

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF CUBA, NEW MEXICO

Financial Statements, Supplementary Information
and
Independent Auditors' Report

June 30, 2010

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
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

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
Capital Projects	47
Statements of Revenues and Expenses – Budget and Actual (Non-GAAP Budgetary Basis):	
Waste and Sewer Enterprise Fund	48

SUPPLEMENTAL SCHEDULES

Schedule of Changes in Assets and Liabilities – Agency Funds	50
Schedule of Deposit Accounts	51
Schedule of Pledged Collateral	52
Schedule of Joint Powers Agreements.....	53
Schedule of Appropriations	54

VILLAGE OF CUBA, NEW MEXICO

TABLE OF CONTENTS (CONTINUED)

Supplementary Information (Continued)

	Page
Housing Authority Financial Data Schedule	55
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>	58
Summary Schedule of Prior Audit Findings	60
Schedule of Findings and Responses	61
Exit Conference	76

VILLAGE OF CUBA, NEW MEXICO

List of Principal Officials

June 30, 2010

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, of the Village of Cuba (Village), as of and for the year ended June 30, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental funds and the budgetary comparisons for the nonmajor governmental funds and the major enterprise funds and library construction fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, 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 a budget for the Housing Authority enterprise funds. We were not able to prepare budget to actual schedules for these funds as required by Generally Accepted Government Accounting standards.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary from the 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, 2010, 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, and the library construction fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 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, 2010, 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.

Perch & Associates LLC

Albuquerque, New Mexico
July 23, 2012

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 134,957	34,517	169,474
Cash - restricted	27,826	-	27,826
Receivables			
Taxes			
Gross receipts	142,579	-	142,579
Gasoline	12,943	-	12,943
Motor vehicle	3,103	-	3,103
Property	1,908	-	1,908
Franchise	10,315	-	10,315
Lodgers	3,028	-	3,028
Cigarette	283	-	283
Grants	80,580	94,576	175,156
Court fines and fees	12,641	-	12,641
Accounts receivable, net of allowance	-	33,223	33,223
Other assets	-	154	154
Due from other funds	261,833	-	261,833
Capital assets, not depreciated	693,595	29,528	723,123
Capital assets, net of accumulated depreciation	3,643,169	3,190,072	6,833,241
Total assets	5,028,760	3,382,070	8,410,830
LIABILITIES			
Accounts payable	108,096	34,109	142,205
Gross receipts tax payable	-	42,738	42,738
Installment agreement - IRS	84,622	-	84,622
Accrued compensation and benefits	68,186	4,475	72,661
Deposits payable	-	47,213	47,213
Due to other funds	-	261,833	261,833
Noncurrent liabilities:			
Compensated absences, due in one year	8,934	8,579	17,513
Long-term liabilities, due in one year	44,016	-	44,016
Long-term liabilities, due in more than one year	136,294	-	136,294
Total liabilities	450,148	398,947	849,095
NET ASSETS			
Invested in capital assets, net of related debt	4,156,454	3,219,600	7,376,054
Unrestricted	422,158	(236,477)	185,681
Total net assets	\$ 4,578,612	2,983,123	7,561,735

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

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

<u>Functions/Programs</u>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government							
Governmental activities							
General government	\$ 750,871	15,991	159,470	17,140	(558,270)	-	(558,270)
Public safety	735,541	153,561	297,647	-	(284,333)	-	(284,333)
Highways and streets	21,204	-	-	-	(21,204)	-	(21,204)
Culture and recreation	233,195	-	-	91,435	(141,760)	-	(141,760)
Debt service - interest	3,649	-	-	-	(3,649)	-	(3,649)
Total governmental activities	1,744,460	169,552	457,117	108,575	(1,009,216)	-	(1,009,216)
Business-type activities							
Water and Sewer	432,604	274,020	-	-	-	(158,584)	(158,584)
Housing Authority	160,328	52,309	152,283	-	-	44,264	44,264
Total business-type activities	592,932	326,329	152,283	-	-	(114,320)	(114,320)
Total primary government	\$ 2,337,392	495,881	609,400	108,575	(1,009,216)	(114,320)	(1,123,536)
General Revenues							
Franchise taxes					29,102	-	29,102
Gasoline taxes					84,643	-	84,643
Gross receipts taxes					912,146	-	912,146
Property taxes					47,752	-	47,752
Motor vehicle registrations					33,565	-	33,565
Lodger's taxes					13,647	-	13,647
Cigarette taxes					3,775	-	3,775
Other					13,578	2,482	16,060
Interest					267	-	267
Total general revenues and transfers					1,138,475	2,482	1,140,957
Change in net assets					129,259	(111,838)	17,421
Net assets, beginning of year					4,449,353	3,094,961	7,544,314
Net assets, end of year					\$ 4,578,612	2,983,123	7,561,735

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

VILLAGE OF CUBA, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2010

	General	Emergency Medical Services	Library Construction	Nonmajor Governmental Funds	Total
ASSETS					
Cash	\$ 105,376	-	15,041	14,540	134,957
Cash - restricted	-	-	-	27,826	27,826
Receivables					
Taxes					
Gross receipts	142,579	-	-	-	142,579
Gasoline	12,943	-	-	-	12,943
Motor vehicle	3,103	-	-	-	3,103
Property	1,908	-	-	-	1,908
Franchise	10,315	-	-	-	10,315
Lodgers tax	-	-	-	3,028	3,028
Cigarette tax	-	-	-	283	283
Grants	2,964	75,000	-	2,616	80,580
Court fines and fees	8,601	-	-	4,040	12,641
Due from other funds	333,330	10,981	-	124,528	468,839
Total assets	\$ 621,119	85,981	15,041	176,861	899,002
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 27,722	75,000	-	5,374	108,096
Installment agreement - IRS	84,622	-	-	-	84,622
Accrued compensation and benefits	68,186	-	-	-	68,186
Deferred revenue	17,077	-	-	-	17,077
Due to other funds	98,483	-	65,032	43,491	207,006
Total liabilities	296,090	75,000	65,032	48,865	484,987
FUND BALANCES					
Unreserved, undesignated, reported in:					
Special revenue funds	-	10,981	-	97,861	108,842
Capital projects funds	-	-	(49,991)	(2,464)	(52,455)
Debt service funds	-	-	-	32,599	32,599
General fund	325,029	-	-	-	325,029
Total fund balances	325,029	10,981	(49,991)	127,996	414,015
Total liabilities and fund balances	\$ 621,119	85,981	15,041	176,861	899,002

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, 2010

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

Total fund balance - governmental funds	\$	414,015
Accrued compensated absences not payable from current revenues.		(8,934)
Deferred revenue is recorded as income under the accrual method, and not the modified accrual method.		17,077
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		4,336,764
Long-term liabilities, including loans payable, are not and payable in the current period and, therefore are not reported in the governmental fund.		<u>(180,310)</u>
Net assets - governmental activities	\$	<u><u>4,578,612</u></u>

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

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Emergency Medical Services	Library Construction	Nonmajor Governmental Funds	Total
Revenues					
Taxes	\$ 1,089,612	-	-	35,018	1,124,630
Licenses, permits, fees, and fines	126,954	-	-	42,598	169,552
From federal sources:					
Grants	6,266	-	49,896	-	56,162
From non-federal sources:					
Intergovernmental	159,470	214,524	35,273	120,203	529,470
Interest	183	-	-	84	267
Other	13,578	-	-	-	13,578
Total revenues	1,396,063	214,524	85,169	197,903	1,893,659
Expenditures					
Current					
General government	683,678	-	-	-	683,678
Public safety	421,871	113,422	-	69,123	604,416
Highways and streets	17	-	-	2	19
Culture and recreation	109,424	-	651	36,836	146,911
Debt service - principal	-	-	-	43,433	43,433
Debt service - interest and fees	-	-	-	3,649	3,649
Capital outlay	26,330	104,880	86,023	32,100	249,333
Total expenditures	1,241,320	218,302	86,674	185,143	1,731,439
Net change in fund balances	154,743	(3,778)	(1,505)	12,760	162,220
Fund balance, beginning of year	170,286	14,759	(48,486)	115,236	251,795
Fund balance, end of year	\$ 325,029	10,981	(49,991)	127,996	414,015

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, 2010

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

Net changes in fund balances - governmental funds \$ 162,220

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	(280,448)	
Capital outlay	<u>223,003</u>	
Excess of depreciation over capital outlay		(57,445)

The repayment of the principal of capital loans consumes the current financial resources of governmental funds, but has no effect on net assets. 43,433

Deferred revenue is recorded as income under the accrual method, and not the modified accrual method (19,940)

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. 991

Change in net assets - governmental activities \$ 129,259

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,056,548	1,056,548	1,068,924	12,376
Licenses, permits, fees, and fines	269,570	269,570	135,555	(134,015)
Grants	-	-	6,266	6,266
Intergovernmental	428,625	428,625	182,374	(246,251)
Interest	-	-	183	183
Other	99,869	99,869	13,578	(86,291)
Total revenues	1,854,612	1,854,612	1,406,880	(447,732)
Expenditures				
General government	1,130,798	1,130,798	665,019	465,779
Public safety	74,521	74,521	421,871	(347,350)
Highways and streets	6,322	6,322	17	6,305
Culture and recreation	102,473	102,473	109,424	(6,951)
Capital outlay	-	-	26,330	(26,330)
Total expenditures	1,314,114	1,314,114	1,222,661	91,453
Net change in fund balance	540,498	540,498	184,219	(356,279)
Fund balance, beginning of year	170,286	170,286	170,286	-
Fund balance, end of year	\$ 710,784	710,784	354,505	(356,279)
Non-GAAP change in fund balance			\$ (184,219)	
Change in:				
Taxes receivable			(20,688)	
Grants receivable			2,964	
Court fines and fees receivable			8,601	
Accounts payable			15,203	
Installment agreement - IRS			317	
Accrued compensation and benefits			3,139	
Deferred revenue			19,940	
GAAP change in fund balance			<u>\$ (154,743)</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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	75,000	75,000	236,632	161,632
Other income	11,983	11,983	-	(11,983)
Total revenues	86,983	86,983	236,632	149,649
Expenditures				
Public safety	86,983	86,983	137,233	(50,250)
Capital outlay	-	-	104,880	(104,880)
Total expenditures	86,983	86,983	242,113	(155,130)
Net change in fund balance	-	-	(5,481)	(5,481)
Fund balance, beginning of year	14,759	14,759	14,759	-
Fund balance, end of year	\$ 14,759	14,759	9,278	(5,481)
Non-GAAP change in fund balance			(5,481)	
Change in:				
Grants receivable			(22,108)	
Accounts payable			23,811	
GAAP change in fund balance			<u>\$ (3,778)</u>	

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

VILLAGE OF CUBA, NEW MEXICO
BALANCE SHEET -
PROPRIETARY FUNDS
June 30, 2010

	Water and Sewer	Housing Authority	Total
ASSETS			
Current Assets			
Cash	\$ 15,560	18,957	34,517
Accounts receivable, net of allowance	23,563	9,660	33,223
Grants receivable	11,809	82,767	94,576
Other assets	-	154	154
Total current assets	<u>50,932</u>	<u>111,538</u>	<u>162,470</u>
Capital Assets			
Land and water rights	2,112	15,608	17,720
Construction in process	11,808	-	11,808
Plant and equipment	3,393,125	-	3,393,125
Buildings, improvements, and equipment	-	1,863,904	1,863,904
Accumulated depreciation	(1,296,417)	(770,540)	(2,066,957)
Total capital assets, net of accumulated depreciation	<u>2,110,628</u>	<u>1,108,972</u>	<u>3,219,600</u>
Total assets	<u>\$ 2,161,560</u>	<u>1,220,510</u>	<u>3,382,070</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 31,574	2,535	34,109
Gross receipts tax payable	42,738	-	42,738
Accrued compensation and benefits	3,485	990	4,475
Accrued compensated absences	8,579	-	8,579
Deposits payable	44,988	2,225	47,213
Due to other funds	241,756	20,077	261,833
Total current liabilities	<u>373,120</u>	<u>25,827</u>	<u>398,947</u>
Net Assets			
Invested in capital assets, net of related debt	2,110,628	1,108,972	3,219,600
Unrestricted	(322,188)	85,711	(236,477)
Total net assets	<u>1,788,440</u>	<u>1,194,683</u>	<u>2,983,123</u>
Total liabilities and net assets	<u>\$ 2,161,560</u>	<u>1,220,510</u>	<u>3,382,070</u>

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, 2010

	Water and Sewer	Housing Authority	Total
Operating Revenues			
Sales and services	\$ 274,020	-	274,020
Facilities rentals	-	52,309	52,309
HUD grant and subsidy	-	152,283	152,283
Other	-	2,482	2,482
	<u>274,020</u>	<u>207,074</u>	<u>481,094</u>
Operating expenses	318,838	113,893	432,731
Depreciation	113,766	46,435	160,201
Total operating expenses	<u>432,604</u>	<u>160,328</u>	<u>592,932</u>
Operating (Loss) Income	<u>(158,584)</u>	46,746	<u>(111,838)</u>
Change in net assets	<u>(158,584)</u>	46,746	<u>(111,838)</u>
Net assets, beginning of year	<u>1,947,024</u>	1,147,937	<u>3,094,961</u>
Net assets, end of year	<u>\$ 1,788,440</u>	<u>1,194,683</u>	<u>2,983,123</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, 2010

	Water and Sewer	Housing Authority	Total
Cash Flows From Operating Activities			
Cash received from customers and grantors	\$ 282,118	121,387	403,505
Cash payments to vendors and employees	(361,032)	(120,266)	(481,298)
Net cash (used) provided by operating activities	<u>(78,914)</u>	<u>1,121</u>	<u>(77,793)</u>
Cash Flows From Noncapital and Related Financing Activities			
Change in due to/due from accounts	<u>97,756</u>	<u>77</u>	<u>97,833</u>
Cash Flows From Capital and Related Financing Activities			
Purchase of capital assets	<u>(24,670)</u>	<u>(80,756)</u>	<u>(105,426)</u>
Net change in cash	(5,828)	(79,558)	(85,386)
Cash, beginning of year	<u>21,388</u>	<u>98,515</u>	<u>119,903</u>
Cash, end of year	<u><u>\$ 15,560</u></u>	<u><u>18,957</u></u>	<u><u>34,517</u></u>
Reconciliation of operating (loss) income to cash provided (used) by operating activities			
Operating (loss) income	<u>\$ (158,584)</u>	<u>46,746</u>	<u>(111,838)</u>
Adjustments to reconcile operating income to net cash flows:			
Depreciation expense	113,766	46,435	160,201
Allowance for uncollectible accounts	(3,100)	8,449	5,349
Changes in assets and liabilities:			
Accounts receivable	8,099	(2,559)	5,540
Grants receivable	-	(82,767)	(82,767)
Other assets	-	255	255
Accounts payable	(84,933)	(15,077)	(100,010)
Gross receipts tax payable	42,738	-	42,738
Accrued compensation and benefits	697	-	697
Accrued compensated absences	2,123	-	2,123
Deposits payable	280	(361)	(81)
Net cash (used) provided by operating activities	<u><u>\$ (78,914)</u></u>	<u><u>1,121</u></u>	<u><u>(77,793)</u></u>

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

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS
June 30, 2010

ASSETS

Cash	\$ 18,654
Total assets	<u>\$ 18,654</u>

LIABILITIES

Due to other entities	\$ 18,654
Total liabilities	<u>\$ 18,654</u>

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

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2010.

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, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

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

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

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

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

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

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

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

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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.

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, 2010

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, 2010

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, 2010

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, 2010

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 did not adopt budgets for the library construction and debt service 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, 2010

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, 2010, the Village adopted Government Accounting Standards Board Statement (GASB) No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), and GASB 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51). GASB 53 and GASB 51 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, 2010, the Village's bank balance total of \$236,355 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, 2010

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	\$ 36,163	18,160
Allowance for uncollectible accounts	<u>(12,600)</u>	<u>(8,500)</u>
	<u>\$ 23,563</u>	<u>9,660</u>

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 4. CAPITAL ASSETS

Governmental fund capital asset activity for the year ending June 30, 2010 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities					
Capital assets, not depreciated:					
Land	\$ 86,130	-	-	-	86,130
Construction in process	587,861	19,604	-	-	607,465
Total, not depreciated	\$ 673,991	19,604	-	-	693,595
Capital assets, depreciated:					
Buildings and improvements	\$ 3,513,423	66,083	-	-	3,579,506
Equipment and other	1,816,822	137,316	-	-	1,954,138
Total, depreciated	5,330,245	203,399	-	-	5,533,644
Accumulated depreciation for:					
Buildings and improvements	777,745	104,709	-	-	882,454
Equipment and other	832,282	175,739	-	-	1,008,021
Total accumulated depreciation	1,610,027	280,448	-	-	1,890,475
Total capital assets, depreciated, net	\$ 3,720,218	(77,049)	-	-	3,643,169
Total capital assets, net	\$ 4,394,209	(57,445)	-	-	4,336,764

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

Governmental activities	
General government	\$ 41,854
Public safety	131,125
Highways and streets	21,185
Culture and recreation	86,284
Total depreciation expense	\$ 280,448

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 4. CAPITAL ASSETS (CONTINUED)

Enterprise fund capital asset activity for the year ending June 30, 2010 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Business-type Activities					
Capital assets, not depreciated:					
Land- Water and Waste Water	\$ 2,112	-	-	-	2,112
Land - Housing Authority	21,756	-	-	(6,148)	15,608
Construction in process	11,808	-	-	-	11,808
Total, not depreciated	\$ 35,676	-	-	(6,148)	29,528
Capital assets, depreciated:					
Water and Waste Water:					
Plant and equipment	\$ 2,158,700	-	-	-	2,158,700
Infrastructure	904,677	6,169	-	-	910,846
Equipment and other	305,079	18,500	-	-	323,579
Housing Authority:					
Buildings and improvements	1,654,038	80,756	-	6,148	1,740,942
Equipment and other	122,962	-	-	-	122,962
Total, depreciated	5,145,456	105,425	-	6,148	5,257,029
Accumulated depreciation for:					
Water and Waste Water	1,182,651	113,766	-	-	1,296,417
Housing Authority	724,105	46,435	-	-	770,540
Total accumulated depreciation	1,906,756	160,201	-	-	2,066,957
Total capital assets, depreciated, net	\$ 3,238,700	(54,776)	-	6,148	3,190,072
Total capital assets, net	\$ 3,274,376	(54,776)	-	-	3,219,600

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2010, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Loan payable	\$ 223,743	-	(43,433)	180,310	44,016
Compensated absences	9,925	14,369	(15,360)	8,934	8,934
Total	\$ 233,668	14,369	(58,793)	189,244	52,950

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
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>\$ 117,749</u>	<u>6,918</u>	<u>124,667</u>

Loan Payable. The Village entered into a loan agreement with the New Mexico Finance Authority on January 9, 2010. 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, 2010

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

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 15,605	110	15,715
2012	15,628	86	15,714
2013	15,654	60	15,714
2014	15,674	32	15,706
	<u>\$ 62,561</u>	<u>288</u>	<u>62,849</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, 2010, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 6,456	5,967	(3,844)	<u>8,579</u>	<u>8,579</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, 2010

NOTE 8. INTERFUND BALANCES

Interfund balances at June 30, 2010 consisted of the following amounts:

Due to the general fund from:	
Library construction	\$ 65,032
Streets	39,727
Capital projects	2,464
Corrections	1,300
Water and sewer	204,730
Housing authority	<u>20,077</u>
Total due to the general fund	<u>\$ 333,330</u>
Due from general fund to:	
Law enforcement protection	\$ 11,774
Fire protection	39,507
Emergency medical services	10,981
Lodgers tax	4,537
Corrections	<u>31,684</u>
Total due from the general fund	<u>\$ 98,483</u>
Due to the emergency medical services fund from:	
General fund	<u>\$ 10,981</u>
Due from the library construction fund to:	
General fund	<u>\$ 65,032</u>
Due from the water and sewer to:	
General fund	\$ 204,730
Streets	<u>37,026</u>
Total due from the water and sewer fund	<u>\$ 241,756</u>
Due from the housing authority fund to:	
General fund	<u>\$ 20,077</u>
Due to the correction fund from:	
General fund	<u>\$ 31,684</u>
Due from the correction fund to:	
General fund	<u>\$ 1,300</u>
Due to the fire protection fund from:	
General fund	<u>\$ 39,507</u>

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 8. INTERFUND BALANCES (CONTINUED)

Due to the law enforcement protection fund from:	
General fund	<u>\$ 11,774</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>
Due to the capital projects fund from:	
General fund	<u>\$ 2,464</u>

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

NOTE 9. PERA PENSION PLAN

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

Funding Policy. 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, 2010, 2009, and 2008 were \$72,072, \$37,892, and, \$59,862, respectively. We could not determine if the proper amounts were paid during the three years.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 10. 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 11. 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 12. DEFICIT FUND BALANCE

The Village had a deficit fund balance of \$49,991 in the Library Construction fund, \$2,701 in the streets fund, and \$2,464 in the capital projects fund. The cause of the deficit is unknown. Money will be transferred to the fund to increase the fund balance and eliminate the deficit.

NOTE 13. RESTATEMENT

The Village began using a debt service fund during the year under audit. The fund accumulates resources and uses them to pay loans for the fire protection fund and streets fund. The restatement reflects debt activity from prior years that are now properly recorded in the debt service fund.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 14. EXCESS OF EXPENDITURES OVER BUDGET

The following funds expenditures exceeded their authorized budgets:

- Emergency medical services by \$155,130
- Lodgers tax by \$2,463
- Recreation by \$14,692

NOTE 15. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through July 23, 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, 2010

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.

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

Debt Service. To account for the accumulation of resources for the retirement of debt, and to account for the principal, interest, and fee payments on debt.

VILLAGE OF CUBA, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2010

	Corrections	Fire Protection	Law Enforcement Protection
ASSETS			
Cash	\$ -	-	50
Cash - restricted	-	-	-
Receivables			
Taxes			
Lodgers tax	-	-	-
Cigarette tax	-	-	-
Gasoline tax	-	-	-
Court fines and fees	4,040	-	-
Due from other funds	31,684	39,507	11,774
	<hr/>	<hr/>	<hr/>
Total assets	\$ 35,724	39,507	11,824
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,476	-	-
Due to other funds	1,300	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	5,776	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
FUND BALANCES			
Unreserved, undesignated, reported in:			
Restricted, special revenues	29,948	39,507	11,824
Assigned, capital projects	-	-	-
Assigned, debt service	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	29,948	39,507	11,824
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and fund balances	\$ 35,724	39,507	11,824
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF CUBA, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2010**

	Lodgers Tax	Streets	Recreation
ASSETS			
Cash	\$ 10,361	-	1,972
Cash - restricted	-	-	-
Receivables			
Taxes			
Lodgers tax	3,028	-	-
Cigarette tax	-	-	283
Gasoline tax	-	-	-
Court fines and fees	-	-	-
Due from other funds	4,537	37,026	-
	<hr/>		
Total assets	\$ 17,926	37,026	2,255
	<hr/> <hr/>		
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	898
Due to other funds	-	39,727	-
	<hr/>		
Total liabilities	-	39,727	898
	<hr/> <hr/>		
FUND BALANCES			
Unreserved, undesignated, reported in:			
Restricted, special revenues	17,926	(2,701)	1,357
Assigned, capital projects	-	-	-
Assigned, debt service	-	-	-
	<hr/>		
Total fund balances	17,926	(2,701)	1,357
	<hr/> <hr/>		
Total liabilities and fund balances	\$ 17,926	37,026	2,255
	<hr/> <hr/>		

**VILLAGE OF CUBA, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2010**

	Capital Projects	Debt Service	Total Nonmajor
ASSETS			
Cash	\$ -	2,157	14,540
Cash - restricted	-	27,826	27,826
Receivables			
Taxes			
Lodgers tax	-	-	3,028
Cigarette tax	-	-	283
Gasoline tax	-	2,616	2,616
Court fines and fees	-	-	4,040
Due from other funds	-	-	124,528
	<hr/>		
Total assets	\$ -	32,599	176,861
	<hr/> <hr/>		
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	5,374
Due to other funds	2,464	-	43,491
	<hr/>		
Total liabilities	2,464	-	48,865
	<hr/> <hr/>		
FUND BALANCES			
Unreserved, undesignated, reported in:			
Restricted, special revenues	-	-	97,861
Assigned, capital projects	(2,464)	-	(2,464)
Assigned, debt service	-	32,599	32,599
	<hr/>		
Total fund balances	(2,464)	32,599	127,996
	<hr/> <hr/>		
Total liabilities and fund balances	\$ -	32,599	176,861
	<hr/> <hr/>		

**VILLAGE OF CUBA, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2010**

	Corrections	Fire Protection	Law Enforcement Protection
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, and fines	42,598	-	-
From non-federal sources			
Intergovernmental	-	49,438	23,000
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	42,598	49,438	23,000
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
Public safety	45,312	20,858	2,953
Highways and streets	-	-	-
Culture and recreation	-	-	-
Debt service - principal	-	-	-
Debt service - interest and fees	-	-	-
Capital outlay	-	-	12,496
	<hr/>	<hr/>	<hr/>
Total expenditures	45,312	20,858	15,449
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(2,714)	28,580	7,551
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	32,662	41,179	4,273
Restatement	-	(30,252)	-
Fund balance, beginning of year, as restated	<hr/> 32,662	<hr/> 10,927	<hr/> 4,273
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 29,948	39,507	11,824
	<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, 2010**

	Lodgers Tax	Streets	Recreation
Revenues			
Taxes	\$ 13,647	-	3,775
Licenses, permits, fees, and fines	-	-	-
From non-federal sources			
Intergovernmental	-	-	-
Interest	-	-	-
Total revenues	13,647	-	3,775
Expenditures			
Current			
Public safety	-	-	-
Highways and streets	-	2	-
Culture and recreation	12,963	-	23,873
Debt service - principal	-	-	-
Debt service - interest and fees	-	-	-
Capital outlay	-	-	-
Total expenditures	12,963	2	23,873
Net change in fund balances	684	(2)	(20,098)
Fund balance, beginning of year	17,242	(1,575)	21,455
Restatement	-	(1,124)	-
Fund balance, beginning of year, as restated	17,242	(2,699)	21,455
Fund balance, end of year	\$ 17,926	(2,701)	1,357

**VILLAGE OF CUBA, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2010**

	Capital Projects	Debt Service	Total Non-major
Revenues			
Taxes	\$ -	17,596	35,018
Licenses, permits, fees, and fines	-	-	42,598
From non-federal sources			
Intergovernmental	17,140	30,625	120,203
Interest	-	84	84
	<hr/>	<hr/>	<hr/>
Total revenues	17,140	48,305	197,903
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
Public safety	-	-	69,123
Highways and streets	-	-	2
Culture and recreation	-	-	36,836
Debt service - principal	-	43,433	43,433
Debt service - interest and fees	-	3,649	3,649
Capital outlay	19,604	-	32,100
	<hr/>	<hr/>	<hr/>
Total expenditures	19,604	47,082	185,143
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(2,464)	1,223	12,760
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	-	-	115,236
Restatement	-	31,376	-
Fund balance, beginning of year, as restated	-	31,376	115,236
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ (2,464)	32,599	127,996
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CORRECTIONS
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses, permits, fees and fines	\$ 55,000	55,000	41,708	(13,292)
Total revenues	55,000	55,000	41,708	(13,292)
Expenditures				
Public safety	55,000	55,000	45,312	9,688
Total expenditures	55,000	55,000	45,312	9,688
Net change in fund balance	-	-	(3,604)	(3,604)
Fund balance, beginning of year	32,662	32,662	32,662	-
Fund balance, end of year	\$ 32,662	32,662	29,058	(3,604)
Non-GAAP change in fund balance			(3,604)	
Change in:				
Court fees and fines receivable			890	
GAAP change in fund balance			<u>\$ (2,714)</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE PROTECTION
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 58,584	-	49,438	49,438
Expenditures				
Public safety	58,584	58,584	49,439	9,145
Net change in fund balance	-	(58,584)	(1)	58,583
Fund balance, beginning of year	10,927	10,927	10,927	-
Fund balance, end of year	\$ 10,927	(47,657)	10,926	58,583
Non-GAAP change in fund balance			\$ (1)	
Change in:				
Accounts payable			<u>28,581</u>	
GAAP change in fund balance			<u>\$ 28,580</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 21,800	21,800	23,000	1,200
Expenditures				
Public safety	21,800	21,800	3,650	18,150
Capital outlay	-	-	12,496	(12,496)
Total expenditures	21,800	21,800	16,146	5,654
Net change in fund balance	-	-	6,854	6,854
Fund balance, beginning of year	4,273	4,273	4,273	-
Fund balance, end of year	\$ 4,273	4,273	11,127	6,854
Non-GAAP change in fund balance			\$ 6,854	
Change in:				
Accounts payable			697	
GAAP change in fund balance			<u>\$ 7,551</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LODGERS TAX
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 10,500	10,500	13,696	3,196
Total revenues	10,500	10,500	13,696	3,196
Expenditures				
Culture and recreation	10,500	10,500	12,963	(2,463)
Total expenditures	10,500	10,500	12,963	(2,463)
Net change in fund balance	-	-	733	733
Fund balance, beginning of year	17,242	17,242	17,242	-
Fund balance, end of year	\$ 17,242	17,242	17,975	733
Non-GAAP change in fund balance			733	
Change in:				
Lodgers tax receivable			(49)	
GAAP change in fund balance			<u>\$ 684</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
STREETS
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 45,000	45,000	-	(45,000)
Other	15,000	15,000	-	(15,000)
Total revenues	60,000	60,000	-	(60,000)
Expenditures				
Highways and streets	60,000	60,000	2	59,998
Net change in fund balance	-	-	(2)	(2)
Fund balance, beginning of year	(2,699)	(2,699)	(2,699)	-
Fund balance, end of year	(2,699)	(2,699)	(2,701)	(2)
Prior year cash appropriated	2,699	2,699	2,701	
\$	-	-	-	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
RECREATION
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 9,913	9,913	4,088	(5,825)
Total revenues	9,913	9,913	4,088	(5,825)
Expenditures				
Culture and recreation	9,913	9,913	24,605	(14,692)
Net change in fund balance	-	-	(20,517)	(20,517)
Fund balance, beginning of year	21,455	21,455	21,455	-
Fund balance, end of year	\$ 21,455	21,455	938	(20,517)
Non-GAAP change in fund balance			\$ (20,517)	
Change in:				
Accounts receivable			(313)	
Accounts payable			732	
GAAP change in fund balance			<u>\$ (20,098)</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final		Final Budget-
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ 2,185,000	2,185,000	110,000	(2,075,000)
Expenditures				
Capital outlay	2,185,000	2,185,000	19,604	2,165,396
Net change in fund balance	-	-	90,396	90,396
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	-	90,396	90,396
Non-GAAP change in fund balance			\$ 90,396	
Change in:				
Grants receivable			<u>(92,860)</u>	
GAAP change in fund balance			<u>\$ (2,464)</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WATER AND SEWER ENTERPRISE FUND
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales and services	\$ 402,278	402,278	279,019	(123,259)
Expenses				
Operating	402,278	402,278	358,214	44,064
Change in net assets	-	-	(79,195)	(79,195)
Net assets, beginning of year	1,947,024	1,947,024	1,947,024	-
Net assets, end of year	\$ 1,947,024	1,947,024	1,867,829	(79,195)
Non-GAAP change in fund balance			\$ (79,195)	
Change in:				
Accounts receivable, net of allowance			(4,999)	
Accounts payable			84,934	
Gross receipts tax payable			(42,738)	
Accrued compensation and benefits			(697)	
Accrued compensated absences			(2,123)	
Non-budgeted items				
Depreciation			<u>(113,766)</u>	
GAAP change in net assets			<u>\$ (158,584)</u>	

VILLAGE OF CUBA, NEW MEXICO
AGENCY FUNDS
June 30, 2010

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, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
MOTOR VEHICLE FUND				
ASSETS				
Cash	\$ 200	289,261	289,261	200
Total assets	\$ 200	289,261	289,261	200
LIABILITIES				
Due to other entities	\$ 200	289,261	289,261	200
Total liabilities	\$ 200	289,261	289,261	200
MUNICIPAL COURT FUND				
ASSETS				
Cash	\$ 14,021	151,930	150,198	15,753
Total assets	\$ 14,021	151,930	150,198	15,753
LIABILITIES				
Due to other entities	\$ 14,021	151,930	150,198	15,753
Total liabilities	\$ 14,021	151,930	150,198	15,753
MUNICIPAL JUDGE'S BOND FUND				
ASSETS				
Cash	\$ 2,864	5,707	5,870	2,701
Total assets	\$ 2,864	5,707	5,870	2,701
LIABILITIES				
Due to other entities	\$ 2,864	5,707	5,870	2,701
Total liabilities	\$ 2,864	5,707	5,870	2,701
TOTAL				
ASSETS				
Cash	\$ 17,085	446,898	445,329	18,654
Total assets	\$ 17,085	446,898	445,329	18,654
LIABILITIES				
Due to other entities	\$ 17,085	446,898	445,329	18,654
Total liabilities	\$ 17,085	446,898	445,329	18,654

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2010

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Wells Fargo	General	Checking	\$ 14,275	10,178
Wells Fargo	Miscellaneous Grants	Checking	77,015	77,015
Wells Fargo	Fire Protection	Checking	1,467	-
Wells Fargo	Library Construction	Checking	15,041	15,041
Wells Fargo	Lodgers Tax	Checking	13,361	10,361
Wells Fargo	Recreation	Checking	1,922	1,922
Wells Fargo	Water and Sewer System	Checking	22,774	10,112
Wells Fargo	Water and Sewer Improvements	Checking	2,579	2,579
Wells Fargo	W/S Deposits	Checking	2,926	2,772
Wells Fargo	Public Housing	Checking	15,735	16,316
Wells Fargo	Public Housing Deposits	Checking	2,641	2,641
Bank of Albuquerque	Debt Service Reserve	Checking	27,826	27,826
Bank of Albuquerque	Debt Service	Checking	1,775	1,776
Bank of Albuquerque	Debt Service Program Funds	Checking	380	380
Cuba Credit Union	Regular Share Account	Savings	18,184	18,184
Cash and cash equivalents			<u>217,901</u>	<u>197,103</u>
Petty cash	Petty cash - police	Petty Cash	-	50
Petty cash	Petty cash - library	Petty Cash	-	50
Petty cash	Petty cash - water	Petty Cash	-	97
Petty cash			<u>-</u>	<u>197</u>
Total deposit and investment accounts - non-agency			<u>217,901</u>	<u>197,300</u>
Agency funds cash accounts				
Petty cash	MVD Cash Drawer	Petty Cash	-	200
Wells Fargo	Municipal Court	Checking	15,753	15,753
Wells Fargo	Municipal Court	Savings	102	102
Wells Fargo	Municipal Judge'S Bonds	Checking	2,599	2,599
Total cash - agency funds			<u>18,454</u>	<u>18,654</u>
Total depository accounts			<u>\$ 236,355</u>	<u>215,954</u>

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2010

	Wells Fargo	Cuba Credit Union	Bank of Albuquerque	Total
Deposits at June 30, 2010	\$ 169,736	36,638	29,981	236,355
Less: FDIC coverage	169,736	36,638	29,981	236,355
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, 2010

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, 2010

Appropriation	Beginning Date	Ending Date	Original Amount	Funds Expended	Funds Remaining
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	-
SAP 07-4559-GF	6/1/2007	06/30/2011	225,000	-	225,000
SAP 07-4560-GF	6/1/2007	06/30/2011	350,000	-	350,000
08-L-G-4452	5/27/2008	06/30/2012	25,000	25,000	-
08-L-G-4453	5/27/2008	06/30/2012	85,000	85,000	-
SAP 08-3137	1/5/2008	06/30/2012	300,000	-	300,000
SAP 08-3919	1/5/2008	06/30/2012	100,000	-	100,000
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
Total			3,360,000	1,645,000	1,715,000

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, 2010

FDS Line #	Accounts Description	Low Rent Housing Project (LRH)	Capital Funds Program (CFP)	Total
ASSETS:				
111	Cash - Unrestricted	\$ 16,316	-	16,316
114	Cash - Tenant Security Deposits	2,641	-	2,641
100	Total Cash	<u>18,957</u>	<u>-</u>	<u>18,957</u>
122	Accounts Receivable - HUD Other Projects	82,767	-	82,767
126	Accounts Receivable - Tenants - Dwelling Rents	18,160	-	18,160
126.1	Allowance for Doubtful Accounts	(8,500)	-	(8,500)
120	Total Receivables, net of allowances for doubtful accounts	<u>92,427</u>	<u>-</u>	<u>92,427</u>
142	Prepaid Expenses and Other Assets	154	-	154
150	Total Current Assets	<u>111,538</u>	<u>-</u>	<u>111,538</u>
161	Land	15,608	-	15,608
162	Buildings	1,673,793	-	1,673,793
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	(770,540)	-	(770,540)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,108,972</u>	<u>-</u>	<u>1,108,972</u>
180	Total Non-Current Assets	<u>1,108,972</u>	<u>-</u>	<u>1,108,972</u>
190	Total Assets	<u>\$ 1,220,510</u>	<u>-</u>	<u>1,220,510</u>
LIABILITIES:				
312	Accounts payable < 90 days	\$ 2,535	-	2,535
321	Accrued wage/payroll taxes payable	990	-	990
333	Accounts payable - Other Government	20,077	-	20,077
341	Tenant Security Deposits	2,225	-	2,225
310	Total Current Liabilities	<u>25,827</u>	<u>-</u>	<u>25,827</u>
300	Total Liabilities	<u>25,827</u>	<u>-</u>	<u>25,827</u>
508.1	Invested in Capital Assets, Net of Related Debt	1,108,972	-	1,108,972
511	Total Reserved Fund Balance	<u>1,108,972</u>	<u>-</u>	<u>1,108,972</u>
512.1	Unrestricted Net Assets	85,711	-	85,711
513	Total Equity/Net Assets	<u>1,194,683</u>	<u>-</u>	<u>1,194,683</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 1,220,510</u>	<u>-</u>	<u>1,220,510</u>

VILLAGE OF CUBA, NEW MEXICO
HOUSING AUTHORITY FINANCIAL DATA SCHEDULE (CONTINUED)
June 30, 2010

FDS		Low Rent	Capital Funds	
Line #	Accounts Description	Housing Project	Program	Total
		(LRH)	(CFP)	
REVENUE:				
703	Net Tenant Rental Revenue	\$ 52,309	-	52,309
704	Tenant Revenue - Other	2,482	-	2,482
705	Total Tenant Revenue	54,791	-	54,791
706	HUD PHA Operating Grants	69,516	-	69,516
706.1	Capital Grants	-	82,767	82,767
700	Total Revenue	124,307	82,767	207,074
EXPENSES:				
911	Administrative Salaries	39,370	-	39,370
913	Bookkeeping Fee	11,430	-	11,430
915	Employee Benefit Contributions - Administrative	4,481	-	4,481
919	Other	13,689	-	13,689
910	Total Operating - Administrative	68,970	-	68,970
931	Water	15,272	-	15,272
932	Electricity	3,621	-	3,621
933	Gas	1,647	-	1,647
930	Total Utilities	20,540	-	20,540
941	Ordinary Maintenance and Operations - Labor	8,422	-	8,422
942	Ordinary Maintenance and Operations - Materials and Othe	7,512	-	7,512
940	Total Maintenance	15,934	-	15,934
964	Bad Debt-Tenant Rents	8,449	-	8,449
960	Total Other General Expenses	8,449	-	8,449
969	Total Operating Expenses	113,893	-	113,893
970	Excess Operating Revenue over Operating Expenses	10,414	82,767	93,181
974	Depreciation Expense	46,435	-	46,435
900	Total Expenses	160,328	-	160,328

VILLAGE OF CUBA, NEW MEXICO
HOUSING AUTHORITY FINANCIAL DATA SCHEDULE (CONTINUED)
June 30, 2010

FDS		Low Rent	Capital Funds	
Line #	Accounts Description	Housing Project	Program	Total
		(LRH)	(CFP)	
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	\$ (36,021)	82,767	46,746
1103	Beginning Equity	\$ 1,147,937	-	1,147,937
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	82,767	(82,767)	-
1117	Administrative Fee Equity	-	-	-
1118	Housing Assistance Payments Equity	-	-	-
1119	Unit Months Available	336	-	336
1121	Number of Unit Months Leased	297	-	297
1163	Dwelling Purchases	-	82,767	82,767

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, 2010, and have issued our report thereon dated July 23, 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, 2008-7, 2008-7, and 2010-1.

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, 2005-5, 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's 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.

Porch & Associates LLC

Albuquerque, New Mexico
July 23, 2012

VILLAGE OF CUBA, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

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
2008-2	Disaster Recovery Plan and Information Technology General Controls	Repeated
2008-3	Compliance with Procurement Code	Modified and repeated
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	Resolved
2009-1	Record Keeping	Resolved

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010**

FINDINGS – FINANCIAL STATEMENTS AUDIT

2007-1 Late Audit Report (Material Weakness)

CONDITION

The June 30, 2010 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 25, 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, 2010 report to be filed by December 1, 2010.

EFFECT

The Village is not in compliance with State Auditor rule NMAC 2.2.2.9.A for the fiscal year ended June 30, 2010. 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, 2010**

FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

2007-4 Water and Sewer Deposits not Adequately Funded

CONDITION

The Village has a \$42,738 water and sewer deposit liability, but only \$2,771 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, 2010**

FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

2007-5 Excess of Expenditures Over Authorized Budget

CONDITION

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

- Emergency medical services \$155,130
- Lodgers tax by \$2,463
- Recreation by \$14,692

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, 2010

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, 2010**

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, 2010**

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, 2010**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

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

CAUSE

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

RECOMMENDATION

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

MANAGEMENT RESPONSE

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

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-3 Cash Disbursements and Compliance with Procurement Code

We tested 26 cash disbursements in internal control disbursements. We also tested 33 large disbursements for compliance with the procurement code as part of our audit. We noted the following:

- For one cash disbursement the check stub and supporting documents were missing.
- There was one voided check for the Village being tested, the voided check was missing as well as supporting documents.
- For two of the projects tested the Village was unable to produce bid opening documents, thus we were unable to test if the bids were opened in the presence of more than one witness, or if the lowest bid was accepted.
- For two of the projects tested the Village was unable to produce supporting documentation that bids or proposals were solicited or accepted for the project, in accordance with the procurement code.
- For two of the projects tested the Village was unable to produce supporting documentation that an invitation for bid was published at least ten days before the bid opening was scheduled.

CRITERIA

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

CAUSE

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

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-3 Cash Disbursements and Compliance with Procurement Code (Continued)

EFFECT

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

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

RECOMMENDATION

The Village should maintain backup for all transactions.

The Village should obtain training on procurement code requirements.

MANAGEMENT RESPONSE

The Village will maintain supporting documents for all transactions and the Village Clerk-Treasurer will attend training on the State Procurement Process.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010**

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 five employees timecards were missing.
- For seventeen employees PERA documents were missing from personnel file.
- For twenty five employees authorized pay rates were not on file.
- For seventeen employees the I-9 was missing from their personnel file.
- For four employees the timesheet activity was not complete and/or does not match the payroll register.
- For twelve employees the FICA tax exempt wages were not excluded from FICA tax calculations.
- For one employee holiday pay was not paid.
- For one employee the I-9 form was not properly filled out and signature was missing.

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.

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

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-5 Payroll Disbursements (Continued)

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.

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.

Payroll may be incorrect due to timecards not providing the correct hours worked and resulting in employees not getting paid for their actual hours worked or holiday pay they are entitled to.

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

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 Clerk will perform a personnel file audit to correct any deficiencies. The Clerk has contacted Wells Fargo Payroll Services to correct FICA taxes. The Clerk will review payroll thoroughly before it is processed to ensure that payroll is correct for that specific pay period.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-6 Compliance with Travel and Per Diem

CONDITION

We tested 3 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

- 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 ensure that all documents are submitted for all Per Diem & Travel. The Village will use the recommended travel voucher. All supporting documents will be attached.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010**

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.

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

- For two customers the meter readings were not documented or the Village was unable to produce a copy of the meter reading.
- For five customers the meter readings did not match the reading from the billing report.
- One commercial customer was being charged a rate inconsistent with established rates. Customer was being undercharged for services by \$18.74.

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.

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

EFFECT

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.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

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

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 will reconcile the current year and prior year utility billing revenues and Gross Receipts Tax to determine what is actually owed to the State. The Village will make the water & sewer rates are correct and all taxes are assessed.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2010-1 Recording of Capital Assets

CONDITION

As part of our audit we tested capital asset tracking and recording. We noted the following:

- The Village is not tracking additions and disposals to capital assets. We noted governmental additions totaling \$223,002 and enterprise additions totaling \$105,426 that were not added to the capital asset listing.
- The Village is recording assets in incorrect funds. We noted governmental funds of \$18,500 were used to purchase capital assets for enterprise funds in current year however the assets were not accounted for in the enterprise funds.
- The Village is not comparing capital asset listing to current insurance schedules to ensure the listing is accurate and complete.

CRITERIA

Governmental Accounting Standards No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, details the requirements to track and report capital assets.

CAUSE

The Village is not consistently tracking capital asset additions or reviewing the capital asset listing for accuracy.

EFFECT

The Village’s capital asset listing is misstated by the amounts shown above.

RECOMMENDATION

The Village should track all capital assets on an annual basis including the cost of capital assets and additions and disposals. The Village should also establish procedures which account for the tracking of capital assets purchased from one fund for the benefit of another fund.

MANAGEMENT RESPONSE

The Village will track all Capital Assets, additions, and disposals on an annual basis and record all acquisitions.

**VILLAGE OF CUBA, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2010**

An exit conference was held on July 23, 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.