intergovernmental	-	70,945	21,800
Interest	-	669	-
Other	-	-	738
	<hr/>	<hr/>	<hr/>
<b>Total revenues</b>	<b>47,827</b>	<b>109,614</b>	<b>22,538</b>
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
Public safety	31,488	58,365	20,893
Highways and streets	-	-	-
Culture and recreation	-	-	-
Debt service - principal	-	27,332	-
Debt service - interest and fees	-	4,017	-
Capital outlay	-	52,076	-
	<hr/>	<hr/>	<hr/>
<b>Total expenditures</b>	<b>31,488</b>	<b>141,790</b>	<b>20,893</b>
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures before other financing sources	16,339	(32,176)	1,645
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Proceeds from the issuance of debt	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	16,339	(32,176)	1,645
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	16,323	73,355	2,628
	<hr/>	<hr/>	<hr/>
<b>Fund balance, end of year</b>	<b>\$ 32,662</b>	<b>41,179</b>	<b>4,273</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF CUBA, NEW MEXICO  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR FUNDS  
Year Ended June 30, 2009**

	Lodgers Tax	Streets	Recreation
Revenues			
Taxes	\$ 13,204	-	22,884
Licenses, permits, fees, and fines	-	-	-
From federal sources			
Grants	-	-	-
From non-federal sources			
Intergovernmental	-	49,124	-
Interest	-	-	-
Other	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total revenues</b>	13,204	49,124	22,884
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
Public safety	-	-	-
Highways and streets	-	57,241	-
Culture and recreation	10,850	-	2,178
Debt service - principal	-	-	-
Debt service - interest and fees	-	1,155	-
Capital outlay	-	77,000	-
	<hr/>	<hr/>	<hr/>
<b>Total expenditures</b>	10,850	135,396	2,178
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures before other financing sources	2,354	(86,272)	20,706
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Proceeds from the issuance of debt	-	78,155	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	2,354	(8,117)	20,706
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	14,888	6,542	749
	<hr/>	<hr/>	<hr/>
<b>Fund balance, end of year</b>	<b>\$ 17,242</b>	<b>(1,575)</b>	<b>21,455</b>
	<hr/>	<hr/>	<hr/>

**VILLAGE OF CUBA, NEW MEXICO  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND  
 BALANCES - NONMAJOR FUNDS  
 Year Ended June 30, 2009**

	Total Non-major
Revenues	
Taxes	\$ 36,088
Licenses, permits, fees, and fines	47,827
From federal sources	
Grants	38,000
From non-federal sources	
Intergovernmental	141,869
Interest	669
Other	738
	<hr/>
<b>Total revenues</b>	<b>265,191</b>
	<hr/>
Expenditures	
Current	
Public safety	110,746
Highways and streets	57,241
Culture and recreation	13,028
Debt service - principal	27,332
Debt service - interest and fees	5,172
Capital outlay	129,076
	<hr/>
<b>Total expenditures</b>	<b>342,595</b>
	<hr/>
Excess (deficiency) of revenues over expenditures before other financing sources	<u>(77,404)</u>
Other financing sources (uses)	
Proceeds from the issuance of debt	<u>78,155</u>
Net change in fund balances	751
Fund balance, beginning of year	<u>114,485</u>
<b>Fund balance, end of year</b>	<u><u>\$ 115,236</u></u>

**VILLAGE OF CUBA, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**CORRECTIONS**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses, permits, fees and fines	\$ 55,000	55,000	47,283	(7,717)
<b>Total revenues</b>	<b>55,000</b>	<b>55,000</b>	<b>47,283</b>	<b>(7,717)</b>
Expenditures				
Public safety	55,000	55,000	31,488	23,512
<b>Total expenditures</b>	<b>55,000</b>	<b>55,000</b>	<b>31,488</b>	<b>23,512</b>
Net change in fund balance	-	-	15,795	15,795
Fund balance, beginning of year	16,323	16,323	16,323	-
<b>Fund balance, end of year</b>	<b>\$ 16,323</b>	<b>16,323</b>	<b>32,118</b>	<b>15,795</b>
Non-GAAP change in fund balance			15,795	
Change in:				
Court fees and fines receivable			544	
GAAP change in fund balance			<u>\$ 16,339</u>	

**VILLAGE OF CUBA, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**FIRE PROTECTION**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 58,584	58,584	38,000	(20,584)
Intergovernmental	-	-	70,945	70,945
Interest	-	-	669	669
<b>Total revenues</b>	<b>58,584</b>	<b>58,584</b>	<b>109,614</b>	<b>51,030</b>
Expenditures				
Public safety	58,584	58,584	58,365	219
Debt service - principal	-	-	27,332	(27,332)
Debt service - interest and fees	-	-	4,017	(4,017)
Capital outlay	-	-	26,589	(26,589)
<b>Total expenditures</b>	<b>58,584</b>	<b>58,584</b>	<b>116,303</b>	<b>(57,719)</b>
Net change in fund balance	-	-	(6,689)	(6,689)
Fund balance, beginning of year	73,355	73,355	73,355	-
<b>Fund balance, end of year</b>	<b>\$ 73,355</b>	<b>73,355</b>	<b>66,666</b>	<b>(6,689)</b>
Non-GAAP change in fund balance			\$ (6,689)	
Change in:				
Accounts payable			(25,487)	
GAAP change in fund balance			\$ (32,176)	

**VILLAGE OF CUBA, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**LAW ENFORCEMENT PROTECTION**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 21,800	21,800	41,787	19,987
Other	-	-	738	738
<b>Total revenues</b>	<b>21,800</b>	<b>21,800</b>	<b>42,525</b>	<b>20,725</b>
Expenditures				
Public safety	21,800	21,800	40,023	(18,223)
Net change in fund balance	-	-	2,502	2,502
Fund balance, beginning of year	2,628	2,628	2,628	-
<b>Fund balance, end of year</b>	<b>\$ 2,628</b>	<b>2,628</b>	<b>5,130</b>	<b>2,502</b>
Non-GAAP change in fund balance			\$ 2,502	
Change in:				
Grants receivable			(19,987)	
Accounts payable			19,130	
GAAP change in fund balance			<u>\$ 1,645</u>	



**VILLAGE OF CUBA, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**LODGERS TAX**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 10,500	10,500	15,140	4,640
<b>Total revenues</b>	<u>10,500</u>	<u>10,500</u>	<u>15,140</u>	<u>4,640</u>
Expenditures				
Culture and recreation	10,500	10,500	10,850	(350)
<b>Total expenditures</b>	<u>10,500</u>	<u>10,500</u>	<u>10,850</u>	<u>(350)</u>
Net change in fund balance	-	-	4,290	4,290
Fund balance, beginning of year	<u>14,888</u>	<u>14,888</u>	<u>14,888</u>	-
<b>Fund balance, end of year</b>	<u><b>\$ 14,888</b></u>	<u><b>14,888</b></u>	<u><b>19,178</b></u>	<u><b>4,290</b></u>
Non-GAAP change in fund balance			4,290	
Change in:				
Lodgers tax receivable			<u>(1,936)</u>	
GAAP change in fund balance			<u><u>\$ 2,354</u></u>	

**VILLAGE OF CUBA, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**STREETS**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Grants	\$ 60,000	60,000	49,124	(10,876)
<b>Total revenues</b>	<b>60,000</b>	<b>60,000</b>	<b>49,124</b>	<b>(10,876)</b>
Expenditures				
Highways and streets	60,000	60,000	57,342	2,658
Debt service - interest and fees	-	-	1,155	(1,155)
Capital outlay	-	-	77,000	(77,000)
<b>Total expenditures</b>	<b>60,000</b>	<b>60,000</b>	<b>135,497</b>	<b>(75,497)</b>
Excess of revenues over expenditures	-	-	(86,373)	(86,373)
Other financing sources (uses)				
Proceeds for the issuance of debt	-	-	78,155	78,155
<b>Total other financing (uses)</b>	<b>-</b>	<b>-</b>	<b>78,155</b>	<b>78,155</b>
Net change in fund balance	-	-	(8,218)	(8,218)
Fund balance, beginning of year	6,542	6,542	6,542	-
<b>Fund balance, end of year</b>	<b>\$ 6,542</b>	<b>6,542</b>	<b>(1,676)</b>	<b>(8,218)</b>
Prior year cash appropriated			<u>1,676</u>	
			<u>-</u>	
Non-GAAP change in fund balance			\$ (8,218)	
Change in:				
Accounts payable			<u>101</u>	
GAAP change in fund balance			<u>\$ (8,117)</u>	

**VILLAGE OF CUBA, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**RECREATION**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Taxes	\$ 9,913	9,913	22,987	13,074
<b>Total revenues</b>	<u>9,913</u>	<u>9,913</u>	<u>22,987</u>	<u>13,074</u>
Expenditures				
Culture and recreation	9,913	9,913	2,178	7,735
Net change in fund balance	-	-	20,809	20,809
Fund balance, beginning of year	749	749	749	-
<b>Fund balance, end of year</b>	<u>\$ 749</u>	<u>749</u>	<u>21,558</u>	<u>20,809</u>
Non-GAAP change in fund balance			\$ 20,809	
Change in:				
Accounts receivable			<u>(103)</u>	
GAAP change in fund balance			<u>\$ 20,706</u>	

**VILLAGE OF CUBA, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**LIBRARY CONSTRUCTION**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ -	-	174,999	174,999
Intergovernmental	750,000	750,000	837,685	87,685
<b>Total revenues</b>	<b>750,000</b>	<b>750,000</b>	<b>1,012,684</b>	<b>262,684</b>
Expenditures				
Culture and recreation	-	-	2,814	(2,814)
Capital outlay	750,000	750,000	1,074,099	(324,099)
<b>Total expenditures</b>	<b>750,000</b>	<b>750,000</b>	<b>1,076,913</b>	<b>(326,913)</b>
Net change in fund balance	-	-	(64,229)	(64,229)
Fund balance, beginning of year	(733)	(733)	(733)	-
<b>Fund balance, end of year</b>	<b>(733)</b>	<b>(733)</b>	<b>(64,962)</b>	<b>(64,229)</b>
Prior year cash appropriated	733	733	64,962	
	<b>\$ -</b>	<b>-</b>	<b>-</b>	
Non-GAAP change in fund balance			\$ (64,229)	
Change in:				
Grants receivable			(273,933)	
Accounts payable			290,409	
GAAP change in fund balance			<b>\$ (47,753)</b>	

**VILLAGE OF CUBA, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**CAPITAL PROJECTS**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,435,000	1,435,000	468,500	(966,500)
Expenditures				
Capital outlay	1,435,000	1,435,000	460,484	974,516
Net change in fund balance	-	-	8,016	8,016
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>-</b>	<b>8,016</b>	<b>8,016</b>
Non-GAAP change in fund balance			\$ 8,016	
Change in:				
Grants receivable			75,226	
Accounts payable			(83,242)	
GAAP change in fund balance			\$ -	

**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, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Sales and services	\$ 382,117	382,117	270,324	(111,793)
Intergovernmental grants	-	-	-	-
<b>Total revenues</b>	<b>382,117</b>	<b>382,117</b>	<b>270,324</b>	<b>(111,793)</b>
Expenses				
Operating	382,117	382,117	255,082	127,035
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>382,117</b>	<b>382,117</b>	<b>255,082</b>	<b>127,035</b>
Change in net assets	-	-	15,242	15,242
Net assets, beginning of year	2,131,705	2,131,705	2,131,705	-
<b>Net assets, end of year</b>	<b>\$ 2,131,705</b>	<b>2,131,705</b>	<b>2,146,947</b>	<b>15,242</b>
Non-GAAP change in fund balance			\$ 15,242	
Change in:				
Accounts receivable, net of allowance			(75)	
Grant receivable			11,809	
Accounts payable			(92,835)	
Accrued compensation and benefits			(525)	
Accrued compensated absences			(3,891)	
Non-budgeted items				
Depreciation			(114,406)	
GAAP change in net assets			<u>\$ (184,681)</u>	

**VILLAGE OF CUBA, NEW MEXICO**  
**AGENCY FUNDS**  
**June 30, 2009**

*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, 2009**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>MOTOR VEHICLE FUND</b>				
<b>ASSETS</b>				
Cash	\$ 781	295,829	296,410	200
<b>Total assets</b>	<u>\$ 781</u>	<u>295,829</u>	<u>296,410</u>	<u>200</u>
<b>LIABILITIES</b>				
Due to other entities	\$ 781	295,829	296,410	200
<b>Total liabilities</b>	<u>\$ 781</u>	<u>295,829</u>	<u>296,410</u>	<u>200</u>
<b>MUNICIPAL COURT FUND</b>				
<b>ASSETS</b>				
Cash	\$ 15,899	189,837	191,715	14,021
<b>Total assets</b>	<u>\$ 15,899</u>	<u>189,837</u>	<u>191,715</u>	<u>14,021</u>
<b>LIABILITIES</b>				
Due to other entities	\$ 15,899	189,837	191,715	14,021
<b>Total liabilities</b>	<u>\$ 15,899</u>	<u>189,837</u>	<u>191,715</u>	<u>14,021</u>
<b>MUNICIPAL JUDGE'S BOND FUND</b>				
<b>ASSETS</b>				
Cash	\$ 6,100	3,162	6,398	2,864
<b>Total assets</b>	<u>\$ 6,100</u>	<u>3,162</u>	<u>6,398</u>	<u>2,864</u>
<b>LIABILITIES</b>				
Due to other entities	\$ 6,100	3,162	6,398	2,864
<b>Total liabilities</b>	<u>\$ 6,100</u>	<u>3,162</u>	<u>6,398</u>	<u>2,864</u>
<b>TOTAL</b>				
<b>ASSETS</b>				
Cash	\$ 22,780	488,828	494,523	17,085
<b>Total assets</b>	<u>\$ 22,780</u>	<u>488,828</u>	<u>494,523</u>	<u>17,085</u>
<b>LIABILITIES</b>				
Due to other entities	\$ 22,780	488,828	494,523	17,085
<b>Total liabilities</b>	<u>\$ 22,780</u>	<u>488,828</u>	<u>494,523</u>	<u>17,085</u>



**VILLAGE OF CUBA, NEW MEXICO**  
**SCHEDULE OF DEPOSIT ACCOUNTS**  
**June 30, 2009**

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Wells Fargo	General	Checking	\$ 18,865	18,691
Wells Fargo	County Grant	Checking	360	360
Wells Fargo	Corrections Fund	Checking	7,300	7,300
Wells Fargo	EMS	Checking	3,749	3,749
Wells Fargo	EMS	Savings	1,704	1,704
Wells Fargo	Law Enforcement Protection	Checking	-	(8,532)
Wells Fargo	Lodgers Tax	Checking	11,978	11,978
Wells Fargo	Streets	Checking	2	2
Wells Fargo	Recreation	Checking	22,439	22,439
Wells Fargo	Water and Sewer System	Checking	29,657	17,028
Wells Fargo	Water and Sewer Improvements	Checking	2,695	2,695
Wells Fargo	W/S Deposits	Checking	1,568	1,568
Wells Fargo	Public Housing	Checking	98,515	98,515
Bank of Albuquerque	Debt Service Reserve	Checking	1,124	1,124
Bank of Albuquerque	Debt Service Reserve	Checking	1	1
Bank of Albuquerque	Debt Service Reserve	Checking	27,793	27,793
Bank of Albuquerque	Debt Service	Checking	724	724
Bank of Albuquerque	Debt Service Program Funds	Checking	1,735	1,735
Cuba Credit Union	Regular Share Account	Savings	38,616	38,616
Cash and cash equivalents			<u>268,825</u>	<u>247,490</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>
<b>Total deposit and investment accounts - non-agency</b>			<u>268,825</u>	<u>247,687</u>
Agency funds cash accounts				
Petty cash	MVD Cash Drawer	Petty Cash	-	200
Wells Fargo	Municipal Court	Checking	14,021	14,021
Wells Fargo	Municipal Judge'S Bonds	Checking	2,864	2,864
<b>Total cash - agency funds</b>			<u>16,885</u>	<u>17,085</u>
<b>Total depository accounts</b>			<u>\$ 285,710</u>	<u>264,772</u>

**VILLAGE OF CUBA, NEW MEXICO**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**June 30, 2009**

	Wells Fargo	Cuba Credit Union	Bank of Albuquerque	Total
Deposits at June 30, 2009	\$ 215,717	38,616	31,377	285,710
Less: FDIC coverage	215,717	38,616	31,377	285,710
Uninsured public funds	-	-	-	-
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	-	-	-	-
Uninsured and uncollateralized	\$ -	-	-	-
50% pledged collateral requirement per statute	\$ -	-	-	-
Total pledged collateral	-	-	-	-
Pledged collateral over the requirement	\$ -	-	-	-

The Village did not have any pledged collateral at year-end.

**VILLAGE OF CUBA, NEW MEXICO**  
**SCHEDULE OF JOINT POWERS AGREEMENTS**  
**June 30, 2009**

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, 2009**

Appropriation	Beginning Date	Ending Date	Original Amount	Funds Expended	Funds Remaining
04-L-G-1006	9/23/2004	06/30/2009	100,000	66,537	33,463
04-L-G-322	9/23/2004	06/30/2009	150,000	139,672	10,328
05-L-G-1582	9/15/2005	06/30/2010	250,000	247,500	2,500
06-L-G-504	9/12/2006	06/30/2010	500,000	495,000	5,000
06-L-G-1829	9/12/2006	06/30/2010	750,000	742,500	7,500
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-1103	5/27/2008	06/30/2009	50,000	50,000	-
08-L-G-4452	5/27/2008	06/30/2012	25,000	7,860	17,140
08-L-G-4453	5/27/2008	06/30/2012	85,000	85,000	-
SAP 08-3137	1/5/2008	06/30/2011	300,000	-	300,000
SAP 08-3920	1/5/2008	06/30/2012	50,000	-	50,000
SAP 09-3809	4/27/2010	06/30/2013	100,000	-	100,000
SAP 09-3810	4/27/2010	06/30/2013	350,000	-	350,000
SAP 09-3811	4/24/2010	06/30/2013	225,000	-	225,000
<b>Total</b>			<b>3,610,000</b>	<b>1,934,056</b>	<b>1,675,944</b>

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, 2009

FDS Line #	Accounts Description	Low Rent Housing Project (LRH)	Section 8 Housing Choice Vouchers (HCV)	Total
<b>ASSETS:</b>				
111	Cash - Unrestricted	\$ 96,250	-	96,250
114	Cash - Tenant Security Deposits	2,265	-	2,265
100	Total Cash	<u>98,515</u>	<u>-</u>	<u>98,515</u>
126	Accounts Receivable - Tenants - Dwelling Rents	15,601	-	15,601
126.1	Allowance for Doubtful Accounts	(51)	-	(51)
120	Total Receivables, net of allowances for doubtful accounts	<u>15,550</u>	<u>-</u>	<u>15,550</u>
142	Prepaid Expenses and Other Assets	410	-	410
150	Total Current Assets	<u>114,475</u>	<u>-</u>	<u>114,475</u>
161	Land	21,756	-	21,756
162	Buildings	1,586,889	-	1,586,889
163	Furniture, Equipment & Machinery - Dwelling	42,798	-	42,798
164	Furniture, Equipment & Machinery - Administration	73,412	-	73,412
165	Leasehold Improvements	73,901	-	73,901
166	Accumulated Depreciation	(724,106)	-	(724,106)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,074,650</u>	<u>-</u>	<u>1,074,650</u>
180	Total Non-Current Assets	<u>1,074,650</u>	<u>-</u>	<u>1,074,650</u>
190	Total Assets	<u>\$ 1,189,125</u>	<u>-</u>	<u>1,189,125</u>
<b>LIABILITIES:</b>				
312	Accounts payable < 90 days	\$ 17,612	-	17,612
321	Accrued wage/payroll taxes payable	990	-	990
333	Accounts payable - Other Government	20,000	-	20,000
341	Tenant Security Deposits	2,586	-	2,586
310	Total Current Liabilities	<u>41,188</u>	<u>-</u>	<u>41,188</u>
300	Total Liabilities	<u>41,188</u>	<u>-</u>	<u>41,188</u>
508.1	Invested in Capital Assets, Net of Related Debt	1,074,650	-	1,074,650
511	Total Reserved Fund Balance	<u>1,074,650</u>	<u>-</u>	<u>1,074,650</u>
512.1	Unrestricted Net Assets	73,287	-	73,287
513	Total Equity/Net Assets	<u>1,147,937</u>	<u>-</u>	<u>1,147,937</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 1,189,125</u>	<u>-</u>	<u>1,189,125</u>

**VILLAGE OF CUBA, NEW MEXICO**  
**HOUSING AUTHORITY FINANCIAL DATA SCHEDULE (CONTINUED)**  
**June 30, 2009**

<b>FDS</b>		<b>Low Rent</b>	<b>Section 8</b>	
<b>Line #</b>	<b>Accounts Description</b>	<b>Housing Project</b>	<b>Housing Choice</b>	<b>Total</b>
		<b>(LRH)</b>	<b>Vouchers (HCV)</b>	
<b>REVENUE:</b>				
703	Net Tenant Rental Revenue	\$ 51,714	-	51,714
704	Tenant Revenue - Other	2,021	-	2,021
705	Total Tenant Revenue	<u>53,735</u>	-	<u>53,735</u>
706	HUD PHA Operating Grants	111,442	-	111,442
700	Total Revenue	<u>165,177</u>	-	<u>165,177</u>
<b>EXPENSES:</b>				
911	Administrative Salaries	38,330	-	38,330
913	Bookkeeping Fee	4,105	-	4,105
915	Employee Benefit Contributions - Administrative	5,333	-	5,333
919	Other	8,567	-	8,567
910	Total Operating - Administrative	<u>56,335</u>	-	<u>56,335</u>
931	Water	13,885	-	13,885
932	Electricity	2,940	-	2,940
933	Gas	1,531	-	1,531
930	Total Utilities	<u>18,356</u>	-	<u>18,356</u>
941	Ordinary Maintenance and Operations - Labor	14,771	-	14,771
942	Ordinary Maintenance and Operations - Materials and Other	6,075	-	6,075
943	Ordinary Maintenance and Operations - Contracts	23,112	-	23,112
945	Employee Benefit Contributions - Ordinary Maintenance	1,487	-	1,487
940	Total Maintenance	<u>45,445</u>	-	<u>45,445</u>
964	Bad Debt-Tenant Rents	-	-	-
960	Total Other General Expenses	<u>-</u>	-	<u>-</u>
969	Total Operating Expenses	<u>120,136</u>	-	<u>120,136</u>
970	Excess Operating Revenue over Operating Expenses	<u>45,041</u>	-	<u>45,041</u>
973	Housing Assistance Payments	-	-	-
974	Depreciation Expense	42,623	-	42,623
900	Total Expenses	<u>162,759</u>	-	<u>162,759</u>

VILLAGE OF CUBA, NEW MEXICO  
HOUSING AUTHORITY FINANCIAL DATA SCHEDULE (CONTINUED)  
June 30, 2009

FDS Line #	Accounts Description	Low Rent Housing Project (LRH)	Section 8 Housing Choice Vouchers (HCV)	Total
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	\$ 2,418	-	2,418
1103	Beginning Equity	\$ 1,145,519	-	1,145,519
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-
1117	Administrative Fee Equity	-	-	-
1118	Housing Assistance Payments Equity	-	-	-
1119	Unit Months Available	336	-	336
1121	Number of Unit Months Leased	312	-	312

# 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 emergency medical services 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, 2009, 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 2009-1.

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, 2008-3, 2008-5, and 2008-6.

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, 2009**

2007-1	Late Audit Report	Modified and repeated
2007-4	Water and Sewer Deposits not Adequately Funded	Modified and repeated
2007-5	Expenditures over Authorized Budget	Modified and repeated
2007-8	Preparation of Financial Statements	Repeated
2008-1	Board Meeting Minutes	Resolved
2008-2	Disaster Recovery Plan and Information Technology General Controls	Repeated
2008-3	Compliance with Procurement Code	Modified and repeated
2008-4	Cash Disbursement Testwork	Resolved
2008-5	Payroll Disbursements	Modified and repeated
2008-6	Compliance with Travel and Per Diem	Modified and repeated
2008-7	Joint Utility Billing Revenue and Taxes Payable	Modified and repeated
2008-8	Grant Compliance	Modified and repeated
2008-9	Payroll Tax Reporting	Modified and combined with Finding 2008-5

**VILLAGE OF CUBA, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009**

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**2007-1 Late Audit Report (Material Weakness)**

**CONDITION**

The June 30, 2009 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, 2009 report to be filed by December 1, 2009.

**EFFECT**

The Village is not in compliance with State Auditor rule NMAC 2.2.2.9.A for the fiscal year ended June 30, 2009. 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, 2009**

**FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**2007-4 Water and Sewer Deposits not Adequately Funded**

**CONDITION**

The Village has a \$44,708 water and sewer deposit liability, but only \$2,695 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, 2009**

**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:

- General fund by \$132,607
- Fire protection by \$57,719
- Law Enforcement Protection by \$18,223
- Lodgers tax by \$350
- Streets by \$75,497
- Library construction by \$326,913

**CRITERIA**

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

**CAUSE**

Insufficient budget tracking procedures. Also, the detail used to create the budget figures are insufficient to know if the budget is realistic.

**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 had implemented a budget process. Budgets are now being tracked.

**VILLAGE OF CUBA, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009**

**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, 2009**

**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, 2009**

**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, 2009**

**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 New Mexico Self Insurers' Fund has purchased membership in the Agility Recovery Program to provide assistance to the Municipalities in the time of a disaster. The Village of Cuba will pay for services provided by Agility. On June 27, 2012 at the Regular Meeting, the Governing Body approved to participate in the Agility Program along with the Villages IT Serviceman.

**VILLAGE OF CUBA, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**2008-3 Compliance with Procurement Code**

**CONDITION**

We tested 24 Large and unusual disbursements as part of our audit. We noted the following:

- For one disbursement there is no indication that the formal or informal bid process had taken place for the purchase of a vehicle. There were no supporting documents indicating public notification for bid was published.

**CRITERIA**

Procurement code regulation 1.4.1.8 A (2) Centralization of Procurement Activity dictate all the procurement for state agencies shall be performed by the state except the following: small purchases having a value not exceeding twenty thousand dollars (\$20,000) The item purchased exceeds this amount and would have to go through the competitive sealed bids process.

**CAUSE**

The Village has inadequate procedures over determining items purchased going through the competitive sealed bids process as described in the procurement code.

**EFFECT**

Appropriate bidding procedures may not have been followed and verification the lowest bidder may not have been awarded. With no record of more than one witness being present in the opening of the bids could compromise the procurement codes designation that fairness in awarding the lowest bidder receive the award. The result would be that projects could be awarded unfairly based on other conditions.

An invitation for bid was not published prior to award which could lead to overpaying for purchases over \$20,000.00.

**RECOMMENDATION**

The Village should consider recording the witnesses and their addresses in order to follow the procurement code and be available for inspection of public record. It should also publish a public notice invitation for bid not less than ten calendar days prior to the date set for the opening of bids.

**VILLAGE OF CUBA, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**2008-3 Compliance with Procurement Code (Continued)**

**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, 2009**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**2008-5 Payroll Disbursements**

**CONDITION**

During our documentation of internal controls over payroll we noted that the Personnel policy regarding the carry forward of vacation balances from year to year is unclear. The policy states that vacation may not be carried over to the next year however it is unclear when the balance resets (i.e. fiscal year end, calendar year end, or anniversary date).

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

- For two employees timecards were missing.
- For eight employees PERA reports were missing from personnel file.
- For twenty five employees authorized pay rates were not on file.
- For twelve employees the I-9 was missing from their personnel file and/or the proper forms of ID were missing from employee files.
- For three employees the timesheet activity does not match the payroll register.
- For fourteen employees the FICA tax exempt wages were not excluded from FICA tax calculations.

**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.

In addition the personnel policy should contain sufficient detail to ensure there is no confusion in interpreting policies.

**CAUSE**

The Village of Cuba has inadequate procedures over the maintenance of personnel files. There is insufficient review of payroll. Policies have not been reviewed and updated to reflect current practice.

**VILLAGE OF CUBA, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009**

**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.

Employees were being deducted the incorrect percentage of FICA and getting paid incorrectly.

Vacation balances may be disputed as a result of poor tracking or because of confusion in applying the personnel policy.

**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, FICA, and payroll processing are caught and corrected before final checks are processed.

The Village should review the personnel policy to ensure the intent is clear and that the policy in practice is in compliance with the written policy. Updates and revisions to the policy should be approved by the Board of Directors.

**MANAGEMENT RESPONSE**

The Village of Cuba is working diligently with PERA staff in reconciling the payable to receivable reports. Once these reports are balanced, a report will be sent to Wells Fargo Payroll Services to pay the differences for each employee.

**VILLAGE OF CUBA, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**2008-6 Compliance with Travel and Per Diem**

**CONDITION**

We tested 4 travel and per diem disbursements as part of our audit. We noted the following:

- For three of the items tested did not have travel vouchers. Time of departure and arrival was not complete and thus, we could not determine how long the employee was traveling.

**CRITERIA**

- NMAC 2.42.2.8 provides the reimbursement rates when overnight lodging is required.
- State Auditor Rule 2.2.2.10 J, and Section 12-6-5, NMSA 1978, requires good accounting practices to be followed. Reimbursements should be supported by underlying receipts and other supporting documentation.
- The review and approval of travel and per diem vouchers should be sufficient to ensure compliance with the state's travel and per diem act.

**CAUSE**

The Village has inadequate review and approval of travel vouchers and payment processing.

**EFFECT**

The Village is not in compliance with the Travel and Per Diem Act. The Village may have overpaid employees for travel and per diem.

**RECOMMENDATION**

The Village should consider reviewing travel and per diem processing more thoroughly to ensure that supporting documentation is sufficient to determine that disbursements are in accordance with the Travel & Per Diem Act.

**MANAGEMENT RESPONSE**

The Village will produce a travel voucher to ensure that proper supporting documents are sufficient in accordance to the Travel & Per Diem Act.

**VILLAGE OF CUBA, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**2008-7 Joint Utility Billing Revenue and Taxes Payable**

**CONDITION**

Management does not believe that gross receipts taxes collected on utility billings were remitted to the State.

In addition, we tested 25 water and sewer billings as part of our audit. We noted the following:

- For five customers the meter readings were either not documented or the Village was unable to produce a copy of the meter reading.
- For two customers the meter readings did not match the reading from the billing report.
- One commercial customer was being charged a different rate. Customer was being overcharged for services.
- One residential customer was being charged a different rate. Customer was being overcharged for services.

In addition we noted the Village has 5 petty cash funds ranging from \$50 - \$100 that are not being recorded on the trial balance.

**CRITERIA**

One of the assertions inherent in the financial statements is completeness. Because the Village is not recording all the meter readings accurately, the meter readings were left blank or the route sheet where the meter readings are to be recorded are missing, water sewer charges may be misstated. Cash balances may be misstated when petty cash funds are not recorded in the financial statements.

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.

**VILLAGE OF CUBA, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**2008-7 Joint Utility Billing Revenue and Taxes Payable (Continued)**

**EFFECT**

Customers may be over or under charged for water and sewer services. Customers may dispute charges and the Village would not be able to support a claim if meter reading records are not retained.

Utility billing revenue and taxes payable may be misstated.

**CAUSE**

The Village has errors in the billing system for water and sewer rates. Meter readings are not properly documented or entered into the billing system. Village is also not reviewing the financial statements for completeness including the recording of all petty cash accounts.

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 perform an audit of their water and sewer department and ensure that the correct rates are in place for their residential and commercial customers. Meter readings should be accurately entered into the system. Petty cash accounts should be recorded in the financial statements.

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 water & sewer tax reports for each month to determine the actual taxes assessed to determine what is actually owed to the taxation & revenue for prior years.



**VILLAGE OF CUBA, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009**

**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 \$5,872 for meeting the matching requirement.
- As part of our audit we tested grant receipts and noted the Village could not produce grant agreements for grant number 08-AL-64-027 which they received \$4,608.00. The Village could not produce reimbursement requests for grant number 09-AL-64-027 which they received \$1,600.

**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%.

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.

**EFFECT**

The Village is not in compliance with grant requirements.

The reimbursement request could be protested and the Village does not have the supporting documentation to request the claim. In addition sufficient evidence was not retained for the auditor to test whether requests were within grant guidelines.

**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%.

Inadequate record retention.

**VILLAGE OF CUBA, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009**

**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 will track and record all revenue and expenditures related to grants.

**VILLAGE OF CUBA, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**2009-1 Record Keeping**

**CONDITION**

The Village could not produce auditable records for the Section 8 Voucher program. Therefore, it was not possible to audit the program for the year.

**CRITERIA**

Sufficient, competent evidential matter should be kept for all funds.

**CAUSE**

Unknown

**EFFECT**

The Village is not able to present the Section 8 Voucher fund in the current year audit.

**RECOMMENDATION**

The Village should keep sufficient records on all funds.

**MANAGEMENT RESPONSE**

The Village of Cuba Housing Authority no longer participates in the Section 8 Program. The Section 8 Program has been transferred to the Town of Bernalillo.

**VILLAGE OF CUBA, NEW MEXICO  
EXIT CONFERENCE  
Year Ended June 30, 2009**

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

\* \* \* \* \*

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.