

VILLAGE OF CUBA, NEW MEXICO
Financial Statements, Supplementary Information
and
Independent Auditor's Report

June 30, 2012

VILLAGE OF CUBA, NEW MEXICO

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VILLAGE OF CUBA, NEW MEXICO

List of Principal Officials

June 30, 2012

Elected Officials

Richard R. Velarde	Mayor
Brian L. Velarde	Mayor Pro-Tem
Gilbert Dominguez	Councilor
Cecilia M. Delgado	Councilor
Lee V. Ramirez	Councilor

Administrative Officials

Vandora P. Casados	Clerk-Treasurer
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Independent Auditor's Report

Mr. Hector H. Balderas, State 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 street fund of the Village of Cuba (Village), as of and for the year ended June 30, 2012, 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, 2012, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly we express no such opinion. 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. It was also not possible to determine if the water and sewer revenue was properly stated.

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, 2012, 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, 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 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 June 24, 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, 2012, 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. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 additional schedules listed as “other supplemental information” 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in relation to the basic financial statements taken as a whole.

Ricci, Porch & Company LLC

Albuquerque, New Mexico
June 24, 2013

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 51,397	32,259	83,656
Cash - restricted	27,901	-	27,901
Receivables:			
Taxes:			
Gross receipts	158,958	-	158,958
Gasoline	12,649	-	12,649
Motor vehicle	6,316	-	6,316
Property	1,377	-	1,377
Franchise	5,423	-	5,423
Lodgers	1,548	-	1,548
Grants	4,604	230,810	235,414
Court fines and fees	6,557	-	6,557
Accounts receivable, net of allowance	-	44,604	44,604
Other assets	-	135	135
Due from other funds	283,239	-	283,239
Capital assets, not depreciated	693,595	498,201	1,191,796
Capital assets, net of accumulated depreciation	3,335,106	2,963,907	6,299,013
Total assets	4,588,670	3,769,916	8,358,586
LIABILITIES			
Accounts payable	67,410	198,627	266,037
Gross receipts tax payable	-	100,714	100,714
Installment agreement - IRS	57,216	-	57,216
Accrued compensation and benefits	76,557	4,992	81,549
Insurance payable	190,163	33,605	223,768
Deposits payable	-	50,359	50,359
Due to other funds	-	283,239	283,239
Noncurrent liabilities:			
Compensated absences, due in one year	10,322	7,920	18,242
Long-term liabilities, due in one year	45,411	-	45,411
Long-term liabilities, due in more than one year	46,199	-	46,199
Total liabilities	493,278	679,456	1,172,734
NET ASSETS			
Invested in capital assets, net of related debt	3,937,091	3,462,108	7,399,199
Restricted for:			
Debt service	27,901	-	27,901
Special revenue	102,869	-	102,869
Total net assets	\$ 4,095,392	3,090,460	7,185,852

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

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary government						
Governmental activities						
General government	\$ 709,278	62,604	35,000	(611,674)	-	(611,674)
Public safety	588,128	23,485	108,086	(456,557)	-	(456,557)
Highways and streets	21,758	8,497	-	(13,261)	-	(13,261)
Culture and recreation	237,736	-	97,181	(140,555)	-	(140,555)
Debt service - interest	2,372	-	-	(2,372)	-	(2,372)
Total governmental activities	1,559,272	94,586	240,267	(1,224,419)	-	(1,224,419)
Business-type activities						
Water and Sewer	455,981	329,136	-	-	258,587	258,587
Housing Authority	222,044	47,758	163,706	-	5,241	5,241
Total business-type activities	678,025	376,894	163,706	-	263,828	263,828
Total primary government	\$ 2,237,297	471,480	403,973	(1,224,419)	263,828	(960,591)
General revenues:						
Franchise taxes				29,780	-	29,780
Gasoline taxes				77,404	-	77,404
Gross receipts taxes				798,368	-	798,368
Property taxes				51,644	-	51,644
Motor vehicle registrations				35,630	-	35,630
Lodger's taxes				11,892	-	11,892
Other				5,892	-	5,892
Interest				135	-	135
Special items:						
Insurance proceeds, net of restorations				-	3,953	3,953
Gain on disposal of asset				9,364	-	9,364
Total general revenues, special items and transfers				1,020,109	3,953	1,024,062
Change in net assets				(204,310)	267,781	63,471
Net assets, beginning of year				4,423,456	2,843,719	7,267,175
Restatement				(123,754)	(21,040)	(144,794)
Fund balance, beginning of year, restated				4,299,702	2,822,679	7,122,381
Net assets, end of year				\$ 4,095,392	3,090,460	7,185,852

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

VILLAGE OF CUBA, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	General	Streets	Nonmajor Governmental Funds	Total
ASSETS				
Cash	\$ 20,558	-	30,839	51,397
Cash - restricted	-	-	27,901	27,901
Receivables:				
Taxes:				
Gross receipts	158,958	-	-	158,958
Gasoline	10,033	-	2,616	12,649
Motor vehicle	6,316	-	-	6,316
Property	1,377	-	-	1,377
Franchise	5,423	-	-	5,423
Lodgers tax	-	-	1,548	1,548
Grants	3,905	-	699	4,604
Court fines and fees	4,783	-	1,774	6,557
Due from other funds	289,704	37,026	100,304	427,034
Total assets	\$ 501,057	37,026	165,681	703,764
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 43,965	13,060	10,385	67,410
Insurance payable	190,163	-	-	190,163
Installment agreement - IRS	57,216	-	-	57,216
Accrued compensation and benefits	76,557	-	-	76,557
Deferred revenue	2,932	-	-	2,932
Due to other funds	100,304	39,727	3,764	143,795
Total liabilities	471,137	52,787	14,149	538,073
FUND BALANCES				
Restricted for:				
Special revenue funds	-	(13,051)	115,920	102,869
Debt service funds	-	-	27,901	27,901
Assigned to:				
Special revenue funds	-	(2,710)	7,168	4,458
Capital projects funds	-	-	(2,464)	(2,464)
Debt service funds	-	-	3,007	3,007
Unassigned:				
General fund	29,920	-	-	29,920
Total fund balances	29,920	(15,761)	151,532	165,691
Total liabilities and fund balances	\$ 501,057	37,026	165,681	703,764

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, 2012

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

Total fund balance - governmental funds	\$ 165,691
Accrued compensated absences not payable from current revenues.	(10,322)
Deferred revenue is recorded as income under the accrual method, and not the modified accrual method.	2,932
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,028,701
Long-term liabilities, including loans payable, are not and payable in the current period and, therefore are not reported in the governmental fund.	<u>(91,610)</u>
Net assets - governmental activities	<u><u>\$ 4,095,392</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, 2012

	General	Streets	Nonmajor Governmental Funds	Total
Revenues				
Taxes	\$ 977,130	-	27,588	1,004,718
Licenses, permits, fees, and fines	62,604	-	31,982	94,586
From federal sources:				
Grants	-	-	13,810	13,810
From non-federal sources:				
Intergovernmental	53,752	52,000	129,350	235,102
Interest	10	-	125	135
Other	5,892	-	-	5,892
Total revenues	1,099,388	52,000	202,855	1,354,243
Expenditures				
Current				
General government	663,922	-	-	663,922
Public safety	368,117	-	107,272	475,389
Highways and streets	3,505	-	-	3,505
Culture and recreation	112,081	-	38,574	150,655
Debt service - principal	-	-	44,679	44,679
Debt service - interest and fees	-	-	2,372	2,372
Capital outlay	15,500	65,051	16,764	97,315
Total expenditures	1,163,125	65,051	209,661	1,437,837
(Deficiency) excess of revenues over expenditures before other financings sources	(63,737)	(13,051)	(6,806)	(83,594)
Other Financing Sources (Uses)				
Special item:				
Proceeds from the sale of assets	10,000	-	-	10,000
Total other financing sources (uses)	10,000	-	-	10,000
Net change in fund balances	(53,737)	(13,051)	(6,806)	(73,594)
Fund balance, beginning of year	207,411	(2,710)	158,338	363,039
Restatement	(123,754)	-	-	(123,754)
Fund balance, beginning of year, restated	83,657	(2,710)	158,338	239,285
Fund balance, end of year	\$ 29,920	(15,761)	151,532	165,691

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, 2012**

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

Net changes in fund balances - governmental funds **\$ (73,594)**

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	(261,664)	
Capital outlay	15,500	
Excess of depreciation over capital outlay	(246,164)	(246,164)

The gain on disposal of assets is not recorded in the governmental financial statements, but is recorded on the entity wide statements. 9,364

The proceeds on disposal of assets is recorded in the governmental financial statements, but is not recorded on the entity wide statements. (10,000)

The repayment of the principal of capital loans consumes the current financial resources of governmental funds, but has no effect on net assets. 44,679

Deferred revenue is recorded as income under the accrual method, and not the modified accrual method. (8,645)

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. (1,765)

Change in net assets - governmental activities **\$ (286,125)**

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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 986,076	986,076	936,825	(49,251)
Licenses, permits, fees, and fines	88,859	88,859	65,029	(23,830)
Intergovernmental grants	106,781	106,781	51,837	(54,944)
Interest	-	-	10	10
Other	82,501	82,501	15,892	(66,609)
Total revenues	1,264,217	1,264,217	1,069,593	(194,624)
Expenditures				
General government	729,000	729,000	626,771	102,229
Public safety	350,000	350,000	368,117	(18,117)
Highways and streets	30,000	30,000	3,505	26,495
Culture and recreation	125,000	125,000	112,081	12,919
Capital outlay	-	-	15,500	(15,500)
Total expenditures	1,234,000	1,234,000	1,125,974	108,026
Excess (deficiency) of revenues over expenditures	30,217	30,217	(56,381)	(86,598)
Net change in fund balance	30,217	30,217	(56,381)	(86,598)
Fund balance, beginning of year	207,411	207,411	207,411	-
Restatement	-	-	(123,754)	123,754
Fund balance, beginning of year, restated	207,411	207,411	83,657	123,754
Fund balance, end of year	\$ 237,628	237,628	27,276	37,156
Non-GAAP change in fund balance			\$ (56,381)	
Change in:				
Taxes receivable			40,305	
Grants receivable			1,915	
Court fines and fees receivable			(2,425)	
Accounts payable			7,624	
Insurance payable			(66,408)	
Installment agreement - IRS			20,061	
Accrued compensation and benefits			(7,073)	
Deferred revenue			8,645	
GAAP change in fund balance			<u>\$ (53,737)</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)
STREETS
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Intergovernmental grants	\$ 52,000	52,000	52,000	-
Other	17,333	17,333	-	(17,333)
Total revenues	69,333	69,333	52,000	(17,333)
Expenditures				
Capital outlay	69,333	69,333	52,000	17,333
Total expenditures	69,333	69,333	52,000	17,333
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	(2,710)	(2,710)	(2,710)	-
Fund balance, end of year	(2,710)	(2,710)	(2,710)	-
Prior year cash appropriated	2,710	2,710	2,710	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Non-GAAP change in fund balance			\$ -	
Change in:				
Accounts payable			(13,051)	
GAAP change in fund balance			<u>\$ (13,051)</u>	

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

VILLAGE OF CUBA, NEW MEXICO
BALANCE SHEET - PROPRIETARY FUNDS
June 30, 2012

	Water and Sewer	Housing Authority	Total
ASSETS			
Current Assets			
Cash	\$ 25,308	6,951	32,259
Accounts receivable, net of allowance	42,983	1,621	44,604
Grants receivable	53,497	177,313	230,810
Other assets	-	135	135
Total current assets	<u>121,788</u>	<u>186,020</u>	<u>307,808</u>
Capital Assets			
Land and water rights	2,112	15,608	17,720
Construction in process	480,481	-	480,481
Plant and equipment	3,438,421	-	3,438,421
Buildings, improvements, and equipment	-	1,863,904	1,863,904
Accumulated depreciation	(1,525,068)	(813,350)	(2,338,418)
Total capital assets, net of accumulated depreciation	<u>2,395,946</u>	<u>1,066,162</u>	<u>3,462,108</u>
Total assets	<u>\$ 2,517,734</u>	<u>1,252,182</u>	<u>3,769,916</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 143,849	54,778	198,627
Gross receipts tax payable	100,714	-	100,714
Accrued compensation and benefits	3,313	1,679	4,992
Accrued compensated absences	6,930	990	7,920
Insurance payable	22,581	11,024	33,605
Deposits payable	47,048	3,311	50,359
Due to other funds	235,997	47,242	283,239
Total current liabilities	<u>560,432</u>	<u>119,024</u>	<u>679,456</u>
Net Assets			
Invested in capital assets, net of related debt	2,395,946	1,066,162	3,462,108
Unrestricted	(438,644)	66,996	(371,648)
Total net assets	<u>1,957,302</u>	<u>1,133,158</u>	<u>3,090,460</u>
Total liabilities and net assets	<u>\$ 2,517,734</u>	<u>1,252,182</u>	<u>3,769,916</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, 2012

	Water and Sewer	Housing Authority	Total
Operating Revenues			
Sales and services	\$ 329,136	-	329,136
Facilities rentals	-	47,758	47,758
HUD federal grant and subsidy	-	163,706	163,706
	<u>329,136</u>	<u>211,464</u>	<u>540,600</u>
Operating expenses	343,857	176,337	520,194
Depreciation	112,124	45,707	157,831
Total operating expenses	<u>455,981</u>	<u>222,044</u>	<u>678,025</u>
Operating Loss	<u>(126,845)</u>	<u>(10,580)</u>	<u>(137,425)</u>
Nonoperating Revenues (Expenses)			
HUD federal capital grant	-	15,821	15,821
Intergovernmental capital grant	385,432	-	385,432
Insurance proceeds, net of restoration	-	3,953	3,953
Total nonoperating revenues (expenses)	<u>385,432</u>	<u>19,774</u>	<u>405,206</u>
Change in net assets	<u>258,587</u>	<u>9,194</u>	<u>267,781</u>
Net assets, beginning of year	1,713,004	1,130,715	2,843,719
Restatement	(14,289)	(6,751)	(21,040)
Net assets, beginning of year, as restated	<u>1,698,715</u>	<u>1,123,964</u>	<u>2,822,679</u>
Net assets, end of year	<u>\$ 1,957,302</u>	<u>1,133,158</u>	<u>3,090,460</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, 2012

	Water and Sewer	Housing Authority	Total
Cash Flows From Operating Activities			
Cash received from customers and grantors	\$ 264,296	55,836	320,132
Cash payments to vendors and employees	(186,420)	(119,987)	(306,407)
Net cash provided (used) by operating activities	<u>77,876</u>	<u>(64,151)</u>	<u>13,725</u>
Cash Flows From Noncapital and Related Financing Activities			
Change in due to/due from accounts	(43,284)	79,836	36,552
Net cash (used) provided by noncapital financing activities	<u>(43,284)</u>	<u>79,836</u>	<u>36,552</u>
Cash Flows From Capital and Related Financing Activities			
Capital grant received	385,432	2,214	387,646
Insurance proceeds	-	25,033	25,033
Purchase of capital assets	(459,772)	(70,267)	(530,039)
Net cash used by capital and related financing activities	<u>(74,340)</u>	<u>(43,020)</u>	<u>(117,360)</u>
Net change in cash	(39,748)	(27,335)	(67,083)
Cash, beginning of year	65,056	34,286	99,342
Cash, end of year	<u>\$ 25,308</u>	<u>6,951</u>	<u>32,259</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, 2012

	Water and Sewer	Housing Authority	Total
Reconciliation of operating loss to cash provided by operating activities			
Operating loss	\$ (126,845)	(10,580)	(137,425)
Adjustments to reconcile operating income to net cash flows:			
Depreciation expense	112,124	45,707	157,831
Allowance for uncollectible accounts	8,252	-	8,252
Changes in assets and liabilities:			
Accounts receivable	(11,344)	7,232	(4,112)
Operating grants receivable	(53,497)	(163,706)	(217,203)
Other assets	-	-	-
Accounts payable	114,364	50,398	164,762
Gross receipts tax payable	24,931	-	24,931
Accrued compensation and benefits	399	1,679	2,078
Accrued compensated absences	-	-	-
Insurance payable	8,292	4,273	12,565
Deposits payable	1,200	846	2,046
Net cash provided (used) by operating activities	\$ 77,876	(64,151)	13,725

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, 2012

ASSETS

Cash	\$ 10,666
Total assets	<u><u>\$ 10,666</u></u>

LIABILITIES

Due to other entities	\$ 10,666
Total liabilities	<u><u>\$ 10,666</u></u>

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

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012.

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, 2012

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, 2012

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.

Streets Fund. 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. The Village also receives intergovernmental grants for specific road projects.

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, 2012

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.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012

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, 2012

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, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Fund Equity (Continued)

Major Funds

The Street Fund has restricted funds of \$(13,051) payable to vendors as required by matching provisions of a capital outlay grant and assigned funds of \$(2,710) consisting of the net of \$37,026 due from other funds, \$39,727 due to other funds, and negative cash balance of \$9.

Other Funds

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

Corrections Fund: motor vehicle violation fee revenue of \$31,468 restricted by state statute for the costs of corrections.

Emergency Medical Services Fund: restricted funds of \$10,981 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.

Fire Protection Fund: annual fire grant allotment of \$39,507 restricted by state statute for the operations and maintenance of the fire department, which was deposited to, and thus due from the general fund.

Law Enforcement Protection Fund: capital outlay grant of \$11,792 which was deposited to, and thus due from the general fund.

Library Fund: restricted funds of \$2,235 consisting of grant revenue restricted for use in the library.

Lodgers Tax Fund: lodgers tax of \$19,937 restricted for cultural and recreational activities.

Debt Service Fund: \$27,901 restricted as a reserve fund required by loan covenants.

Assigned funds consist of \$7,168 in the Recreation fund designated for Village recreational facilities and programs, \$(2,464) in the Capital Projects fund designated as due to the general fund, and \$3,007 in the Debt Service Fund designated for the repayment of debt.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012

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, 2012, the Village adopted Government Accounting Standards Board Statement (GASB) No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. The statement will not have a material impact on the Village's financial statements.

VILLAGE OF CUBA, NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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, 2012, the Village's bank balance total of \$442,150 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 FDIC coverage at each financial institution.

The total balance in any single financial institution may at times exceed the 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. Effective December 31, 2010 through December 31, 2012, the Dodd-Frank Deposit Insurance Provision temporarily expanded insurance coverage to provide unlimited coverage to noninterest-bearing transaction accounts.

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	\$ 61,912	11,653
Allowance for uncollectible accounts	(18,929)	(10,032)
	<u>\$ 42,983</u>	<u>1,621</u>

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4. CAPITAL ASSETS

Governmental fund capital asset activity for the year ending June 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 86,130	-	-	-	86,130
Construction in progress	607,465	-	-	-	607,465
Total, not depreciated	\$ 693,595	-	-	-	693,595
Capital assets, depreciated					
Buildings and improvements	\$ 3,610,760	-	-	-	3,610,760
Equipment and other	2,017,339	80,551	-	-	2,097,890
Infrastructure	56,362	16,764	19,076	-	54,050
Total, depreciated	5,684,461	97,315	19,076	-	5,762,700
Accumulated depreciation for					
Buildings and improvements	988,540	107,042	-	-	1,095,582
Equipment and other	1,193,951	148,234	18,440	-	1,323,745
Infrastructure	1,879	6,388	-	-	8,267
Total accumulated depreciation	2,184,370	261,664	18,440	-	2,427,594
Total capital assets, depreciated, net	\$ 3,500,091	(164,349)	636	-	3,335,106
Total capital assets, net	\$ 4,193,686	(164,349)	636	-	4,028,701

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

Governmental activities	
General government	\$ 43,591
Public safety	112,739
Highways and streets	18,253
Culture and recreation	87,081
Total depreciation expense	\$ 261,664

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4. CAPITAL ASSETS (CONTINUED)

Enterprise fund capital asset activity for the year ending June 30, 2012 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	20,709	459,772	-	-	480,481
Total, not depreciated	\$ 38,429	459,772	-	-	498,201
Capital assets, depreciated:					
Water and Waste Water:					
Plant and equipment	\$ 2,158,700	-	-	-	2,158,700
Infrastructure	956,142	-	-	-	956,142
Equipment and other	323,579	-	-	-	323,579
Housing Authority:					
Buildings and improvements	1,740,942	70,268	(70,268)	4,754	1,745,696
Equipment and other	122,962	-	-	(4,754)	118,208
Total, depreciated	5,302,325	70,268	(70,268)	-	5,302,325
Accumulated depreciation for:					
Water and Waste Water	1,412,944	112,124	-	-	1,525,068
Housing Authority	816,829	45,707	(49,186)	-	813,350
Total accumulated depreciation	2,229,773	157,831	(49,186)	-	2,338,418
Total capital assets, depreciated, net	\$ 3,072,552	(87,563)	(21,082)	-	2,963,907
Total capital assets, net	\$ 3,110,981	372,209	(21,082)	-	3,462,108

The current year addition and disposal for \$70,268 in the Housing Authority building and improvements represents an impairment loss and subsequent restoration of a housing unit damaged by a fire. The amount of impairment was estimated using the cost to restore. The impairment loss net of accumulated depreciation was offset against insurance recoveries and recorded as insurance proceeds, net of restorations on the statement of revenues, expenses, and changes in fund net assets – proprietary funds.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2012, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Loans payable	\$ 136,289	-	(44,679)	91,610	45,411
Compensated absences	<u>8,557</u>	<u>13,406</u>	<u>(11,641)</u>	<u>10,322</u>	<u>10,322</u>
Total	<u>\$ 144,846</u>	<u>13,406</u>	<u>(56,320)</u>	<u>101,932</u>	<u>55,733</u>

Loan Payable. The Village entered into a loan agreement with the New Mexico Finance Authority on March 5, 2004. Interest ranges from .90% to 3.27% increasing annually. 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
2013	\$ 29,757	1,446	31,203
2014	<u>30,530</u>	<u>750</u>	<u>31,280</u>
	<u>\$ 60,287</u>	<u>2,196</u>	<u>62,483</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.

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 15,654	60	15,714
2014	<u>15,669</u>	<u>32</u>	<u>15,701</u>
	<u>\$ 31,323</u>	<u>92</u>	<u>31,415</u>

VILLAGE OF CUBA, NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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

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 balances are payable upon termination but may not be carried over to the next year. Balances are reset at each employee’s anniversary date.

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS

During the year ended June 30, 2012, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 6,930	4,452	(3,462)	<u>7,920</u>	<u>7,920</u>

NOTE 7. PROPERTY TAXES

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

NOTE 8. INTERFUND BALANCES

Interfund balances at June 30, 2012 consisted of the following amounts:

Due to the general fund from:	
Streets	\$ 39,727
Corrections	1,300
Capital projects	2,464
Water and sewer	198,971
Housing authority	<u>47,242</u>
Total due to the general fund	<u>\$ 289,704</u>

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 8. INTERFUND BALANCES (CONTINUED)

Due from general fund to:	
Law enforcement protection	\$ 11,774
Fire protection	39,507
Emergency medical services	10,981
Lodgers tax	2,973
Recreation	3,385
Corrections	<u>31,684</u>
Total due from the general fund	<u>\$ 100,304</u>
Due from water and sewer to:	
General	\$ 198,971
Streets	<u>37,026</u>
Total due from the water and sewer fund	<u>\$ 235,997</u>
Due from the housing authority fund to:	
General	<u>\$ 47,242</u>
Due from Streets to:	
General	<u>\$ 39,727</u>
Due to Streets from:	
Water and sewer	<u>\$ 37,026</u>
Due from non-major funds to:	
General fund	<u>\$ 3,764</u>
Due to non-major funds from:	
General	<u>\$ 100,304</u>

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

NOTE 9. INTERFUND OPERATING TRANSFERS

The Village had no interfund operating transfers during the year ended June 30, 2012.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 the gross covered salary, respectively.

The contribution requirements of plan members and the Village are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Village's contributions to PERA for the years ending June 30, 2012, 2011, and 2010 were \$63,168, \$69,078, and, \$72,072, 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.

VILLAGE OF CUBA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 13. DEFICIT FUND BALANCE

The Village had a deficit fund balance of \$15,761 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 fire protection fund expenditures exceeded authorized budgets by \$1,583, and the library fund expenditures exceeded authorized budgets by \$27,785.

NOTE 15. PRIOR PERIOD ADJUSTMENT

During the current year, it was determined that general liability, property, and workers' compensation insurance payable at June 30, 2011 in the amount of \$144,794 was not recorded in the financial statements for the General Fund, Water and Sewer Fund and the Housing Authority Fund. To correct this error, the beginning fund balance of the General Fund of \$207,411, as originally reported, has been decreased to \$83,657, the beginning fund balance of the Water and Sewer fund of \$1,713,004, as originally reported has been decreased to \$1,698,715, and the beginning fund balance of the Housing Authority Fund of \$1,130,715, as originally reported has been decreased to \$1,123,964. In addition, beginning net assets for governmental activities of \$4,423,456, as originally reported, have been decreased to \$4,299,702, and beginning net assets for business type activities of \$2,843,719 have been decreased to \$2,822,679.

NOTE 16. RELATED PARTY TRANSACTIONS

The Village paid \$5,850 for the purchase of supplies to a hardware store owned by the father of the mayor. In addition, \$334 was paid to the wife of the Mayor Pro-tem for printing services.

NOTE 17. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through June 24, 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, 2012

SPECIAL REVENUE FUNDS

Corrections. To establish an additional source 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 to the operation of a motor vehicle. Authority is NMSA 33-9-3.

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

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

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

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.

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, 2012**

	Corrections	Emergency Medical Services	Fire Protection
ASSETS			
Cash	\$ 2,928	-	-
Cash - restricted	-	-	-
Receivables			
Taxes			
Lodgers tax	-	-	-
Gasoline tax	-	-	-
Grants	-	-	-
Court fines and fees	1,774	-	-
Due from other funds	31,684	10,981	39,507
Total assets	\$ 36,386	10,981	39,507
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 3,618	-	-
Due to other funds	1,300	-	-
Total liabilities	4,918	-	-
FUND BALANCES			
Restricted, special revenues	31,468	10,981	39,507
Restricted, debt service	-	-	-
Assigned, special revenues	-	-	-
Assigned, capital projects	-	-	-
Assigned, debt service	-	-	-
Total fund balances	31,468	10,981	39,507
Total liabilities and fund balances	\$ 36,386	10,981	39,507

VILLAGE OF CUBA, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2012

	Law Enforcement Protection	Library	Lodgers Tax
ASSETS			
Cash	\$ 50	4,197	17,629
Cash - restricted	-	-	-
Receivables			
Taxes			
Lodgers tax	-	-	1,548
Gasoline tax	-	-	-
Grants	-	699	-
Court fines and fees	-	-	-
Due from other funds	11,774	-	2,973
Total assets	\$ 11,824	4,896	22,150
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 32	2,661	2,213
Due to other funds	-	-	-
Total liabilities	32	2,661	2,213
FUND BALANCES			
Restricted, special revenues	11,792	2,235	19,937
Restricted, debt service	-	-	-
Assigned, special revenues	-	-	-
Assigned, capital projects	-	-	-
Assigned, debt service	-	-	-
Total fund balances	11,792	2,235	19,937
Total liabilities and fund balances	\$ 11,824	4,896	22,150

**VILLAGE OF CUBA, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2012**

	Recreation	Capital Projects	Debt Service
ASSETS			
Cash	\$ 5,644	-	391
Cash - restricted	-	-	27,901
Receivables			
Taxes			
Lodgers tax	-	-	-
Gasoline tax	-	-	2,616
Grants	-	-	-
Court fines and fees	-	-	-
Due from other funds	3,385	-	-
	<hr/>	<hr/>	<hr/>
Total assets	\$ 9,029	-	30,908
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,861	-	-
Due to other funds	-	2,464	-
	<hr/>	<hr/>	<hr/>
Total liabilities	1,861	2,464	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
FUND BALANCES			
Restricted, special revenues	-	-	-
Restricted, debt service	-	-	27,901
Assigned, special revenues	7,168	-	-
Assigned, capital projects	-	(2,464)	-
Assigned, debt service	-	-	3,007
	<hr/>	<hr/>	<hr/>
Total fund balances	7,168	(2,464)	30,908
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and fund balances	\$ 9,029	-	30,908

**VILLAGE OF CUBA, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2012**

	Total Nonmajor
ASSETS	
Cash	\$ 30,839
Cash - restricted	27,901
Receivables	
Taxes	
Lodgers tax	1,548
Gasoline tax	2,616
Grants	699
Court fines and fees	1,774
Due from other funds	<u>100,304</u>
Total assets	<u><u>\$ 165,681</u></u>
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 10,385
Due to other funds	<u>3,764</u>
Total liabilities	<u><u>14,149</u></u>
 FUND BALANCES	
Restricted, special revenues	115,920
Restricted, debt service	27,901
Assigned, special revenues	7,168
Assigned, capital projects	(2,464)
Assigned, debt service	<u>3,007</u>
Total fund balances	<u><u>151,532</u></u>
 Total liabilities and fund balances	 <u><u>\$ 165,681</u></u>

**VILLAGE OF CUBA, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2012**

	Corrections	Emergency Medical Services	Fire Protection
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, and fines	23,485	-	-
From federal sources			
Grants	-	-	-
From non-federal sources			
Intergovernmental	-	9,764	42,750
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	23,485	9,764	42,750
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
Public safety	30,552	9,764	42,750
Highways and streets	-	-	-
Culture and recreation	-	-	-
Debt service - principal	-	-	-
Debt service - interest and fees	-	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	30,552	9,764	42,750
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(7,067)	-	-
Fund balance, beginning of year	38,535	10,981	39,507
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 31,468	10,981	39,507
	<hr/>	<hr/>	<hr/>

**VILLAGE OF CUBA, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2012**

	Law Enforcement Protection	Library	Lodgers Tax
Revenues			
Taxes	\$ -	-	11,892
Licenses, permits, fees, and fines	-	634	-
From federal sources			
Grants	-	13,810	-
From non-federal sources			
Intergovernmental	23,000	22,601	-
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	23,000	37,045	11,892
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
Public safety	24,206	-	-
Highways and streets	-	-	-
Culture and recreation	-	22,173	7,881
Debt service - principal	-	-	-
Debt service - interest and fees	-	-	-
Capital outlay	-	16,764	-
	<hr/>	<hr/>	<hr/>
Total expenditures	24,206	38,937	7,881
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(1,206)	(1,892)	4,011
Fund balance, beginning of year	12,998	4,127	15,926
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 11,792	2,235	19,937
	<hr/>	<hr/>	<hr/>

**VILLAGE OF CUBA, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2012**

	Recreation	Capital Projects	Debt Service
Revenues			
Taxes	\$ -	-	15,696
Licenses, permits, fees, and fines	7,863	-	-
From federal sources			
Grants	-	-	-
From non-federal sources			
Intergovernmental	-	-	31,235
Interest	-	-	125
	<hr/>	<hr/>	<hr/>
Total revenues	7,863	-	47,056
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
Public safety	-	-	-
Highways and streets	-	-	-
Culture and recreation	8,520	-	-
Debt service - principal	-	-	44,679
Debt service - interest and fees	-	-	2,372
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	8,520	-	47,051
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(657)	-	5
Fund balance, beginning of year	7,825	(2,464)	30,903
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 7,168	(2,464)	30,908
	<hr/>	<hr/>	<hr/>

**VILLAGE OF CUBA, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2012**

	Total Non-major
Revenues	
Taxes	\$ 27,588
Licenses, permits, fees, and fines	31,982
From federal sources	
Grants	13,810
From non-federal sources	
Intergovernmental	129,350
Interest	125
	<hr/>
Total revenues	202,855
	<hr/>
Expenditures	
Current	
Public safety	107,272
Highways and streets	-
Culture and recreation	38,574
Debt service - principal	44,679
Debt service - interest and fees	2,372
Capital outlay	16,764
	<hr/>
Total expenditures	209,661
	<hr/>
Net change in fund balances	(6,806)
Fund balance, beginning of year	158,338
	<hr/>
Fund balance, end of year	\$ 151,532
	<hr/> <hr/>

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CORRECTIONS
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses, permits, fees and fines	\$ 55,000	55,000	24,337	(30,663)
Total revenues	<u>55,000</u>	<u>55,000</u>	<u>24,337</u>	<u>(30,663)</u>
Expenditures				
Public safety	55,000	55,000	28,274	26,726
Total expenditures	<u>55,000</u>	<u>55,000</u>	<u>28,274</u>	<u>26,726</u>
Net change in fund balance	-	-	(3,937)	(3,937)
Fund balance, beginning of year	38,535	38,535	38,535	-
Fund balance, end of year	<u>\$ 38,535</u>	<u>38,535</u>	<u>34,598</u>	<u>(3,937)</u>
Non-GAAP change in fund balance			\$ (3,937)	
Change in:				
Court fees and fines receivable			(852)	
Accounts payable			<u>(2,278)</u>	
GAAP change in fund balance			<u>\$ (7,067)</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
EMERGENCY MEDICAL SERVICES
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental grants	\$ 9,764	9,764	9,764	
Other	75,000	75,000	72,600	(2,400)
Total revenues	84,764	84,764	82,364	(2,400)
Expenditures				
Public safety	84,764	84,764	82,364	2,400
Total expenditures	84,764	84,764	82,364	2,400
Excess of revenues over expenditures	-	-	-	-
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			(72,600)	
Accounts payable			72,600	
GAAP change in fund balance			<u>\$ -</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE PROTECTION
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 46,826	46,826	42,750	(4,076)
Expenditures				
Public safety	50,000	50,000	51,583	(1,583)
Net change in fund balance	(3,174)	(3,174)	(8,833)	(5,659)
Fund balance, beginning of year	39,507	39,507	39,507	-
Fund balance, end of year	\$ 36,333	36,333	30,674	(5,659)
Non-GAAP change in fund balance			\$ (8,833)	
Change in:				
Accounts payable			8,833	
GAAP change in fund balance			\$ -	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 23,000	23,000	23,000	-
Expenditures				
Public safety	24,174	24,174	24,174	-
Total expenditures	24,174	24,174	24,174	-
Net change in fund balance	(1,174)	(1,174)	(1,174)	-
Fund balance, beginning of year	12,998	12,998	12,998	-
Fund balance, end of year	\$ 11,824	11,824	11,824	-
Non-GAAP change in fund balance			\$ (1,174)	
Change in:				
Accounts payable			(32)	
GAAP change in fund balance			<u>\$ (1,206)</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LIBRARY
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses, permits, fees and fines	\$ -	-	634	634
Federal grants	-	-	13,810	13,810
Intergovernmental grants	13,980	13,980	21,902	7,922
Total revenues	13,980	13,980	36,346	22,366
Expenditures				
Culture and recreation	13,980	13,980	22,001	(8,021)
Capital outlay	-	-	19,764	(19,764)
Total expenditures	13,980	13,980	41,765	(27,785)
Excess of revenues over expenditures	-	-	(5,419)	(5,419)
Net change in fund balance	-	-	(5,419)	(5,419)
Fund balance, beginning of year	4,127	4,127	4,127	-
Fund balance, end of year	\$ 4,127	4,127	(1,292)	(5,419)
Non-GAAP change in fund balance			\$ (5,419)	
Change in:				
Grants receivable			699	
Accounts payable			2,828	
GAAP change in fund balance			<u>\$ (1,892)</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LODGERS TAX
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 12,500	12,500	11,663	(837)
Total revenues	12,500	12,500	11,663	(837)
Expenditures				
Culture and recreation	12,500	12,500	8,076	4,424
Total expenditures	12,500	12,500	8,076	4,424
Net change in fund balance	-	-	3,587	3,587
Fund balance, beginning of year	15,926	15,926	15,926	-
Fund balance, end of year	\$ 15,926	15,926	19,513	3,587
Non-GAAP change in fund balance			\$ 3,587	
Change in:				
Lodgers tax receivable			229	
Accounts payable			195	
GAAP change in fund balance			<u>\$ 4,011</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
RECREATION
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses, permits, fees, and fines	\$ 9,000	9,000	7,863	(1,137)
Total revenues	<u>9,000</u>	<u>9,000</u>	<u>7,863</u>	<u>(1,137)</u>
Expenditures				
Culture and recreation	9,000	9,000	6,659	2,341
Net change in fund balance	-	-	1,204	1,204
Fund balance, beginning of year	7,825	7,825	7,825	-
Fund balance, end of year	<u>\$ 7,825</u>	<u>7,825</u>	<u>9,029</u>	<u>1,204</u>
Non-GAAP change in fund balance			\$ 1,204	
Change in:				
Accounts payable			<u>(1,861)</u>	
GAAP change in fund balance			<u>\$ (657)</u>	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 2,202,946	2,202,946	-	(2,202,946)
Other	200,000	200,000	-	(200,000)
Total revenues	2,402,946	2,402,946	-	(2,402,946)
Expenditures				
Capital outlay	2,402,946	2,402,946	-	2,402,946
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	(2,464)	(2,464)	(2,464)	-
Fund balance, end of year	(2,464)	(2,464)	(2,464)	-
Prior year cash appropriated	2,464	2,464	2,464	
Fund balance, end of year	\$ -	-	-	

VILLAGE OF CUBA, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
DEBT SERVICE
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 110,610	110,610	15,696	(94,914)
Intergovernmental grants	-	-	31,235	31,235
Interest	-	-	125	125
Total revenues	110,610	110,610	47,056	(63,554)
Expenditures				
Debt service - principal	112,450	112,450	46,909	65,541
Debt service - interest and fees	-	-	2,372	(2,372)
Total expenses	112,450	112,450	49,281	63,169
Net change in fund balance	(1,840)	(1,840)	(2,225)	(385)
Fund balance, beginning of year	30,903	30,903	30,903	-
Fund balance, end of year	\$ 29,063	29,063	28,678	(385)
Non-GAAP change in fund balance			\$ (2,225)	
Change in:				
Accounts payable			2,230	
GAAP change in fund balance			\$ 5	

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Sales and services	\$ 483,000	483,000	326,044	(156,956)
Expenses				
Operating	483,000	483,000	324,299	158,701
Capital outlay	331,345	331,345	331,344	1
Total expenditures	814,345	814,345	655,643	158,702
Deficiency of revenues over expenditures	(331,345)	(331,345)	(329,599)	1,746
Other financing sources (uses)				
Intergovernmental capital grants	331,345	331,345	331,935	590
Total other financing sources (uses)	331,345	331,345	331,935	590
Change in net assets	-	-	2,336	2,336
Net assets, beginning of year	1,713,004	1,713,004	1,713,004	-
Restatement	-	-	(14,289)	14,289
Net assets, beginning of year, restated	1,713,004	1,713,004	1,698,715	14,289
Net assets, end of year	\$ 1,713,004	1,713,004	1,701,051	16,625
Non-GAAP change in fund balance			\$ 2,336	
Change in:				
Accounts receivable, net of allowance			3,092	
Grant receivable			53,497	
Accounts payable			(114,363)	
Gross receipts tax payable			(24,931)	
Accrued compensation and benefits			(399)	
Accrued compensated absences			-	
Insurance payable			(8,292)	
Non-budgeted items:				
Capitalized purchases			459,772	
Depreciation			(112,125)	
GAAP change in net assets			\$ 258,587	

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Sales and services	\$ 55,800	55,800	54,855	(945)
HUD federal operating grant	72,290	72,290	-	(72,290)
Other	3,500	3,500	-	(3,500)
Total revenues	<u>131,590</u>	<u>131,590</u>	<u>54,855</u>	<u>(76,735)</u>
Expenses				
Operating	176,700	176,700	108,161	68,539
Total expenditures	<u>176,700</u>	<u>176,700</u>	<u>108,161</u>	<u>68,539</u>
Deficiency of revenues over expenditures	<u>(45,110)</u>	<u>(45,110)</u>	<u>(53,306)</u>	<u>(8,196)</u>
Other financing sources (uses)				
HUD federal capital grant	-	-	2,214	2,214
Insurance proceeds, net of restorations	-	-	3,953	3,953
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>6,167</u>	<u>6,167</u>
Change in net assets	(45,110)	(45,110)	(47,139)	(2,029)
Net assets, beginning of year	1,130,715	1,130,715	1,130,715	-
Net assets, end of year	<u>\$ 1,085,605</u>	<u>1,085,605</u>	<u>1,083,576</u>	<u>(2,029)</u>
Non-GAAP change in fund balance			\$ (47,139)	
Change in:				
Accounts receivable, net of allowance			(7,097)	
Grant receivable			177,313	
Accounts payable			(63,903)	
Insurance payable			(4,273)	
Non-budgeted items:				
Capitalized purchases			70,268	
Asset impairment			(70,268)	
Depreciation			<u>(45,707)</u>	
GAAP change in net assets			<u>\$ 9,194</u>	

VILLAGE OF CUBA, NEW MEXICO
AGENCY FUNDS
June 30, 2012

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, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
MOTOR VEHICLE FUND				
ASSETS				
Cash	\$ 200	285,112	285,112	200
Total assets	<u>\$ 200</u>	<u>285,112</u>	<u>285,112</u>	<u>200</u>
LIABILITIES				
Due to other entities	\$ 200	285,112	285,112	200
Total liabilities	<u>\$ 200</u>	<u>285,112</u>	<u>285,112</u>	<u>200</u>
MUNICIPAL COURT FUND				
ASSETS				
Cash	\$ 12,848	81,566	85,967	8,447
Total assets	<u>\$ 12,848</u>	<u>81,566</u>	<u>85,967</u>	<u>8,447</u>
LIABILITIES				
Due to other entities	\$ 12,848	81,566	85,967	8,447
Total liabilities	<u>\$ 12,848</u>	<u>81,566</u>	<u>85,967</u>	<u>8,447</u>
MUNICIPAL JUDGE'S BOND FUND				
ASSETS				
Cash	\$ 1,633	3,175	2,789	2,019
Total assets	<u>\$ 1,633</u>	<u>3,175</u>	<u>2,789</u>	<u>2,019</u>
LIABILITIES				
Due to other entities	\$ 1,633	3,175	2,789	2,019
Total liabilities	<u>\$ 1,633</u>	<u>3,175</u>	<u>2,789</u>	<u>2,019</u>
TOTAL				
ASSETS				
Cash	\$ 14,681	369,853	373,868	10,666
Total assets	<u>\$ 14,681</u>	<u>369,853</u>	<u>373,868</u>	<u>10,666</u>
LIABILITIES				
Due to other entities	\$ 14,681	369,853	373,868	10,666
Total liabilities	<u>\$ 14,681</u>	<u>369,853</u>	<u>373,868</u>	<u>10,666</u>

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS**

June 30, 2012

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Wells Fargo	General	Checking	\$ 20,386	20,346
Wells Fargo	Corrections Fund	Checking	2,928	2,928
Wells Fargo	Fire Protection	Checking	5,552	-
Wells Fargo	Law Enforcement Protection	Checking	816	-
Wells Fargo	Library	Checking	4,724	4,197
Wells Fargo	Lodgers Tax	Checking	17,629	17,629
Wells Fargo	Streets	Checking	(9)	-
Wells Fargo	Recreation	Checking	5,713	5,594
Wells Fargo	Water and Sewer System	Checking	29,027	16,022
Wells Fargo	Water and Sewer Improvements	Checking	301,817	1,817
Wells Fargo	W/S Deposits	Checking	7,540	7,372
Wells Fargo	Public Housing	Checking	3,152	3,052
Wells Fargo	Public Housing Deposits	Checking	3,905	3,899
Bank of Albuquerque	Debt Service Reserve	Checking	27,901	27,901
Bank of Albuquerque	Debt Service	Checking	5	5
Bank of Albuquerque	Debt Service Program Funds	Checking	385	385
Bank of Albuquerque	Debt Service Program Funds	Checking	1	1
Cuba Credit Union	Regular Share Account	Savings	212	212
Cash and cash equivalents			<u>431,684</u>	<u>111,360</u>
Petty cash	Petty cash - police	Petty Cash	-	50
Petty cash	Petty cash - library	Petty Cash	-	50
Petty cash	Petty cash - water	Petty Cash	-	97
Petty cash			<u>-</u>	<u>197</u>
Total deposit and investment accounts - non-agency			<u>431,684</u>	<u>111,557</u>
Agency funds cash accounts				
Petty cash	MVD Cash Drawer	Petty Cash	-	200
Cuba Credit Union	Municipal Court	Checking	8,447	8,447
Cuba Credit Union	Municipal Court	Savings	102	102
Cuba Credit Union	Municipal Judge's Bonds	Checking	1,917	1,917
Total cash - agency funds			<u>10,466</u>	<u>10,666</u>
Total depository accounts			<u>\$ 442,150</u>	<u>122,223</u>

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2012

	Wells Fargo	Cuba Credit Union	Bank of Albuquerque	Total
Deposits at June 30, 2012	\$ 403,180	10,678	28,292	442,150
Less: FDIC coverage	403,180	10,678	28,292	442,150
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, 2012

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 negotiated amount	\$ -	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 municipalities	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, 2012

Appropriation	Beginning Date	Ending Date	Original Amount	Funds Expended	Funds Remaining
05-L-G-1582	9/15/2005	06/30/2010	\$ 250,000	250,000	-
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	750,000	-
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	106,141	243,859
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
SAP 12-1634	7/27/2012	06/30/2014	50,000	-	50,000
Total			<u>\$ 2,675,000</u>	<u>1,901,141</u>	<u>773,859</u>

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, 2012

FDS Line #	Accounts Description	Low Rent Housing Project (LRH)	Capital Funds Program (CFP)	Total
ASSETS:				
111	Cash - Unrestricted	\$ 3,052	-	3,052
114	Cash - Tenant Security Deposits	3,899	-	3,899
100	Total Cash	<u>6,951</u>	<u>-</u>	<u>6,951</u>
122	Accounts Receivable - HUD Other Projects	163,706	13,607	177,313
124	Accounts Receivable - Other Government	-		
125	Accounts Receivable - Miscellaneous	135		
126	Accounts Receivable - Tenants - Dwelling Rents	11,653	-	11,653
126.1	Allowance for Doubtful Accounts	<u>(10,032)</u>	<u>-</u>	<u>(10,032)</u>
120	Total Receivables, net of allowances for doubtful accounts	<u>165,462</u>	<u>13,607</u>	<u>179,069</u>
150	Total Current Assets	<u>172,413</u>	<u>13,607</u>	<u>186,020</u>
161	Land	15,608	-	15,608
162	Buildings	1,707,906	-	1,707,906
163	Furniture, Equipment & Machinery - Dwelling	42,798	-	42,798
164	Furniture, Equipment & Machinery - Administration	75,410	-	75,410
165	Leasehold Improvements	37,790	-	37,790
166	Accumulated Depreciation	<u>(813,350)</u>	<u>-</u>	<u>(813,350)</u>
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,066,162</u>	<u>-</u>	<u>1,066,162</u>
180	Total Non-Current Assets	<u>1,066,162</u>	<u>-</u>	<u>1,066,162</u>
190	Total Assets	<u>\$ 1,238,575</u>	<u>13,607</u>	<u>1,252,182</u>
LIABILITIES:				
312	Accounts payable < 90 days	\$ 65,803	-	65,803
321	Accrued wage/payroll taxes payable	1,678	-	1,678
322	Accrued Compensated Absences - Current	990	-	990
333	Accounts payable - Other Government	27,165	-	27,165
341	Tenant Security Deposits	3,311	-	3,311
310	Total Current Liabilities	<u>98,947</u>	<u>-</u>	<u>98,947</u>
353	Non-current Liabilities - Other	<u>20,077</u>	<u>-</u>	<u>20,077</u>
350	Total Noncurrent Liabilities	<u>20,077</u>	<u>-</u>	<u>20,077</u>
300	Total Liabilities	<u>119,024</u>	<u>-</u>	<u>119,024</u>
508.1	Invested in Capital Assets, Net of Related Debt	<u>1,066,162</u>	<u>-</u>	<u>1,066,162</u>
511	Total Reserved Fund Balance	<u>1,066,162</u>	<u>-</u>	<u>1,066,162</u>
512.1	Unrestricted Net Assets	53,389	13,607	66,996
513	Total Equity/Net Assets	<u>1,119,551</u>	<u>13,607</u>	<u>1,133,158</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 1,238,575</u>	<u>13,607</u>	<u>1,252,182</u>

VILLAGE OF CUBA, NEW MEXICO
HOUSING AUTHORITY FINANCIAL DATA SCHEDULE (CONTINUED)
June 30, 2012

FDS Line #	Accounts Description	Low Rent Housing Project (LRH)	Capital Funds Program (CFP)	Total
REVENUE:				
703	Net Tenant Rental Revenue	\$ 46,266	-	46,266
704	Tenant Revenue - Other	1,492	-	1,492
705	Total Tenant Revenue	<u>47,758</u>	-	<u>47,758</u>
706	HUD PHA Operating Grants	163,706	15,822	179,528
715	Other Revenue	3,952	-	3,952
700	Total Revenue	<u>215,416</u>	<u>15,822</u>	<u>231,238</u>
EXPENSES:				
911	Administrative Salaries	29,117	-	29,117
912	Auditing Fees	11,467	-	11,467
913	Bookkeeping Fee	17,917	-	17,917
914	Advertising and Marketing	-	-	-
915	Employee Benefit Contributions - Administrative	10,800	-	10,800
916	Office Expenses	862	-	862
918	Travel	915	-	772
919	Other	14,785	4,323	19,108
910	Total Operating - Administrative	<u>85,863</u>	<u>4,323</u>	<u>90,186</u>
931	Water	18,004	-	18,004
932	Electricity	4,247	-	4,247
933	Gas	2,265	-	2,265
934	Fuel	1,588	-	1,588
930	Total Utilities	<u>26,104</u>	-	<u>26,104</u>
941	Ordinary Maintenance and Operations - Labor	17,280	-	17,280
942	Ordinary Maintenance and Operations - Materials and Other	10,245	-	10,245
943	Ordinary Maintenance and Operations - Contracts	5,750	-	5,750
945	Employee Benefit Contributions - Ordinary Maintenance	9,759	-	9,759
940	Total Maintenance	<u>43,034</u>	-	<u>43,034</u>
961.1	Property Insurance	1,054	-	1,054
961.2	Liability Insurance	3,219	-	3,219
961.4	All Other Insurance	1,241	-	1,241
961	Total Insurance Premiums	<u>5,514</u>	-	<u>5,514</u>
969	Total Operating Expenses	<u>160,515</u>	<u>4,323</u>	<u>164,838</u>
970	Excess Operating Revenue over Operating Expenses	<u>54,901</u>	<u>11,499</u>	<u>66,400</u>
971	Extraordinary Maintenance	-	11,499	11,499
974	Depreciation Expense	45,707	-	45,707
900	Total Expenses	<u>206,222</u>	<u>15,822</u>	<u>222,044</u>

VILLAGE OF CUBA, NEW MEXICO
HOUSING AUTHORITY FINANCIAL DATA SCHEDULE (CONTINUED)
June 30, 2012

FDS Line #	Accounts Description	Low Rent Housing Project (LRH)	Capital Funds Program (CFP)	Total
OTHER FINANCING SOURCES (USES):				
1001	Operating Transfers In	\$ -	-	-
1002	Operating Transfers Out	-	-	-
1009.3	Transfers Between Programs & Projects - In	-	-	-
1009.4	Transfers Between Programs & Projects - Out	-	-	-
1010	Total Other Financing Sources (Uses)	-	-	-
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	9,194	-	9,194
1103	Beginning Equity	1,130,715	-	1,130,715
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(6,751)	-	(6,751)
1117	Administrative Fee Equity	-	-	-
1118	Housing Assistance Payments Equity	-	-	-
1119	Unit Months Available	336	-	336
1121	Number of Unit Months Leased	296	-	296
1127	Excess Cash	(37,575)	-	(37,575)

Ricci, Porch & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS
6200 UPTOWN BLVD. NE - SUITE 400
ALBUQUERQUE, NM 87110

Independent Auditor's 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, State 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 street 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, 2012, and have issued our report thereon dated June 24, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

A deficiency *in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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, 2011-1, and 2012-003.

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 responses to be significant deficiencies: 2007-4 and 2008-5.

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, 2008-2, 2008-6, 2011-2, 2012-001 and 2012-002.

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.

Ricci, Porch & Company LLC

Albuquerque, New Mexico
June 24, 2013

VILLAGE OF CUBA, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012

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
2008-5	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
2011-1	Grant Tracking	Modified and repeated
2011-2	Cash Disbursements	Repeated

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

FINDINGS – FINANCIAL STATEMENTS AUDIT

2007-1 Late Audit Report (Material Weakness)

CONDITION

The June 30, 2012 audit report was not filed timely as required by State Auditor Rule NMAC 2.2.2.9.A. The audit report was submitted to the Office of the State Auditor on July 19, 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, 2012 report to be filed by December 1, 2012.

EFFECT

The Village is not in compliance with State Auditor Rule NMAC 2.2.2.9.A for the fiscal year ended June 30, 2012. 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. Mayor Velarde will hire a public accountant that will prepare the financials on a monthly basis so that the Village will meet the required deadlines.

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

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

CONDITION

The Village has a \$47,048 water and sewer deposit liability, but only \$7,372 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

The Village has researched the Water and Sewer Deposits records. The total already refunded to customers is \$8,720.53. A transfer of funds from the Water and Sewer Operating Fund in the amount of \$25,995.00 shall be transferred to the Water and Sewer Deposit Fund. There is still a balance of \$4,960.47 that will need to be researched. The Village will follow the process to maintain adequate water and sewer deposits to cover the 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, 2012**

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 \$27,785
- Fire Protection by \$1,583

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, 2012**

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 an 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, 2012**

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, 2012

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, 2012**

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, 2012

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-5 Payroll Disbursements (Significant Deficiency)

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).

In addition, during our documentation of internal controls, we noted that an individual with authority to initiate payroll direct deposits via a 3rd party processor has the ability to initiate direct deposits into a personal account with no separate notification or review.

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

- For four employees, hours on timecards are not consistent with hours paid and for one employee the timesheet activity was not complete and/or does not match the payroll register.
- For five employees, the I-9 was missing from the personnel file.
- For one employee, PERA was withheld at an incorrect rate.
- For five employees, the PERA application or exclusion form is missing.
- For seven employees, there is inconsistent social security and medicare tax treatment of PERA contributions.
- Two employees that should have been included in the time off report were missing from the report.

In addition, as part of our audit we tested compensated absence balances at June 30, 2012. We noted the leave tracking report included balances totaling 2,504 hours for employees that either were not eligible to accrue vacation benefits, or that were no longer working for the Village at June 30, 2012. Also, the Village was also unable to produce a leave tracking report for the Housing Authority employees.

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, 2012**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-5 Payroll Disbursements (Significant Deficiency) (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 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. 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 polices.

EFFECT

When an individual is authorized to initiate direct deposits into personal accounts with no notification, it allows the possibility that fraudulent direct deposits could be initiated and go undetected until bank statements are reconciled.

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.

CAUSE

Segregations of duties are not adequate in the processing of payroll direct deposits.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-5 Payroll Disbursements (Significant Deficiency) (Continued)

CAUSE (CONTINUED)

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.

The Village has inadequate review of leave tracking reports.

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. The Village 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.

The Village should strengthen segregation of duties controls over payroll direct deposit processing. The Village could accomplish this by implanting a policy in which the 3rd party payroll processor sends a notification of all direct deposits initiated to an individual not authorized to initiate a direct deposit.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-5 Payroll Disbursements (Significant Deficiency) (Continued)

MANAGEMENT RESPONSE

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

1. Time cards are filed together with payroll registers and leave requests in duplicate form.
2. I-9 forms were updated for elected officials and employees 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 the FICA tax calculations.
5. Wells Fargo Payroll Services has been 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.
6. The Village has hired The Payroll Company out of Albuquerque to administer their payroll needs in order to stay in compliance with Federal and State tax regulations.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

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

CONDITION

We tested 10 travel and per diem disbursements as part of our audit. We noted the following:

- For eight of the disbursements tested, the per diem rate was paid 100% in advance of travel. To total amount advanced in excess of the allowable 80% was \$221.
- For two 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 \$20.

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 reimbursement for actual expenses or 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.
- 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, 2012**

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 and 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 will attend trainings offered by DFA on the Mileage and Per Diem Act. The Village issues per diem at 80 percent prior to travel, then issues per diem at 20% after travel per Section 2.42.2.10.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

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 \$26,094. 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 six customers, the meter readings were not documented or the Village was unable to produce a copy of the meter reading.
- Fifteen customers were being charged a rate inconsistent with established rates resulting in under charges of \$59 and over charges of \$96.
- Of the twenty five selected billings, all were being charged a tax rate inconsistent with established rates.

CRITERIA

One of the assertions inherent in the financial statements is completeness. Because the Village is not recording all the meter readings accurately, the meter readings were left blank, or the route sheet where the meter readings are to be recorded are missing, we were unable to determine if water and sewer charges were accurate. 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.

EFFECT

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

Utility billing revenue and taxes payable may be misstated.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

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

CAUSE

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

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 reading.
2. Meter readings will be calculated to match the reading from the billing report.
3. Current rates will be review to prevent any undercharges or 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 sewer services and the sale of water. The NM Taxation and Revenue has sent a list to the Village of the dates that the CRS reports need to be filed.

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

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 \$97,315 and enterprise additions totaling \$459,772 that were not added to the capital asset listing. In addition, we noted disposals in governmental funds with an original cost of \$19,076 that were not deleted from the capital asset listing.
- 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 was misstated by the amounts shown above prior to adjustment.

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, 2012**

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 was unable to provide evidence that matching requirements for one NMDOT grant was met. The Village's required match was not met by \$4,282.

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 requested a matching waiver from the NMDOT but was denied. Albuquerque Asphalt invoiced the Village in the amount of \$65,050.59. The DFA/NMDOT warrant was issued to the Village in the amount of \$52,000.00. The Village paid the balance of \$13,050.59. The Village is lead agency and will advertise the NMDOT Projects per NM State Procurement.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

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

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2012-001 Procurement of Tangible Items (Other)

CONDITION

As part of our testwork over cash disbursements we tested 20 large disbursements for compliance with the procurement code. We noted that one expenditure totaling \$65,051 was not procured via competitive sealed bids in compliance with state procurement requirements.

CRITERIA

Section 13-1-125, NMSA 1978 states all procurement shall be achieved by competitive sealed bid except procurement achieved pursuant to other sections of the Procurement Code.

EFFECT

Departures from procurement code lead to an increased possibility of inappropriate expenditures.

CAUSE

The Village has not had sufficient training in State Procurement Code compliance.

RECOMMENDATION

The Village should become familiar with requirements of the New Mexico Procurement Code. Management should consider obtaining training relevant to the Procurement Code.

MANAGEMENT RESPONSE

The Village will become familiar with the New Mexico Procurement Code requirements. The Village Clerk will attend trainings relevant to the New Mexico Procurement Code.

**VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2012-002 Cash Reconciliations (Other)

CONDITION

We reviewed the bank and investment reconciliations as part of our audit of cash. We noted seven outstanding deposits totaling \$936, greater than seventeen months old. Deposits that are more than a month old should be reviewed as part of the monthly bank reconciliation procedure to be sure that they have not been processed in error or that the bank account has been improperly reconciled.

CRITERIA

Good internal controls dictate that outstanding deposits older than one month should be reviewed to be sure they have been processed correctly, that the bank account has been reconciled correctly, or for other problems.

EFFECT

Cash balances could be misstated.

CAUSE

Inadequate review of the bank reconciliations.

RECOMMENDATION

The Village should establish a monthly review procedure whereby items outstanding greater than ninety days are reviewed for validity.

MANAGEMENT RESPONSE

The Village will establish a monthly review procedure whereby outstanding greater than ninety days are reviewed for validity.

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2012-003 Housing Authority Rent Procedures (Material Weakness)

CONDITION

We tested 25 Housing Authority rental transactions involving 18 tenants as part of our audit. We noted the following:

- For two tenants, there was no evidence of verification of appropriate identification.
- For two tenants, income verification was missing or out of date.
- For three tenants, supporting documentation was not maintained to enable us to verify the calculated rent amount.
- For two tenants, the lease agreements were missing or out of date for the year under audit.
- For four tenants, the rent amount charged does not match the lease agreement.

CRITERIA

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

One of the assertions inherent in the financial statements is completeness. Because the Village is not consistently charging late fees and because current documentation regarding rental rates and allowances is not maintained, rental revenue may be misstated.

EFFECT

Customers may be over or under charged for rent. Customers may dispute the rent amount and the Village would not be able to support a claim if lease agreements are not retained.

CAUSE

The Village has inadequate procedures over record retention. In addition, a sufficient review process is not in place to ensure late fees are consistently charged.

VILLAGE OF CUBA, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2012-003 Housing Authority Rent Procedures (Material Weakness) (Continued)

RECOMMENDATION

The Village should perform an audit of their housing authority and ensure that the correct rates are in place for their tenants and late fees are consistently applied in accordance with lease agreements.

MANAGEMENT RESPONSE

All tenants must now submit original social security and birth certificate forms and driver's license if applicable. A copy is made of the social security cards and driver's license; an affidavit of verification of birth certificate is filled out and kept on file. A checklist is used at lease signing to ensure all are received.

Income verification is now documented by using the HUD Enterprise Income Verification (EIV) system, which allows a printout of the results which the tenant signs in acknowledgement that the income is accurate, and also third party verification using check stubs, wage notices and/or tax returns, and copies are kept in the file. These are verified at each annual re-exam with new information. From the housing pro software, a screen shot of the total tenant payment page is copied and printed out to show the calculation and this is included in the tenant's file under the tab, "rent calculation". If changes to rent occur during the year, a new screen shot is included to show the change.

HUD does not require a new lease to be drawn up each year since the original lease is automatically renewed; however, as a matter of documentation we have begun to have tenants sign a new lease at their annual re-exam to document any changes made. This new lease is placed in front of the pre-existing lease to document the updated information.

A new spreadsheet has been developed to accurately record monthly rent payments. Tenants who have changes to rent are required to sign a document each time the rent changes which gives them a choice of paying the flat rent or income-based rent. This document is added to their file along with a new screen shot of the TTP calculation. In addition, a letter is sent to the tenant documenting the new amount and reason(s) for the rent change.

The new monthly rent roll Excel spreadsheet documents late fees levied for each month. A monthly review process will be developed to ensure that consistency is maintained.

**VILLAGE OF CUBA, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2012**

An exit conference was held on July 3, 2013, and attended by the following:

Village of Cuba, New Mexico

Brian L. Velarde, Mayor Pro-Tem

Vandora P. Casados, Clerk-Treasurer

Gilbert Dominguez, Councilor

Rich Frey, Housing Authority Director

Ricci, Porch & Company LLC

Thad Porch, Principal

* * * * *

The financial statements were prepared by Ricci, Porch & Company 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.