

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF CUBA, NEW MEXICO

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

June 30, 2011

VILLAGE OF CUBA, NEW MEXICO

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VILLAGE OF CUBA, NEW MEXICO

List of Principal Officials

June 30, 2011

Elected Officials

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

Administrative Officials

Vandora P. Casados	Clerk-Treasurer
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Independent Auditors' Report

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

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison of the general fund, and emergency medical services fund of the Village of Cuba (Village), as of and for the year ended June 30, 2011, 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 presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, 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. It was not possible to extend our procedures sufficiently to determine the balance of gross receipts taxes payable or to determine if amounts recorded in the financial statements were fairly stated.

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.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary from the two 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, 2011, 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 and enterprise funds 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 January 18, 2013 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

For the year ended June 30, 2011, the Village has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

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

Porch & Associates LLC

Albuquerque, New Mexico
January 18, 2013

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 161,235	99,342	260,577
Cash - restricted	27,782	-	27,782
Receivables:			
Taxes:			
Gross receipts	116,831	-	116,831
Gasoline	11,424	-	11,424
Motor vehicle	6,369	-	6,369
Property	1,064	-	1,064
Franchise	6,114	-	6,114
Lodgers	1,319	-	1,319
Grants	77,206	-	77,206
Court fines and fees	9,834	-	9,834
Accounts receivable, net of allowance	-	48,744	48,744
Other assets	-	135	135
Due from other funds	246,687	52,671	299,358
Capital assets, not depreciated	693,595	38,429	732,024
Capital assets, net of accumulated depreciation	3,500,091	3,072,552	6,572,643
	<hr/>	<hr/>	<hr/>
Total assets	4,859,551	3,311,873	8,171,424
LIABILITIES			
Accounts payable	144,488	33,866	178,354
Gross receipts tax payable	-	75,783	75,783
Installment agreement - IRS	77,277	-	77,277
Accrued compensation and benefits	69,484	3,904	73,388
Deposits payable	-	48,313	48,313
Due to other funds	-	299,358	299,358
Noncurrent liabilities:			
Compensated absences, due in one year	8,557	6,930	15,487
Long-term liabilities, due in one year	44,679	-	44,679
Long-term liabilities, due in more than one year	91,610	-	91,610
	<hr/>	<hr/>	<hr/>
Total liabilities	436,095	468,154	904,249
NET ASSETS			
Invested in capital assets, net of related debt	4,057,397	3,110,981	7,168,378
Unrestricted	366,059	(267,262)	98,797
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 4,423,456	2,843,719	7,267,175

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

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	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	\$ 689,526	7,121	71,080	-	(611,325)	-	(611,325)
Public safety	653,650	113,945	184,434	-	(355,271)	-	(355,271)
Highways and streets	23,800	10,373	-	44,000	30,573	-	30,573
Culture and recreation	249,415	-	11,265	26,802	(211,348)	-	(211,348)
Debt service - interest	3,029	-	-	-	(3,029)	-	(3,029)
Total governmental activities	1,619,420	131,439	266,779	70,802	(1,150,400)	-	(1,150,400)
Business-type activities							
Water and Sewer	516,408	411,277	-	-	-	(105,131)	(105,131)
Housing Authority	156,693	40,050	-	-	-	(116,643)	(116,643)
Total business-type activities	673,101	451,327	-	-	-	(221,774)	(221,774)
Total primary government	\$ 2,292,521	582,766	266,779	70,802	(1,150,400)	(221,774)	(1,372,174)
General Revenues							
Franchise taxes					23,225	-	23,225
Gasoline taxes					76,841	-	76,841
Gross receipts taxes					784,057	-	784,057
Property taxes					47,681	-	47,681
Motor vehicle registrations					39,805	-	39,805
Lodger's taxes					10,155	-	10,155
Other					15,214	4	15,218
Interest					100	-	100
Insurance Proceeds					18,961	52,671	71,632
Intergovernmental capital grant					-	8,900	8,900
Transfers					(20,795)	20,795	-
Total general revenues and transfers					995,244	82,370	1,077,614
Change in net assets					(155,156)	(139,404)	(294,560)
Net assets, beginning of year					4,578,612	2,983,123	7,561,735
Net assets, end of year					\$ 4,423,456	2,843,719	7,267,175

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

VILLAGE OF CUBA, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

	General	Emergency Medical Services	Nonmajor Governmental Funds	Total
ASSETS				
Cash	\$ 114,999	-	46,236	161,235
Cash - restricted	-	-	27,782	27,782
Receivables:				
Taxes:				
Gross receipts	116,831	-	-	116,831
Gasoline	11,424	-	-	11,424
Motor vehicle	6,369	-	-	6,369
Property	1,064	-	-	1,064
Franchise	6,114	-	-	6,114
Lodgers tax	-	-	1,319	1,319
Grants	1,990	72,600	2,616	77,206
Court fines and fees	7,208	-	2,626	9,834
Due from other funds	305,823	10,981	127,858	444,662
Total assets	\$ 571,822	83,581	208,437	863,840
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 51,589	72,600	20,299	144,488
Installment agreement - IRS	77,277	-	-	77,277
Accrued compensation and benefits	69,484	-	-	69,484
Deferred revenue	11,577	-	-	11,577
Due to other funds	154,484	-	43,491	197,975
Total liabilities	364,411	72,600	63,790	500,801
FUND BALANCES				
Restricted for:				
Special revenue funds	-	10,981	108,383	119,364
Debt service funds	-	-	27,782	27,782
Assigned to:				
Special revenue funds	-	-	7,825	7,825
Capital projects funds	-	-	(2,464)	(2,464)
Debt service funds	-	-	3,121	3,121
Unassigned:				
General fund	207,411	-	-	207,411
Total fund balances	207,411	10,981	144,647	363,039
Total liabilities and fund balances	\$ 571,822	83,581	208,437	863,840

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, 2011

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

Total fund balance - governmental funds	\$ 363,039
Accrued compensated absences not payable from current revenues.	(8,557)
Deferred revenue is recorded as income under the accrual method, and not the modified accrual method.	11,577
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,193,686
Long-term liabilities, including loans payable, are not and payable in the current period and, therefore are not reported in the governmental fund.	<u>(136,289)</u>
Net assets - governmental activities	<u><u>\$ 4,423,456</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, 2011

	General	Emergency Medical Services	Nonmajor Governmental Funds	Total
Revenues				
Taxes	\$ 955,912	-	25,852	981,764
Licenses, permits, fees, and fines	87,726	-	43,713	131,439
From federal sources:				
Grants	5,808	-	26,802	32,610
From non-federal sources:				
Intergovernmental	71,080	85,631	153,760	310,471
Interest	18	-	82	100
Other	15,214	-	-	15,214
Total revenues	1,135,758	85,631	250,209	1,471,598
Expenditures				
Current				
General government	648,652	-	-	648,652
Public safety	333,823	85,631	92,499	511,953
Highways and streets	727	-	9	736
Culture and recreation	136,792	-	24,740	161,532
Debt service - principal	-	-	44,021	44,021
Debt service - interest and fees	-	-	3,029	3,029
Capital outlay	63,201	-	87,616	150,817
Total expenditures	1,183,195	85,631	251,914	1,520,740
(Deficiency) excess of revenues over expenditures before other financings sources	(47,437)	-	(1,705)	(49,142)
Other Financing Sources (Uses)				
Insurance proceeds	18,961	-	-	18,961
Operating transfers in	-	-	68,347	68,347
Operating transfers out	(89,142)	-	-	(89,142)
Total other financing sources (uses)	(70,181)	-	68,347	(1,834)
Net change in fund balances	(117,618)	-	66,642	(50,976)
Fund balance, beginning of year	325,029	10,981	78,005	414,015
Fund balance, end of year	\$ 207,411	10,981	144,647	363,039

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, 2011

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

Net changes in fund balances - governmental funds \$ (50,976)

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	(293,895)	
Capital outlay	<u>150,817</u>	
Excess of depreciation over capital outlay		(143,078)

The repayment of the principal of capital loans consumes the current financial resources of governmental funds, but has no effect on net assets.		44,021
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Deferred revenue is recorded as income under the accrual method, and not the modified accrual method		(5,500)
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Accrued compensated absences are expensed under the accrual method, and not the modified accrual method.		<u>377</u>
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Change in net assets - governmental activities \$ (155,156)

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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 1,036,793	1,036,793	984,958	(51,835)
Licenses, permits, fees, and fines	269,745	269,745	89,119	(180,626)
Federal grants	-	-	6,782	6,782
Intergovernmental grants	151,117	151,117	71,080	(80,037)
Interest	-	-	18	18
Other	99,869	99,869	15,214	(84,655)
Total revenues	1,557,524	1,557,524	1,167,171	(390,353)
Expenditures				
General government	1,066,509	1,066,509	630,832	435,677
Public safety	380,000	380,000	333,823	46,177
Highways and streets	20,000	20,000	727	19,273
Culture and recreation	43,000	43,000	142,292	(99,292)
Capital outlay	-	-	63,201	(63,201)
Total expenditures	1,509,509	1,509,509	1,170,875	338,634
Excess (deficiency) of revenues over expenditures	48,015	48,015	(3,704)	(51,719)
Other financing sources (uses)				
Insurance proceeds			18,961	18,961
Operating transfers out	-	-	(89,142)	(89,142)
Total other financing sources	-	-	(70,181)	(70,181)
Net change in fund balance	48,015	48,015	(73,885)	(121,900)
Fund balance, beginning of year	325,029	325,029	325,029	-
Fund balance, end of year	\$ 373,044	373,044	251,144	(121,900)
Non-GAAP change in fund balance			\$ (73,885)	
Change in:				
Taxes receivable			(29,046)	
Grants receivable			(974)	
Court fines and fees receivable			(1,393)	
Accounts payable			(23,867)	
Installment agreement - IRS			7,345	
Accrued compensation and benefits			(1,298)	
Deferred revenue			5,500	
GAAP change in fund balance			<u>\$ (117,618)</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, 2011

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	88,031	88,031	88,031	-
Total revenues	88,031	88,031	88,031	-
Expenditures				
Public safety	88,031	88,031	88,031	-
Total expenditures	88,031	88,031	88,031	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	10,981	10,981	10,981	-
Fund balance, end of year	\$ 10,981	10,981	10,981	-
Non-GAAP change in fund balance			-	
Change in:				
Grants receivable			(2,400)	
Accounts payable			2,400	
GAAP change in fund balance			<u>\$ -</u>	

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

VILLAGE OF CUBA, NEW MEXICO
BALANCE SHEET - PROPRIETARY FUNDS
June 30, 2011

	Water and Sewer	Housing Authority	Total
ASSETS			
Current Assets			
Cash	\$ 65,056	34,286	99,342
Accounts receivable, net of allowance	39,891	8,853	48,744
Other assets	-	135	135
Due from other funds	-	52,671	52,671
Total current assets	<u>104,947</u>	<u>95,945</u>	<u>200,892</u>
Capital Assets			
Land and water rights	2,112	15,608	17,720
Construction in process	20,709	-	20,709
Plant and equipment	3,438,421	-	3,438,421
Buildings, improvements, and equipment	-	1,863,904	1,863,904
Accumulated depreciation	(1,412,943)	(816,830)	(2,229,773)
Total capital assets, net of accumulated depreciation	<u>2,048,299</u>	<u>1,062,682</u>	<u>3,110,981</u>
Total assets	<u>\$ 2,153,246</u>	<u>1,158,627</u>	<u>3,311,873</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 29,486	4,380	33,866
Gross receipts tax payable	75,783	-	75,783
Accrued compensation and benefits	2,914	990	3,904
Accrued compensated absences	6,930	-	6,930
Deposits payable	45,848	2,465	48,313
Due to other funds	279,281	20,077	299,358
Total current liabilities	<u>440,242</u>	<u>27,912</u>	<u>468,154</u>
Net Assets			
Invested in capital assets, net of related debt	2,048,299	1,062,682	3,110,981
Unrestricted	(335,295)	68,033	(267,262)
Total net assets	<u>1,713,004</u>	<u>1,130,715</u>	<u>2,843,719</u>
Total liabilities and net assets	<u>\$ 2,153,246</u>	<u>1,158,627</u>	<u>3,311,873</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, 2011

	Water and Sewer	Housing Authority	Total
Operating Revenues			
Sales and services	\$ 411,277	-	411,277
Facilities rentals	-	40,050	40,050
Other	-	4	4
	<u>411,277</u>	<u>40,054</u>	<u>451,331</u>
Operating expenses	399,881	110,404	510,285
Depreciation	116,527	46,289	162,816
Total operating expenses	<u>516,408</u>	<u>156,693</u>	<u>673,101</u>
Operating Loss	<u>(105,131)</u>	<u>(116,639)</u>	<u>(221,770)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental capital grant	8,900	-	8,900
Insurance proceeds	-	52,671	52,671
Transfers in	20,795	-	20,795
Total nonoperating revenues (expenses)	<u>29,695</u>	<u>52,671</u>	<u>82,366</u>
Change in net assets	(75,436)	(63,968)	(139,404)
Net assets, beginning of year	<u>1,788,440</u>	<u>1,194,683</u>	<u>2,983,123</u>
Net assets, end of year	<u><u>\$ 1,713,004</u></u>	<u><u>1,130,715</u></u>	<u><u>2,843,719</u></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, 2011

	Water and Sewer	Housing Authority	Total
Cash Flows From Operating Activities			
Cash received from customers and grantors	\$ 408,681	122,336	531,017
Cash payments to vendors and employees	(372,207)	(107,007)	(479,214)
Net cash provided by operating activities	36,474	15,329	51,803
Cash Flows From Noncapital and Related Financing Activities			
Change in due to/due from accounts	37,525	(52,671)	(15,146)
Operating transfers in	20,795	-	20,795
Net cash provided (used) by noncapital financing activities	58,320	(52,671)	5,649
Cash Flows From Capital and Related Financing Activities			
Capital grant received	8,900	-	8,900
Insurance proceeds	-	52,671	52,671
Purchase of capital assets	(54,198)	-	(54,198)
Net cash (used) provided by capital and related financing activities	(45,298)	52,671	7,373
Net change in cash	49,496	15,329	64,825
Cash, beginning of year	15,560	18,957	34,517
Cash, end of year	\$ 65,056	34,286	99,342

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, 2011

Reconciliation of operating loss to cash provided by operating activities				
Operating loss	\$	(105,131)	(116,639)	(221,770)
Adjustments to reconcile operating income to net cash flows:				
Depreciation expense		116,527	46,289	162,816
Allowance for uncollectible accounts		(1,923)	1,532	(391)
Changes in assets and liabilities:				
Accounts receivable		(14,405)	(725)	(15,130)
Grants receivable		11,809	82,767	94,576
Other assets		-	20	20
Accounts payable		(2,088)	1,845	(243)
Gross receipts tax payable		33,045	-	33,045
Accrued compensation and benefits		(571)	-	(571)
Accrued compensated absences		(1,649)	-	(1,649)
Deposits payable		860	240	1,100
Net cash provided by operating activities	\$	36,474	15,329	51,803

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, 2011

ASSETS

Cash	<u>\$ 14,681</u>
Total assets	<u><u>\$ 14,681</u></u>

LIABILITIES

Due to other entities	<u>\$ 14,681</u>
Total liabilities	<u><u>\$ 14,681</u></u>

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

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011.

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, 2011

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, 2011

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.

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

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

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

The Village reports the following major proprietary funds:

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

Housing Authority. To account for all of the financial resources related to public housing.

The Village reports the following fund types:

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

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

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

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

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.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Cash and Cash Equivalents (Continued)

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

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

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

C. Capital Assets

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

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.

**VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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

C. Capital Assets (Continued)

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

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

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

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

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

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

D. Accrued Employee Benefits

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave for proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Fund Equity

Beginning with fiscal year 2011, the Village implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the Village itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the Village takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the Village intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Trustees through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Village considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Village Trustees have provided otherwise in its commitment or assignment actions.

**VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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

E. Fund Equity (Continued)

Major Funds

The Emergency Medical Services Fund has Restricted Funds of \$10,981 at June 30, 2011, consisting of an amount due from the general fund as a result of a grant received in FY 2009 restricted for the Cuba Health Center Ambulance Services, which was deposited to the general fund.

Other Funds

The following non-major funds have a Restricted Fund Balance designated for specific purposes:

Corrections Fund: motor vehicle violation fee revenue of \$38,535 restricted by state statute for the costs of corrections.

Fire Protection Fund: annual fire grant allotment of \$39,507 restricted by state statute for the operations and maintenance of the fire department.

Law Enforcement Protection Fund: capital outlay grant \$11,622.

Library Fund: operating grants \$4,127.

Lodgers Tax Fund: lodgers tax of \$4,127 restricted for cultural and recreational activities.

Debt Service Fund: \$27,782 restricted as a reserve fund required by loan covenants.

Assigned funds consist of \$(2,710) and \$(2,404) in the Streets Fund and Capital projects fund, respectively, designated as due to the general fund, \$7,825 in the Recreation fund designated for Village recreational facilities and programs, and \$3,121 in the Debt Service Fund designated for the repayment of debt.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Net Assets

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

G. Interfund Transactions

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

H. Cash Flows

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

I. Budgetary Information

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general, special revenue, capital projects, and enterprise funds.

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

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

I. Budgetary Information (Continued)

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

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Implementation of New Accounting Standards

During the year ended June 30, 2011, the Village adopted Government Accounting Standards Board Statement (GASB) No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 GASB and AICPA Pronouncements*. The Village also adopted GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position*. Neither statement will have a material impact on the Village's financial statements.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011, the Village's bank balance total of \$312,901 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.

NOTE 3. ACCOUNTS RECEIVABLE – PROPRIETARY FUNDS

Accounts receivable represents billings for water and waste water fees and rent receivable from tenants of the housing authority. 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. Allowances are reported when accounts are proven to be uncollectible.

	Water and Waste Water	Housing Authority
Accounts receivable	\$ 50,568	18,885
Allowance for uncollectible accounts	(10,677)	(10,032)
	<u>\$ 39,891</u>	<u>8,853</u>

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4. CAPITAL ASSETS

Governmental fund capital asset activity for the year ending June 30, 2011 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets, not depreciated				
Land	\$ 86,130	-	-	86,130
Construction in process	607,465	-	-	607,465
Total, not depreciated	\$ 693,595	-	-	693,595
Capital assets, depreciated				
Buildings and improvements	\$ 3,579,506	31,254	-	3,610,760
Equipment and other	1,954,138	63,201	-	2,017,339
Infrastructure	-	56,362	-	56,362
Total, depreciated	5,533,644	150,817	-	5,684,461
Accumulated depreciation for				
Buildings and improvements	882,454	106,086	-	988,540
Equipment and other	1,008,021	185,930	-	1,193,951
Infrastructure	-	1,879	-	1,879
Total accumulated depreciation	1,890,475	293,895	-	2,184,370
Total capital assets, depreciated, net	\$ 3,643,169	(143,078)	-	3,500,091
Total capital assets, net	\$ 4,336,764	(143,078)	-	4,193,686

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

Governmental activities	
General government	\$ 41,251
Public safety	141,697
Highways and streets	23,064
Culture and recreation	87,883
Total depreciation expense	\$ 293,895

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4. CAPITAL ASSETS (CONTINUED)

Enterprise fund capital asset activity for the year ending June 30, 2011 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	15,608	-	-	-	15,608
Construction in process	11,808	8,901	-	-	20,709
Total, not depreciated	\$ 29,528	8,901	-	-	38,429
Capital assets, depreciated:					
Water and Waste Water:					
Plant and equipment	\$ 2,158,700	-	-	-	2,158,700
Infrastructure	910,846	45,296	-	-	956,142
Equipment and other	323,579	-	-	-	323,579
Housing Authority:					
Buildings and improvements	1,740,942	-	-	-	1,740,942
Equipment and other	122,962	-	-	-	122,962
Total, depreciated	5,257,029	45,296	-	-	5,302,325
Accumulated depreciation for:					
Water and Waste Water	1,296,417	116,527	-	-	1,412,944
Housing Authority	770,540	46,289	-	-	816,829
Total accumulated depreciation	2,066,957	162,816	-	-	2,229,773
Total capital assets, depreciated, net	\$ 3,190,072	(117,520)	-	-	3,072,552
Total capital assets, net	\$ 3,219,600	(108,619)	-	-	3,110,981

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2011, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Loan payable	\$ 180,310	-	(44,021)	136,289	44,679
Compensated absences	8,934	13,460	(13,837)	8,557	8,557
Total	\$ 189,244	13,460	(57,858)	144,846	53,236

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
2012	\$ 29,051	2,077	31,128
2013	29,757	1,446	31,203
2014	30,530	750	31,280
	<u>\$ 89,338</u>	<u>4,273</u>	<u>93,611</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, 2011

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

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 15,628	86	15,714
2013	15,654	60	15,714
2014	15,669	32	15,701
	<u>\$ 46,951</u>	<u>178</u>	<u>47,129</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, 2011, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 8,579	4,158	(5,807)	6,930	6,930

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, 2011

NOTE 8. INTERFUND BALANCES

Interfund balances at June 30, 2011 consisted of the following amounts:

Due to the general fund from:	
Streets	\$ 39,727
Corrections	1,300
Capital projects	2,464
Water and sewer	242,255
Housing authority	20,077
Total due to the general fund	<u>\$ 305,823</u>
Due from general fund to:	
Law enforcement protection	\$ 11,774
Fire protection	39,507
Emergency medical services	10,981
Lodgers tax	4,537
Recreation	3,330
Corrections	31,684
Housing authority	52,671
Total due from the general fund	<u>\$ 154,484</u>
Due from water and sewer to:	
General	\$ 242,255
Non-major	37,026
Total due from the water and sewer fund	<u>\$ 279,281</u>
Due from housing authority to:	
General	<u>\$ 20,077</u>
Due to the housing fund from:	
General fund	<u>\$ 52,671</u>
Due to the emergency medical services fund from:	
General fund	<u>\$ 10,981</u>
Due from the water and sewer to:	
Streets	<u>\$ 37,026</u>
Due from the housing authority fund to:	
General fund	<u>\$ 20,077</u>
Due from non-major funds to:	
General fund	<u>\$ 43,491</u>

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 8. INTERFUND BALANCES (CONTINUED)

Due to non-major funds from:

General	\$	90,832
Water and sewer		<u>37,026</u>
Total due from the general fund		<u>\$ 127,858</u>

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

NOTE 9. INTERFUND OPERATING TRANSFERS

The following is a schedule of operating transfers:

	Transfers In	Transfers Out
Governmental Funds		
Major Funds		
General	\$ -	89,142
Non-major Funds		
Library	55,985	-
Streets	12,362	-
Enterprise Funds		
Water and sewer	20,795	-
Total	<u>\$ 89,142</u>	<u>89,142</u>

The above transfers were to transfer money for expenses paid from the wrong fund.

NOTE 10. PERA PENSION PLAN

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

Funding Policy. 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.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 10. PERA PENSION PLAN (CONTINUED)

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, 2011, 2010, and 2009 were \$69,078, \$72,072, and, \$37,892, respectively. We could not determine if the proper amounts were paid during the three years.

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

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

NOTE 12. RISK MANAGEMENT

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

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

NOTE 13. DEFICIT FUND BALANCE

The Village had a deficit fund balance of \$2,710 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 14. EXCESS OF EXPENDITURES OVER BUDGET

The library funds expenditures exceeded authorized budgets by \$9,735.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 15. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through January 18, 2013, 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, 2011

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.

Library. To account for grant revenues and expenses related to operations of the Village of Cuba public library. Authority is NMAC 4-5-8.

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, 2011**

	Corrections	Fire Protection	Law Enforcement Protection
ASSETS			
Cash	\$ 6,865	8,833	1,224
Cash - restricted	-	-	-
Receivables			
Taxes			
Lodgers tax	-	-	-
Gasoline tax	-	-	-
Court fines and fees	2,626	-	-
Due from other funds	31,684	39,507	11,774
	<hr/>		
Total assets	\$ 41,175	48,340	12,998
	<hr/> <hr/>		
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,340	8,833	-
Due to other funds	1,300	-	-
	<hr/>		
Total liabilities	2,640	8,833	-
	<hr/> <hr/>		
FUND BALANCES			
Restricted, special revenues	38,535	39,507	12,998
Restricted, debt service	-	-	-
Assigned, special revenues			
Assigned, capital projects	-	-	-
Assigned, debt service	-	-	-
	<hr/>		
Total fund balances	38,535	39,507	12,998
	<hr/> <hr/>		
Total liabilities and fund balances	\$ 41,175	48,340	12,998
	<hr/> <hr/>		

**VILLAGE OF CUBA, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2011**

	Library	Lodgers Tax	Streets
ASSETS			
Cash	\$ 9,616	12,477	(9)
Cash - restricted	-	-	-
Receivables			
Taxes			
Lodgers tax	-	1,319	-
Gasoline tax	-	-	-
Court fines and fees	-	-	-
Due from other funds	-	4,537	37,026
	<hr/>		
Total assets	\$ 9,616	18,333	37,017
	<hr/> <hr/>		
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5,489	2,407	-
Due to other funds	-	-	39,727
	<hr/>		
Total liabilities	5,489	2,407	39,727
	<hr/> <hr/>		
 FUND BALANCES			
Restricted, special revenues	4,127	15,926	(2,710)
Restricted, debt service	-	-	-
Assigned, special revenues			
Assigned, capital projects	-	-	-
Assigned, debt service	-	-	-
	<hr/>		
Total fund balances	4,127	15,926	(2,710)
	<hr/> <hr/>		
Total liabilities and fund balances	\$ 9,616	18,333	37,017
	<hr/> <hr/>		

**VILLAGE OF CUBA, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2011**

	Recreation	Capital Projects	Debt Service
ASSETS			
Cash	\$ 4,495	-	2,735
Cash - restricted	-	-	27,782
Receivables			
Taxes			
Lodgers tax	-	-	-
Gasoline tax	-	-	2,616
Court fines and fees	-	-	-
Due from other funds	3,330	-	-
	<hr/>		
Total assets	\$ 7,825	-	33,133
	<hr/> <hr/>		
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	2,230
Due to other funds	-	2,464	-
	<hr/>		
Total liabilities	-	2,464	2,230
	<hr/> <hr/>		
FUND BALANCES			
Restricted, special revenues		-	
Restricted, debt service	-	-	27,782
Assigned, special revenues	7,825		
Assigned, capital projects	-	(2,464)	-
Assigned, debt service	-	-	3,121
	<hr/>		
Total fund balances	7,825	(2,464)	30,903
	<hr/> <hr/>		
Total liabilities and fund balances	\$ 7,825	-	33,133
	<hr/> <hr/>		

**VILLAGE OF CUBA, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2011**

	Total Nonmajor
ASSETS	
Cash	\$ 46,236
Cash - restricted	27,782
Receivables	
Taxes	
Lodgers tax	1,319
Gasoline tax	2,616
Court fines and fees	2,626
Due from other funds	<u>127,858</u>
Total assets	<u><u>\$ 208,437</u></u>
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 20,299
Due to other funds	<u>43,491</u>
Total liabilities	<u><u>63,790</u></u>
 FUND BALANCES	
Restricted, special revenues	108,383
Restricted, debt service	27,782
Assigned, special revenues	7,825
Assigned, capital projects	(2,464)
Assigned, debt service	<u>3,121</u>
Total fund balances	<u><u>144,647</u></u>
Total liabilities and fund balances	<u><u>\$ 208,437</u></u>

VILLAGE OF CUBA, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2011

	Corrections	Fire Protection	Law Enforcement Protection
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, and fines	33,340	-	-
From federal sources			
Grants	-	-	-
From non-federal sources			
Intergovernmental	-	45,920	23,000
Interest	-	-	-
	<hr/>		
Total revenues	33,340	45,920	23,000
	<hr/>		
Expenditures			
Current			
Public safety	24,753	45,920	21,826
Highways and streets	-	-	-
Culture and recreation	-	-	-
Debt service - principal	-	-	-
Debt service - interest and fees	-	-	-
Capital outlay	-	-	-
	<hr/>		
Total expenditures	24,753	45,920	21,826
	<hr/>		
Excess (deficiency) of revenues over expenditures before other financing sources	8,587	-	1,174
	<hr/>		
Other financing sources (uses)			
Operating transfers in	-	-	-
	<hr/>		
Total other financing sources (uses)	-	-	-
	<hr/>		
Net change in fund balances	8,587	-	1,174
	<hr/>		
Fund balance, beginning of year	29,948	39,507	11,824
	<hr/>		
Fund balance, end of year	\$ 38,535	39,507	12,998
	<hr/> <hr/>		

VILLAGE OF CUBA, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2011

	Library	Lodgers Tax	Streets
Revenues			
Taxes	\$ -	10,155	-
Licenses, permits, fees, and fines	770	-	-
From federal sources			
Grants	26,802	-	-
From non-federal sources			
Intergovernmental	11,265	-	44,000
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	38,837	10,155	44,000
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
Public safety	-	-	-
Highways and streets	-	-	9
Culture and recreation	9,450	12,155	-
Debt service - principal	-	-	-
Debt service - interest and fees	-	-	-
Capital outlay	31,254	-	56,362
	<hr/>	<hr/>	<hr/>
Total expenditures	40,704	12,155	56,371
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures before other financing sources	(1,867)	(2,000)	(12,371)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Operating transfers in	55,985	-	12,362
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	55,985	-	12,362
	<hr/>	<hr/>	<hr/>
Net change in fund balances	54,118	(2,000)	(9)
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	(49,991)	17,926	(2,701)
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 4,127	15,926	(2,710)
	<hr/>	<hr/>	<hr/>

**VILLAGE OF CUBA, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2011**

	Recreation	Capital Projects	Debt Service
Revenues			
Taxes	\$ -	-	15,697
Licenses, permits, fees, and fines	9,603	-	-
From federal sources			
Grants	-	-	-
From non-federal sources			
Intergovernmental	-	-	29,575
Interest	-	-	82
	<hr/>		
Total revenues	9,603	-	45,354
	<hr/>		
Expenditures			
Current			
Public safety	-	-	-
Highways and streets	-	-	-
Culture and recreation	3,135	-	-
Debt service - principal	-	-	44,021
Debt service - interest and fees	-	-	3,029
Capital outlay	-	-	-
	<hr/>		
Total expenditures	3,135	-	47,050
	<hr/>		
Excess (deficiency) of revenues over expenditures before other financing sources	6,468	-	(1,696)
	<hr/>		
Other financing sources (uses)			
Operating transfers in	-	-	-
	<hr/>		
Total other financing sources (uses)	-	-	-
	<hr/>		
Net change in fund balances	6,468	-	(1,696)
	<hr/>		
Fund balance, beginning of year	1,357	(2,464)	32,599
	<hr/>		
Fund balance, end of year	\$ 7,825	(2,464)	30,903
	<hr/> <hr/>		

VILLAGE OF CUBA, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2011

	Total Non-major
Revenues	
Taxes	\$ 25,852
Licenses, permits, fees, and fines	43,713
From federal sources	
Grants	26,802
From non-federal sources	
Intergovernmental	153,760
Interest	82
	<hr/>
Total revenues	250,209
	<hr/>
Expenditures	
Current	
Public safety	92,499
Highways and streets	9
Culture and recreation	24,740
Debt service - principal	44,021
Debt service - interest and fees	3,029
Capital outlay	87,616
	<hr/>
Total expenditures	251,914
	<hr/>
Excess (deficiency) of revenues over expenditures before other financing sources	(1,705)
	<hr/>
Other financing sources (uses)	
Operating transfers in	68,347
	<hr/>
Total other financing sources (uses)	68,347
	<hr/>
Net change in fund balances	66,642
Fund balance, beginning of year	78,005
	<hr/>
Fund balance, end of year	\$ 144,647
	<hr/> <hr/>

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CORRECTIONS
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses, permits, fees and fines	\$ 55,000	55,000	34,754	(20,246)
Total revenues	<u>55,000</u>	<u>55,000</u>	<u>34,754</u>	<u>(20,246)</u>
Expenditures				
Public safety	55,000	55,000	27,889	27,111
Total expenditures	<u>55,000</u>	<u>55,000</u>	<u>27,889</u>	<u>27,111</u>
Net change in fund balance	-	-	6,865	6,865
Fund balance, beginning of year	29,948	29,948	29,948	-
Fund balance, end of year	<u>\$ 29,948</u>	<u>29,948</u>	<u>36,813</u>	<u>6,865</u>
Non-GAAP change in fund balance			\$ 6,865	
Change in:				
Court fees and fines receivable			(1,414)	
Accounts payable			<u>3,136</u>	
GAAP change in fund balance			<u>\$ 8,587</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE PROTECTION
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 58,584	58,584	45,290	(13,294)
Expenditures				
Public safety	58,584	58,584	36,457	22,127
Net change in fund balance	-	-	8,833	8,833
Fund balance, beginning of year	39,507	39,507	39,507	-
Fund balance, end of year	\$ 39,507	39,507	48,340	8,833
Non-GAAP change in fund balance			\$ 8,833	
Change in:				
Accounts payable			<u>(8,833)</u>	
GAAP change in fund balance			<u>\$ -</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 23,000	23,000	23,000	-
Expenditures				
Public safety	23,000	23,000	21,826	1,174
Capital outlay	-	-	-	-
Total expenditures	23,000	23,000	21,826	1,174
Net change in fund balance	-	-	1,174	1,174
Fund balance, beginning of year	11,824	11,824	11,824	-
Fund balance, end of year	\$ 11,824	11,824	12,998	1,174

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LIBRARY
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ -	-	770	770
Federal grants	-	-	26,802	
Intergovernmental grants	25,480	25,480	11,265	(14,215)
Total revenues	25,480	25,480	38,837	(13,445)
Expenditures				
Culture and recreation	25,480	25,480	3,961	21,519
Capital outlay	-	-	31,254	(31,254)
Total expenditures	25,480	25,480	35,215	(9,735)
Excess of revenues over expenditures	-	-	3,622	(3,710)
Other financing uses				
Operating transfers in	-	-	55,985	55,985
Total other financing sources	-	-	55,985	55,985
Net change in fund balance	-	-	59,607	(23,180)
Fund balance, beginning of year	(49,991)	(49,991)	(49,991)	-
Fund balance, end of year	\$ (49,991)	(49,991)	9,616	(23,180)
Prior year cash appropriated	49,991	49,991		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP change in fund balance			\$ 59,607	
Change in:				
Accounts payable			<u>(5,489)</u>	
GAAP change in fund balance			<u>\$ 54,118</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LODGERS TAX
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 12,500	12,500	11,864	(636)
Total revenues	<u>12,500</u>	<u>12,500</u>	<u>11,864</u>	<u>(636)</u>
Expenditures				
Culture and recreation	15,000	15,000	9,748	5,252
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>9,748</u>	<u>5,252</u>
Net change in fund balance	(2,500)	(2,500)	2,116	4,616
Fund balance, beginning of year	17,926	17,926	17,926	-
Fund balance, end of year	<u><u>\$ 15,426</u></u>	<u><u>15,426</u></u>	<u><u>20,042</u></u>	<u><u>4,616</u></u>
Non-GAAP change in fund balance			\$ 2,116	
Change in:				
Lodgers tax receivable			(1,709)	
Accounts payable			<u>(2,407)</u>	
GAAP change in fund balance			<u><u>\$ (2,000)</u></u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
STREETS
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Grants	\$ 44,000	44,000	44,000	-
Other	14,667	14,667	-	(14,667)
Total revenues	58,667	58,667	44,000	(14,667)
Expenditures				
Highways and streets	14,667	14,667	9	14,658
Capital outlay	44,000	44,000	56,362	(12,362)
Total expenditures	58,667	58,667	56,371	2,296
Excess of revenues over expenditures	-	-	(12,371)	(12,371)
Other financing sources (uses)				
Transfers in	-	-	12,362	12,362
Total other financing (uses)	-	-	12,362	12,362
Net change in fund balance	-	-	(9)	(9)
Fund balance, beginning of year	(2,701)	(2,701)	(2,701)	-
Fund balance, end of year	(2,701)	(2,701)	(2,710)	(9)
Prior year cash appropriated	2,701	2,701	2,710	
\$	-	-	-	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
RECREATION
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ -	-	9,886	9,886
Licenses, permits, fees, and fines	9,000	9,000	-	(9,000)
Total revenues	<u>9,000</u>	<u>9,000</u>	<u>9,886</u>	<u>886</u>
Expenditures				
Culture and recreation	9,000	9,000	4,033	4,967
Net change in fund balance	-	-	5,853	5,853
Fund balance, beginning of year	1,357	1,357	1,357	-
Fund balance, end of year	<u>\$ 1,357</u>	<u>1,357</u>	<u>7,210</u>	<u>5,853</u>
Non-GAAP change in fund balance			\$ 5,853	
Change in:				
Accounts receivable			(283)	
Accounts payable			898	
GAAP change in fund balance			<u>\$ 6,468</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 975,000	975,000	92,860	(882,140)
Expenditures				
Capital outlay	975,000	975,000	-	975,000
Net change in fund balance	-	-	92,860	92,860
Fund balance, beginning of year	(2,464)	(2,464)	(2,464)	-
Fund balance, end of year	(2,464)	(2,464)	90,396	92,860
Prior year cash appropriated	2,464	2,464		
Fund balance, end of year	\$ -	-		
Non-GAAP change in fund balance			\$ 92,860	
Change in:				
Grants receivable			(92,860)	
GAAP change in fund balance			\$ -	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
DEBT SERVICE
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 180,310	180,310	15,697	(164,613)
Intergovernmental grants	-	-	29,575	29,575
Interest	-	-	82	82
Total revenues	180,310	180,310	45,354	(134,956)
Expenditures				
Debt service - principal	180,310	180,310	44,021	136,289
Debt service - interest and fees	-	-	3,029	(3,029)
Total expenses	180,310	180,310	47,050	133,260
Net change in fund balance	-	-	(1,696)	(1,696)
Fund balance, beginning of year	32,599	32,599	32,599	-
Fund balance, end of year	\$ 32,599	32,599	30,903	(1,696)

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Sales and services	\$ 445,000	445,000	394,949	(50,051)
Expenses				
Operating	445,000	445,000	371,144	73,856
Excess of revenues over expenditures	-	-	23,805	23,805
Other financing sources (uses)				
Operating transfers in	-	-	20,795	20,795
Intergovernmental capital grants	-	-	20,709	20,709
Total other financing sources (uses)	-	-	41,504	41,504
Change in net assets	-	-	65,309	65,309
Net assets, beginning of year	1,788,440	1,788,440	1,788,440	-
Net assets, end of year	\$ 1,788,440	1,788,440	1,853,749	65,309
Non-GAAP change in fund balance			\$ 65,309	
Change in:				
Accounts receivable, net of allowance			16,328	
Grant receivable			(11,809)	
Accounts payable			2,088	
Gross receipts tax payable			(33,045)	
Accrued compensation and benefits			571	
Accrued compensated absences			1,649	
Non-budgeted items:				
Depreciation			(116,527)	
GAAP change in net assets			\$ (75,436)	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
HOUSING AUTHORITY ENTERPRISE FUND
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Sales and services	\$ 60,200	60,200	40,861	(19,339)
Federal grants	55,000	55,000	82,767	27,767
Total revenues	115,200	115,200	123,628	8,428
Expenses				
Operating	111,900	111,900	108,559	3,341
Total expenditures	111,900	111,900	108,559	3,341
Excess of revenues over expenditures	3,300	3,300	15,069	11,769
Other financing sources (uses)				
Insurance proceeds	-	-	52,671	52,671
Total other financing sources (uses)	-	-	52,671	52,671
Change in net assets	3,300	3,300	67,740	64,440
Net assets, beginning of year	1,194,683	1,194,683	1,194,683	-
Net assets, end of year	\$ 1,197,983	1,197,983	1,262,423	64,440
Non-GAAP change in fund balance			\$ 67,740	
Change in:				
Accounts receivable, net of allowance			(807)	
Grant receivable			(82,767)	
Accounts payable			(1,845)	
Non-budgeted items:				
Depreciation			(46,289)	
GAAP change in net assets			<u>\$ (63,968)</u>	

VILLAGE OF CUBA, NEW MEXICO
AGENCY FUNDS
June 30, 2011

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, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
MOTOR VEHICLE FUND				
ASSETS				
Cash	\$ 200	299,628	299,628	200
Total assets	\$ 200	299,628	299,628	200
LIABILITIES				
Due to other entities	\$ 200	299,628	299,628	200
Total liabilities	\$ 200	299,628	299,628	200
MUNICIPAL COURT FUND				
ASSETS				
Cash	\$ 15,753	119,532	122,437	12,848
Total assets	\$ 15,753	119,532	122,437	12,848
LIABILITIES				
Due to other entities	\$ 15,753	119,532	122,437	12,848
Total liabilities	\$ 15,753	119,532	122,437	12,848
MUNICIPAL JUDGE'S BOND FUND				
ASSETS				
Cash	\$ 2,701	3,109	4,177	1,633
Total assets	\$ 2,701	3,109	4,177	1,633
LIABILITIES				
Due to other entities	\$ 2,701	3,109	4,177	1,633
Total liabilities	\$ 2,701	3,109	4,177	1,633
TOTAL				
ASSETS				
Cash	\$ 18,654	422,269	426,242	14,681
Total assets	\$ 18,654	422,269	426,242	14,681
LIABILITIES				
Due to other entities	\$ 18,654	422,269	426,242	14,681
Total liabilities	\$ 18,654	422,269	426,242	14,681

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2011

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Wells Fargo	General	Checking	\$ 41,393	40,829
Wells Fargo	Miscellaneous Grants	Checking	55,967	55,967
Wells Fargo	Corrections Fund	Checking	8,406	6,865
Wells Fargo	Fire Protection	Checking	9,978	8,833
Wells Fargo	Law Enforcement Protection	Checking	4,984	1,174
Wells Fargo	Library	Checking	9,616	9,616
Wells Fargo	Lodgers Tax	Checking	17,950	12,477
Wells Fargo	Streets	Checking	(9)	(9)
Wells Fargo	Recreation	Checking	4,445	4,445
Wells Fargo	Water and Sewer System	Checking	54,665	57,593
Wells Fargo	Water and Sewer Improvements	Checking	1,945	1,945
Wells Fargo	W/S Deposits	Checking	5,525	5,422
Wells Fargo	Public Housing	Checking	32,371	31,821
Wells Fargo	Public Housing Deposits	Checking	2,465	2,465
Bank of Albuquerque	Debt Service Reserve	Checking	27,782	27,782
Bank of Albuquerque	Debt Service	Checking	117	117
Bank of Albuquerque	Debt Service Program Funds	Checking	2,617	2,617
Cuba Credit Union	Regular Share Account	Savings	18,203	18,203
Cash and cash equivalents			<u>298,420</u>	<u>288,162</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>197</u>
Total deposit and investment accounts - non-agency			<u>298,420</u>	<u>288,359</u>
Agency funds cash accounts				
Petty cash	MVD Cash Drawer	Petty Cash	-	200
Cuba Credit Union	Municipal Court	Checking	12,848	12,848
Cuba Credit Union	Municipal Court	Savings	102	102
Cuba Credit Union	Municipal Judge's Bonds	Checking	1,531	1,531
Total cash - agency funds			<u>14,481</u>	<u>14,681</u>
Total depository accounts			<u>\$ 312,901</u>	<u>303,040</u>

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2011

	Wells Fargo	Cuba Credit Union	Bank of Albuquerque	Total
Deposits at June 30, 2011	\$ 249,701	32,684	30,516	312,901
Less: FDIC coverage	249,701	32,684	30,516	312,901
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, 2011

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	\$ -	Sandoval County	Sandoval County
Prisoner Housing	County of Sandoval Village of Cuba	Sandoval County	To provide housing of municipal prisoners arrested by the Village and confined in the Sandoval County Detention Center.	Indefinite	\$64 per inmate per day	\$ 24,753	Sandoval County	Sandoval County
Wildland fire protection and suppression	Energy, Minerals and Natural Resources Department (EMNRD) Forestry Division Village of Cuba	EMNRD	Mutual wildland fire suppression and management assistance and cooperation	Indefinite	Payments are on a reimbursement basis	-	EMNRD	EMNRD
Mutual and/or automatic aid for fire protection and EMS	County of Sandoval Village of Cuba 18 other counties and municipalites	Sandoval County	The cooperators provide mutual assistance to each other in extinguishing fires and in preserving life and property	5/27/09 - 5/26/14	No compensation	-	Sandoval County	Sandoval County

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF APPROPRIATIONS
June 30, 2011

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
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
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	20,709	329,291
SAP 09-3811	4/24/2010	06/30/2013	225,000	-	225,000
SAP 09-3811	4/24/2010	06/30/2013	50,000	-	50,000
Total			3,250,000	1,505,709	1,744,291

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, 2011

FDS		Low Rent
Line #	Accounts Description	Housing Project
		(LRH)
ASSETS:		
111	Cash - Unrestricted	\$ 32,046
114	Cash - Tenant Security Deposits	2,240
100	Total Cash	<u>34,286</u>
124	Accounts Receivable - Other Government	59,501
125	Accounts Receivable - Miscellaneous	135
126	Accounts Receivable - Tenants - Dwelling Rents	12,055
126.1	Allowance for Doubtful Accounts	<u>(10,032)</u>
120	Total Receivables, net of allowances for doubtful accounts	<u>61,659</u>
150	Total Current Assets	<u>95,945</u>
161	Land	15,608
162	Buildings	1,707,906
163	Furniture, Equipment & Machinery - Dwelling	42,798
164	Furniture, Equipment & Machinery - Administration	75,410
165	Leasehold Improvements	37,790
166	Accumulated Depreciation	<u>(816,830)</u>
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,062,682</u>
180	Total Non-Current Assets	<u>1,062,682</u>
190	Total Assets	<u>\$ 1,158,627</u>
LIABILITIES:		
312	Accounts payable < 90 days	\$ 4,380
322	Accrued Compensated Absences - Current	990
333	Accounts payable - Other Government	20,077
341	Tenant Security Deposits	2,465
310	Total Current Liabilities	<u>27,912</u>
300	Total Liabilities	<u>27,912</u>
508.1	Invested in Capital Assets, Net of Related Debt	1,062,682
511	Total Reserved Fund Balance	<u>1,062,682</u>
512.1	Unrestricted Net Assets	<u>68,033</u>
513	Total Equity/Net Assets	<u>1,130,715</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 1,158,627</u>

VILLAGE OF CUBA, NEW MEXICO
HOUSING AUTHORITY FINANCIAL DATA SCHEDULE (CONTINUED)
June 30, 2011

FDS		Low Rent
Line #	Accounts Description	Housing Project
		(LRH)
REVENUE:		
703	Net Tenant Rental Revenue	\$ 40,050
704	Tenant Revenue - Other	4
705	Total Tenant Revenue	<u>40,054</u>
715	Other Revenue	<u>52,671</u>
700	Total Revenue	<u>92,725</u>
EXPENSES:		
911	Administrative Salaries	26,952
913	Bookkeeping Fee	9,363
915	Employee Benefit Contributions - Administrative	10,209
916	Office Expenses	2,384
918	Travel	1,580
919	Other	6,939
910	Total Operating - Administrative	<u>57,427</u>
931	Water	16,942
932	Electricity	3,324
933	Gas	3,133
930	Total Utilities	<u>23,399</u>
941	Ordinary Maintenance and Operations - Labor	2,223
942	Ordinary Maintenance and Operations - Materials and Other	14,536
943	Ordinary Maintenance and Operations - Contracts	11,287
940	Total Maintenance	<u>28,046</u>
964	Bad Debt-Tenant Rents	<u>1,532</u>
960	Total Other General Expenses	<u>1,532</u>
969	Total Operating Expenses	<u>110,404</u>
970	Excess Operating Revenue over Operating Expenses	<u>(17,679)</u>
974	Depreciation Expense	<u>46,289</u>
900	Total Expenses	<u>156,693</u>

VILLAGE OF CUBA, NEW MEXICO
HOUSING AUTHORITY FINANCIAL DATA SCHEDULE (CONTINUED)
June 30, 2011

FDS		Low Rent
<u>Line #</u>	<u>Accounts Description</u>	<u>Housing Project</u>
		<u>(LRH)</u>
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)	<u>-</u>
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>\$ (63,968)</u>
1103	Beginning Equity	<u>\$ 1,194,683</u>
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	-
1117	Administrative Fee Equity	-
1118	Housing Assistance Payments Equity	<u>-</u>
1119	Unit Months Available	336
1121	Number of Unit Months Leased	235
1127	Excess Cash	7,825

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, 2011, and have issued our report thereon dated January 18, 2013 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 would not be 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2007-1, 2007-8, 2008-7, 2010-1, and 2011-1.

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 deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies: 2007-4, 2008-2, 2008-5, and 2011-2.

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 which are described in the accompanying schedule of findings and responses as items 2007-5, 2008-5, 2008-6, and 2011-2.

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.



Albuquerque, New Mexico
January 18, 2013

VILLAGE OF CUBA, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011

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	Resolved
2008-5	Payroll Disbursements	Modified and repeated
2008-6	Compliance with Travel and Per Diem	Modified and repeated
2008-7	Joint Utility Billing Revenue and Taxes Payable	Modified and repeated
2010-1	Recording of Capital Assets	Modified and repeated

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS – FINANCIAL STATEMENTS AUDIT

2007-1 Late Audit Report (Material Weakness)

CONDITION

The June 30, 2011 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 February 27, 2013.

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, 2011 report to be filed by December 1, 2011.

EFFECT

The Village is not in compliance with State Auditor rule NMAC 2.2.2.9.A for the fiscal year ended June 30, 2011. 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, 2011**

FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

2007-4 Water and Sewer Deposits not Adequately Funded (Significant Deficiency)

CONDITION

The Village has a \$45,848 water and sewer deposit liability, but only \$5,422 in cash in the water and sewer fund designated for customer deposits. 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 ensure funds are not expended. The Village should reconcile the account to the deposits payable listing to ensure the funds are adequate.

MANAGEMENT RESPONSE

Management Response is that the Village was able to retrieve a binder and a rolodex file with water and sewer deposits established from 1967 up to 1999. According to the files, water and sewer deposits were refunded during that time frame. A spreadsheet will be created with the customer name, date of deposit recorded, date of deposit refunded to customer with check number. The Village will follow the process to maintain adequate water and sewer deposits to cover the deposit liability and transfer the funds from the water and sewer operating fund to the water and sewer deposit fund.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

2007-5 Excess of Expenditures Over Authorized Budget (Other)

CONDITION

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

- Library by \$9,735

CRITERIA

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

EFFECT

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

CAUSE

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

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, 2011**

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, 2011**

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, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

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

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, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

**2008-2 Disaster Recovery Plan and Information Technology General Controls
(Other) (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, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-5 Payroll Disbursements (Other)

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 four employees timecards were missing.
- For twenty five employees authorized pay rates were not on file.
- For eleven employees the I-9 was missing from their personnel file or the form was incomplete.
- For nine employees the timesheet activity was not complete and/or does not match the payroll register.
- For thirteen employees the FICA tax exempt wages were not excluded from FICA tax calculations.
- One employee who worked double time was paid at the wrong rate resulting in an overpayment of \$63.

In addition, as part of our audit we tested compensated absence balances at June 30, 2011. We noted the tracking report included balances totaling 1,558 hours for employees that either were not eligible to accrue vacation benefits, or that were no longer working for the Village at June 30, 2011.

We also noted from 941 reports that employee contributions to PERA for the police department were excluded from wages, tips and other compensation, however employee contributions to PERA for all other employees were not excluded from total wages, tips and other compensation. In addition certain elective deferrals such as healthcare, dental and supplemental insurance that should be treated as nontaxable were included in taxable wages in current year.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-5 Payroll Disbursements (Other) (Continued)

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. Compensated absences should be tracked, and recorded in the financial statements for enterprise funds.

Internal Revenue Service Publication 15 (Circular E) defines amounts that are includable in taxable wages and amounts that are includable in total wages. Elective deferrals such as a retirement plan should not be included in wages, tips, and other compensation but should be included in taxable social security wages. In addition, cafeteria plan benefits under a qualified section 125 plan should be excluded from taxable wages.

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

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 when hours paid do not match timecards or timecards are incomplete. This could result 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. Wages were incorrectly reported to the Internal Revenue Service, which could result in fines and penalties for underpayment of federal taxes.

Leave balances were misstated at year end.

CAUSE

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

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-5 Payroll Disbursements (Other) (Continued)

CAUSE (CONTINUED)

The Village has inadequate review of leave tracking reports. Balances were not recorded in the financial statements because the Village did not obtain the leave tracking reports until the date of fieldwork.

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

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.

The Village should regularly review leave tracking reports to ensure they accurately reflect the number of hours accrued and the resulting liability to the Village. The Village should use the reports to record accrued compensated absences in the enterprise fund.

MANAGEMENT RESPONSE

The Village Clerk has performed a personnel file audit to correct any deficiencies:

1. Time Cards are filed together with Payroll Registers
2. I-9 forms were updated for each employee with supporting documents placed in each personnel file.
3. Timesheet activity and time cards will be reviewed sufficiently to match payroll register for the specific payroll period.
4. Wells Fargo Payroll Services has been informed of the FICA tax exempt wages that were not excluded from FICA tax calculations.
5. Wells Fargo Payroll Services will be informed of the payroll codes and 941 reports to prevent any payroll deficiencies. Pre-tax has been corrected for PERA Contributions and Insurance Contributions for employees.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-6 Compliance with Travel and Per Diem (Other)

CONDITION

We tested 3 travel and per diem disbursements as part of our audit. We noted the following:

- For four of the disbursements tested the per diem rate was paid 100% in advance of travel.
- For four of the disbursements tested the individual was compensated at per diem rates established for non-salaried public officers and employees; however the individuals receiving disbursements are salaried. This resulted in overpayments of \$40.
- For two disbursements the Village was unable to produce supporting documentation.

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.
- Section 10-8-4, NMSA 1978, Section A states that every nonsalaried public officer shall receive either up to ninety-five dollars per diem expenses for each board or committee meeting attended or for each day spent in discharge of official duties for travel within the state but away from the officer's home. Section B states that every salaried public officer or employee who is traveling within the state but away from the officer's or employee's home and designated post of duty on official business shall receive up to eighty-five dollars per diem expenses for each day spent in the discharge of official duties for a salaried public officer or employee of a local public body or state agency. 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.
- Section 2.42.2.10, NMAC, Section A, states upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-6 Compliance with Travel and Per Diem (Other) (Continued)

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.

CAUSE

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

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 issues a travel voucher and will ensure that all receipts are attached and submitted for all Per Diem and Travel. The Village Clerk will attend training offered by DFA on the Mileage and Per Diem Act.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

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

CONDITION

As part of our audit we compared joint utility revenue as per the billing registers to recorded revenue. Recorded revenue exceeded billing reports by \$9,352. In addition 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 nine 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.
- Six customers were being charged a rate inconsistent with established rates resulting in under charges of \$3 and over charges of \$137.
- Seventeen customers were being charged a tax rate inconsistent with established rates.

CRITERIA

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

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

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

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

EFFECT

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

Utility billing revenue and taxes payable may be misstated.

CAUSE

The Village has errors in the billing system for water and sewer rates. Meter readings are not properly documented or entered into the billing system.

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.

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

1. Employees will read and document all water meters readings
2. Meter Readings will be calculated to match the reading from the billing report.
3. Current rates will be reviewed to prevent any undercharges and overcharges.
4. Tax Rates will be reviewed and corrected to the established rates.
5. The New Mexico Taxation and Revenue Department will be paid the governmental gross receipts of 5.0% imposed from sewage services and the sale of water.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2010-1 Recording of Capital Assets (Material Weakness)

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 \$150,817 and enterprise additions totaling \$45,297 that were not added to the capital asset listing.
- The Village is recording assets in incorrect funds. We noted a grant reimbursement was received for \$8,900 to purchase capital assets for enterprise funds, 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.

EFFECT

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

CAUSE

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

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
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2011-1 Grant Tracking (Material Weakness)

CONDITION

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

- The Village did not meet the matching requirements for one NMDOT grant. The Village was short a combined total of \$2,304 for meeting the matching requirement.

CRITERIA

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

EFFECT

The Village is not in compliance with grant requirements.

CAUSE

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

RECOMMENDATION

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

MANAGEMENT RESPONSE

The Village of Cuba requested a matching requirement waiver from the NMDOT but was denied. The Village expends the required 25 % match and the NMDOT contribution of 75%. The NMDOT is lead agency for the Local Government Road Fund Projects.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2011-2 Cash Disbursements (Other)

CONDITION

During our documentation of internal controls over cash disbursements we noted that two signatures are required on all checks issued, however it was also noted that an authorized signer has access to the signature stamp of another authorized signer, thus making it possible for only one individual to issue checks.

CRITERIA

Good internal controls dictate that sufficient segregations of duties are established and implemented to mitigate the risk of fraud.

EFFECT

The Village is susceptible to the risk of fraud in which an individual could issue a fraudulent check that included two authorized signatures, however only one employee would be aware that the check was issued. This could go undetected until the bank statements are received and reconciled.

CAUSE

The Village does not have sufficient internal controls in place over access to authorized signature stamps.

RECOMMENDATION

The Village should implement segregation of duties policies to ensure that signature stamps are not available to other check signers. The Village could authorize a non-check signer to have access to the stamp in the event that only one check signer is available and an emergency check needs to be issued. This would ensure that two individuals reviewed every check before issuance.

MANAGEMENT RESPONSE

The Village will obtain two authorized original signatures on all company checks. The Village will continue to participate in the Wells Fargo Positive Pay Program. This process will ensure that two individuals reviewed every check before issuance.

**VILLAGE OF CUBA, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2011**

An exit conference was held on February 11, 2013, and attended by the following:

Village of Cuba, New Mexico

Brian L. Velarde, Mayor Pro-Tem

Vandora P. Casados, Clerk-Treasurer

Rich Frey, Housing Authority Director

Porch & Associates LLC

Thad Porch, Managing Principal

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