

STATE OF NEW MEXICO
VILLAGE OF CUBA
ANNUAL FINANCIAL REPORT
June 30, 2013

Harshwal & Company LLP
Certified Public Accountants
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INTRODUCTORY SECTION

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VILLAGE OF CUBA
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STATE OF NEW MEXICO
VILLAGE OF CUBA
OFFICIAL ROSTER
JUNE 30, 2013

Name	Title
Elected Officials	
Richard R. Velarde	Mayor
Brian L. Velarde	Mayor Pro-Tern
Gilbert Dominguez	Councilor
Cecilia M. Delgado	Councilor
Lee V. Ramirez	Councilor
Administrative Officials	
Vandora P. Casados	Clerk-Treasurer

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Honorable Mayor and the Village Council
Village of Cuba
Cuba, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Village of Cuba, New Mexico (the "Village"), as of and for the year ended June 30, 2013, and the related notes to the financial statements 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 nonmajor governmental, and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinions on Water and Sewer Business Type Activity Funds

The Village collected gross receipts tax on utility billings, but has not made payments to the state of New Mexico 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.

Qualified Opinions

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinions on Water and Sewer Business Type Activity Funds" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Water and Sewer Business Type Activities of the Village, as of June 30, 2013, and the changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities that are not mentioned above, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non major governmental fund of the Village, as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all non major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the MD&A, which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Government 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the Village's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the other schedules required by 2.2.2.NMAC* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *Schedule of Expenditures of federal awards and other schedules required by 2.2.2 NMAC* are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Expenditures and other schedules required by 2.2.2 NMAC* are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2014 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* in considering the Village's internal control over financial reporting and compliance.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
March 19, 2014

STATE OF NEW MEXICO
VILLAGE OF CUBA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 124,108	\$ 50,265	\$ 174,373
Cash - restricted	27,851		27,851
Receivables:			
Taxes:			
Gross receipts	230,812		230,812
Lodgers	18,691		18,691
Others	1,616		1,616
Grant receivable		135,114	135,114
Court fines and fees	1,524		1,524
Accounts receivable, net of allowance		38,988	38,988
Other assets		209	209
Internal balances	278,812	(278,812)	
Noncurrent assets:			
Capital assets	7,031,585	7,658,047	14,689,632
Accumulated depreciation	<u>(2,641,943)</u>	<u>(2,480,026)</u>	<u>(5,121,969)</u>
Total Assets	<u>\$ 5,073,056</u>	<u>\$ 5,123,785</u>	<u>\$ 10,196,841</u>
LIABILITIES			
Accounts payable	\$ 86,924	\$ 480,290	\$ 567,214
Gross receipts tax payable		126,936	126,936
Installment agreement - IRS	41,389		41,389
Accrued compensation and benefits	80,822	14,467	95,289
Accrued payroll		13,497	13,497
Insurance payable	200,093		200,093
Deposit payable		51,863	51,863
Compensated absences, due in one year	8,432	4,700	13,132
Long-term liabilities, due in one year	<u>46,203</u>		<u>46,203</u>
Total Liabilities	<u>463,863</u>	<u>691,753</u>	<u>1,155,616</u>
NET POSITION			
Net Investment in capital assets	4,343,439	5,178,021	9,521,460
Restricted for:			
Special revenue	131,431		131,431
Debt service	28,386		28,386
Unrestricted	<u>105,937</u>	<u>(745,989)</u>	<u>(640,052)</u>
Total Net Position	<u>\$ 4,609,193</u>	<u>\$ 4,432,032</u>	<u>\$ 9,041,225</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
General government	\$ 681,919	\$ 31,945	\$ 31,349	\$ 565,290
Public safety	590,991	15,834	191,493	
Highways and streets	21,951			
Culture and recreation	230,870	70,481	5,672	
Debt service - interest	<u>1,647</u>			
Total governmental activities	<u>1,527,378</u>	<u>118,260</u>	<u>228,514</u>	<u>565,290</u>
Business-type Activities:				
Water and Sewer	492,300	339,573		1,466,594
Housing Authority	<u>198,967</u>	<u>94,539</u>		<u>91,036</u>
Total business type activities	<u>691,267</u>	<u>434,112</u>	<u>0</u>	<u>1,557,630</u>
Total	<u>\$ 2,218,645</u>	<u>\$ 552,372</u>	<u>\$ 228,514</u>	<u>\$ 2,122,920</u>
General Revenues:				
Taxes				
Franchise taxes				
Gasoline taxes				
Gross receipts taxes				
Property taxes				
Motor vehicle registrations				
Lodger's taxes				
Other taxes				
Miscellaneous				
Gain/ Loss on sale of assets				
Transfers in/out				
Total General Revenues and Transfers				
Change in net position				
Net position, beginning				
Net position, ending				

STATE OF NEW MEXICO
VILLAGE OF CUBA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Functions/Programs</u>	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Primary Government			
General government	\$ (53,335)	\$	\$
Public safety	(383,664)		(383,664)
Highways and streets	(21,951)		(21,951)
Culture and recreation	(154,717)		(154,717)
Debt service - interest	<u>(1,647)</u>		<u>(1,647)</u>
Total governmental activities	<u>(615,314)</u>	<u>0</u>	<u>(615,314)</u>
Business-type Activities:			
Water and Sewer		1,313,867	1,313,867
Housing Authority		<u>(13,392)</u>	<u>(13,392)</u>
Total business type activities	<u>0</u>	<u>1,300,475</u>	<u>0</u>
Total	<u>(615,314)</u>	<u>1,300,475</u>	<u>685,161</u>
General Revenues:			
Taxes			
Franchise taxes	29,500		29,500
Gasoline taxes	87,768		87,768
Gross receipts taxes	804,833		804,833
Property taxes	52,879		52,879
Motor vehicle registrations	36,465		36,465
Lodger's taxes	30,954		30,954
Other taxes	128,377		128,377
Miscellaneous	2,339		2,339
Gain/ Loss on sale of assets		(2,903)	(2,903)
Transfers in/out	<u>(44,000)</u>	<u>44,000</u>	
Total General Revenues and Transfers	<u>1,129,115</u>	<u>41,097</u>	<u>1,170,212</u>
Change in net position	513,801	1,341,572	1,855,373
Net position, beginning	<u>4,095,392</u>	<u>3,090,460</u>	<u>7,185,852</u>
Net position, ending	<u>\$ 4,609,193</u>	<u>\$ 4,432,032</u>	<u>\$ 9,041,225</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General Funds</u>	<u>Health Resource and Service Administra tion</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 80,936	\$	\$ 43,172	\$ 124,108
Cash - restricted			27,851	27,851
Receivables:				
Taxes:				
Gross receipts	230,812			230,812
Lodgers tax			18,691	18,691
Others			1,616	1,616
Court fines and fees			1,524	1,524
Due from other funds	<u>329,654</u>	<u> </u>	<u>128,196</u>	<u>457,850</u>
Total assets	<u>\$ 641,402</u>	<u>\$ 0</u>	<u>\$ 221,050</u>	<u>\$ 862,452</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 62,716	\$	\$ 24,208	\$ 86,924
Insurance payable	200,093			200,093
Installment agreement - IRS	41,389			41,389
Accrued compensation and benefits	80,822			80,822
Deferred revenue	2,807			2,807
Due to other funds	<u>123,788</u>	<u> </u>	<u>55,250</u>	<u>179,038</u>
Total liabilities	<u>511,615</u>	<u>0</u>	<u>79,458</u>	<u>591,073</u>
FUND BALANCES				
Restricted for:				
Special Revenue Funds			131,431	131,431
Debt service funds			28,386	28,386
Unassigned:				
General Fund	129,787			129,787
Special Revenue Funds			(15,761)	(15,761)
Capital Project Funds			(2,464)	(2,464)
Total fund balances	<u>129,787</u>	<u>0</u>	<u>141,592</u>	<u>271,379</u>
Total liabilities and fund balances	<u>\$ 641,402</u>	<u>\$ 0</u>	<u>\$ 221,050</u>	<u>\$ 862,452</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental fund</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance - governmental funds	\$ 271,379
Accrued compensated absences not payable from current revenues.	(8,432)
Deferred revenue is recorded as income under the accrual method, and not the modified accrual method.	2,807
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,389,642
Long-term liabilities, including loans payable, are not and payable in the current period and, therefore are not reported in the governmental fund.	<u>(46,203)</u>
Net position - governmental activities	\$ <u><u>4,609,193</u></u>

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Funds</u>	<u>Health Resource and Service Administration</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES:				
Taxes	\$ 1,191,055	\$	\$ 44,034	\$ 1,235,089
Licenses, permits, fees, and fines	31,945		22,126	54,071
From federal sources:				
Grants		565,290		565,290
From non-federal sources:				
Intergovernmental	117,884		110,630	228,514
Other	<u>2,237</u>	<u> </u>	<u>103</u>	<u>2,340</u>
<i>Total revenues</i>	<u>1,343,121</u>	<u>565,290</u>	<u>176,893</u>	<u>2,085,304</u>
EXPENDITURES:				
Current:				
General government	648,100			648,100
Public safety	410,107		88,531	498,638
Highways and streets	6,999			6,999
Culture and recreation	124,048		35,487	159,535
Capital outlay	10,000	565,290		575,290
Debt service - principal			45,407	45,407
Debt service - interest and fees			<u>1,647</u>	<u>1,647</u>
<i>Total expenditures</i>	<u>1,199,254</u>	<u>565,290</u>	<u>171,072</u>	<u>1,935,616</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>143,867</u>	<u>0</u>	<u>5,821</u>	<u>149,688</u>
<i>Other Financing Sources (Uses)</i>				
Transfers (Out)	<u>(44,000)</u>	<u> </u>	<u> </u>	<u>(44,000)</u>
<i>Total other financing sources (uses)</i>	<u>(44,000)</u>	<u>0</u>	<u>0</u>	<u>(44,000)</u>
Net change in fund balance	99,867	0	5,821	105,688
Fund balance - beginning of year	<u>29,920</u>	<u>0</u>	<u>135,771</u>	<u>165,691</u>
Fund balance - end of year	<u>\$ 129,787</u>	<u>\$ 0</u>	<u>\$ 141,592</u>	<u>\$ 271,379</u>

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Governmental fund</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net changes in fund balances - governmental funds	\$ 105,688
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	(214,349)
Capital outlay	575,290
The repayment of the principal of capital loans consumes the current financial resources of governmental funds, but has no effect on net position.	45,407
Deferred revenue is recorded as income under the accrual method, and not the modified accrual method.	(125)
Accrued compensated absences are expensed under the accrual method, and not the modified accrual method.	<u>1,890</u>
Change in net position - governmental activities	<u><u>\$ 513,801</u></u>

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		(Negative)
<i>REVENUES:</i>				
Taxes	\$ 1,023,628	\$ 1,023,628	\$ 1,191,055	\$ 167,427
Licenses, permits, fees and fines	89,859	89,859	31,945	(57,914)
Intergovernmental grants	115,781	115,781	117,884	2,103
Other	127,713	127,713	77,319	(50,394)
<i>Total revenues</i>	1,356,981	1,356,981	1,418,203	61,222
<i>EXPENDITURES:</i>				
General Government	762,482	762,482	684,374	78,108
Public Safety	303,891	303,891	410,954	(107,063)
Highways and Streets	34,000	34,000	17,439	16,561
Culture and recreation	168,410	168,410	125,415	42,995
<i>Total expenditures</i>	1,268,783	1,268,783	1,238,182	30,601
<i>Excess (deficiency) of revenues over (under) expenditures</i>	88,198	88,198	180,021	91,823
<i>Other financing sources (uses):</i>				
Transfers Out			(44,000)	(44,000)
<i>Total other financing sources (uses)</i>	0	0	(44,000)	(44,000)
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	88,198	88,198	136,021	47,823
<i>Fund balance - Beginning of Year</i>	237,628	237,628	29,920	(207,708)
<i>Fund balance - End of Year</i>	\$ 325,826	\$ 325,826	209,941	\$ (207,708)
Reconciliation of budgetary basis to GAAP basis				
Change in fund balance-cash basis			136,021	
Adjustments to revenues			(75,082)	
Adjustments to expenditures			38,928	
Change in fund balance-GAAP basis			\$ 99,867	

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
HEALTH RESOURCE AND SERVICE ADMINISTRATION FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
<i>REVENUES:</i>				
Intergovernmental grants	<u>565,290</u>	<u>565,290</u>	<u>565,290</u>	<u> </u>
<i>Total revenues</i>	<u>565,290</u>	<u>565,290</u>	<u>565,290</u>	<u> 0</u>
<i>EXPENDITURES:</i>				
Capital Outlay	<u>565,290</u>	<u>565,290</u>	<u>565,290</u>	<u> </u>
<i>Total expenditures</i>	<u>565,290</u>	<u>565,290</u>	<u>565,290</u>	<u> 0</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	0	0	0	0
<i>Fund balance - Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
Reconciliation of budgetary basis to GAAP basis				
Change in fund balance-cash basis				
Adjustments to revenues			0	
Adjustments to expenditures			<u>0</u>	
Change in fund balance-GAAP basis			<u>\$ 0</u>	

STATE OF NEW MEXICO
VILLAGE OF CUBA
 PROPRIETARY FUNDS - STATEMENT OF NET POSITION
 JUNE 30, 2013

	<u>Water and Sewer</u>	<u>Housing Authority</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 42,524	\$ 7,741	\$ 50,265
Accounts receivable, net of allowance	37,415	1,573	38,988
Grants receivable		135,114	135,114
Other assets		209	209
Total current assets	<u>79,939</u>	<u>144,637</u>	<u>224,576</u>
Capital Assets			
Land and water rights	2,112	15,608	17,720
Construction in process	2,270,062	14,272	2,284,334
Buildings, improvements, and equipment	3,445,921	1,910,072	5,355,993
Accumulated depreciation	<u>(1,635,910)</u>	<u>(844,116)</u>	<u>(2,480,026)</u>
Total capital assets, net of accumulated depreciation	<u>4,082,185</u>	<u>1,095,836</u>	<u>5,178,021</u>
Total Assets	<u>\$ 4,162,124</u>	<u>\$ 1,240,473</u>	<u>\$ 5,402,597</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 419,975	\$ 60,315	\$ 480,290
Gross receipts tax payable	126,936		126,936
Accrued compensation and benefits	14,467		14,467
Accrued compensated absences	3,567	1,133	4,700
Insurance payable		13,497	13,497
Deposits payable	47,198	4,665	51,863
Due to other funds	<u>278,812</u>		<u>278,812</u>
Total current liabilities	<u>890,955</u>	<u>79,610</u>	<u>970,565</u>
Total liabilities	<u>890,955</u>	<u>79,610</u>	<u>970,565</u>
NET POSITION			
Net Investment in capital assets	4,082,185	1,095,836	5,178,021
Unrestricted	<u>(811,016)</u>	<u>65,027</u>	<u>(745,989)</u>
Total Net Position	<u>3,271,169</u>	<u>1,160,863</u>	<u>4,432,032</u>
Total Net Position and Liabilities	<u>\$ 4,162,124</u>	<u>\$ 1,240,473</u>	<u>\$ 5,402,597</u>

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water and Sewer</u>	<u>Housing Authority</u>	<u>Total</u>
<i>Operating revenues:</i>			
Sales and services	\$ 339,573	\$	\$ 339,573
Facilities rentals		59,614	59,614
HUD federal grant and subsidy		<u>34,925</u>	<u>34,925</u>
<i>Total Operating revenues</i>	<u>339,573</u>	<u>94,539</u>	<u>434,112</u>
Operating expenses	381,458	152,337	533,795
Depreciation	<u>110,842</u>	<u>46,630</u>	<u>157,472</u>
<i>Total operating expenses</i>	<u>492,300</u>	<u>198,967</u>	<u>691,267</u>
<i>Operating income (loss)</i>	<u>(152,727)</u>	<u>(104,428)</u>	<u>(257,155)</u>
<i>Non-operating revenues (expenses):</i>			
Intergovernmental capital grant	1,466,594	91,036	1,557,630
Loss on sale of assets		<u>(2,903)</u>	<u>(2,903)</u>
<i>Total non-operating revenues (expenses)</i>	<u>1,466,594</u>	<u>88,133</u>	<u>1,554,727</u>
Income (loss) before contributions and transfers	<u>1,313,867</u>	<u>(16,295)</u>	<u>1,297,572</u>
Transfers in (from Village)	0	44,000	44,000
Change in net position	<u>1,313,867</u>	<u>27,705</u>	<u>1,341,572</u>
Total net position, beginning of year	<u>1,957,302</u>	<u>1,133,158</u>	<u>3,090,460</u>
Total net position, end of year	<u>\$ 3,271,169</u>	<u>\$ 1,160,863</u>	<u>\$ 4,432,032</u>

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water and Sewer</u>	<u>Housing Authority</u>	<u>Total</u>
<i>Cash flows from operating activities:</i>			
Cash received from customers and grantors	\$ 398,638	\$ 136,712	\$ 535,350
Cash payments to vendors and employees	<u>(93,750)</u>	<u>(144,509)</u>	<u>(238,259)</u>
<i>Net cash provided (used) by operating activities</i>	<u>304,888</u>	<u>(7,797)</u>	<u>297,091</u>
<i>Cash flows from non-capital and related financing activities:</i>			
Change in due to/due from accounts	42,815	(47,242)	(4,427)
Transfers in/out	<u> </u>	<u>44,000</u>	<u>44,000</u>
<i>Net cash (used) provided by noncapital financing activities</i>	<u>42,815</u>	<u>(3,242)</u>	<u>39,573</u>
<i>Cash flows from capital and related financing activities:</i>			
Capital grant received	1,466,594	91,036	1,557,630
Purchase of capital assets	<u>(1,797,081)</u>	<u>(79,207)</u>	<u>(1,876,288)</u>
<i>Net cash used by capital and related financing activities:</i>	<u>(330,487)</u>	<u>11,829</u>	<u>(318,658)</u>
<i>Net change in cash</i>	17,216	790	18,006
<i>Cash and cash equivalents, beginning of year</i>	<u>25,308</u>	<u>6,951</u>	<u>32,259</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 42,524</u>	<u>\$ 7,741</u>	<u>\$ 50,265</u>
<i>Reconciliation of operating loss to cash provided by operating activities:</i>			
Operating income (loss)	\$ (152,727)	\$ (104,428)	\$ (257,155)
<i>Adjustments to reconcile operating income to net cash flows:</i>			
Depreciation expense	110,842	46,630	157,472
Changes in assets and liabilities:			
Accounts receivable	5,568	48	5,616
Operating grants receivable	53,497	42,199	95,696
Other assets		(74)	(74)
Accounts payable	276,126	5,537	281,663
Gross receipts tax payable	26,222		26,222
Accrued compensation and benefits	11,154	(1,679)	9,475
Accrued compensated absences	(3,363)	143	(3,220)
Accrued payroll	(22,581)	2,473	(20,108)
Deposits payable	<u>150</u>	<u>1,354</u>	<u>1,504</u>
<i>Net cash provided (used) by operating activities</i>	<u>\$ 304,888</u>	<u>\$ (7,797)</u>	<u>\$ 297,091</u>

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS
JUNE 30, 2013

	<u>Agency Fund</u>
<i>Assets</i>	
Cash and cash equivalents	\$ <u>9,618</u>
<i>Total assets</i>	<u>9,618</u>
<i>Liabilities</i>	
Due to other taxing units	<u>9,618</u>
<i>Total liabilities</i>	<u><u>\$ 9,618</u></u>

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Village has no component units, and is not a component unit of another governmental agency.

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, 2013.

The government-wide financial statements (i.e., the Statement of Net Position 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.

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

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.

Private-sector standards of accounting and financial reporting issued prior to December 01, 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.

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

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

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

Imposed nonexchange revenues — property taxes are levied and collected by the Valencia County treasurer on behalf of the Village. The taxes are levied in November and payable in two installments, November 10 and May 10. 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.

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 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.

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

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.

Health Resource and Service Administration Fund. To account for funds used to construct, build and manage the Dialysis Clinic in the Village as per the lease agreement between the Village and the Dialysis Clinic (NPO).

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

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

The Village reports the following major proprietary funds:

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

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

The Village reports the following fund types:

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

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

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

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

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, money market funds, and certificates of deposit. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

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 not to retroactively record infrastructure assets.

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

E. Fund Equity

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:

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Equity (Continued)

- 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 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 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.

F. Net Position

Net position represents the difference between assets and liabilities. Net position 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 position invested in capital assets, net of related debt excludes unspent debt proceeds. Net position 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.

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 liquid assets with a maturity of three months or less when purchased to be cash equivalents.

I. Budgetary Information

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

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

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

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.

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

K. Implementation of New Accounting Standards

In 2013, the Village also implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. This statement basically provides a framework that specifies where deferred outflows of resources and deferred inflows of resources—as well as assets and liabilities—should be displayed. The statement also discusses how net position—no longer net assets—should be displayed.

NOTE 2. CASH AND CASH EQUIVALENTS

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the village. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution. This coverage has increased to \$250,000 for time and savings deposits as well as demand deposits until December 31, 2013.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At June 30, 2013, \$86,637 of the Village's deposits of 336,637 was exposed to custodial credit risk and the same was uninsured and uncollateralized. As of June 30, 2013, the carrying amount of these deposits was \$211,842.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for a least one half of the amount on deposit with the institution.

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	Wells Fargo Bank	Cuba Credit Union	Bank of Albuquerque	Total
Total amounts of deposits	\$ 336,637	\$ 9,630	\$ 28,385	\$ 374,652
Less: FDIC coverage	<u>250,000</u>	<u>9,630</u>	<u>28,385</u>	<u>288,015</u>
Total uninsured and uncollateralized public funds	<u>86,637</u>	-	-	<u>86,637</u>
50% Collateral requirement	43,319	-	-	43,319
Pledged collateral securities	-	-	-	-
(Over)/Under collateralized	<u>\$ 43,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,319</u>

Reconciliation of Cash and cash equivalents

Cash and cash equivalents per Statement of Net Position	\$ 202,224
Cash per Statement of Fiduciary Net Position	<u>9,618</u>
Total Cash	211,842
Add outstanding checks and other reconciling items	<u>162,810</u>
Bank balance of deposits	<u><u>\$ 374,652</u></u>

NOTE 3. RECEIVABLES

Receivables as of June 30, 2013, are as follows:

Governmental activities:

	General Fund	Non - Major funds	Total
Taxes:			
Gross receipts	\$ 230,812	\$ -	\$ 230,812
Lodgers		18,691	18,691
Court fines and fees		1,524	1,524
Others		<u>1,616</u>	<u>1,616</u>
Total receivables	<u>\$ 230,812</u>	<u>\$ 21,831</u>	<u>\$ 252,643</u>

Business-type activities:

	Water and Sewer	Housing Authority	Total
Receivables:			
Grant receivable	\$ -	\$ 135,114	\$ 135,114
Accounts receivable	77,213	11,605	88,818
Allowance for uncollectible accounts	<u>(39,798)</u>	<u>(10,032)</u>	<u>(49,830)</u>
Total receivables	<u>\$ 37,415</u>	<u>\$ 136,687</u>	<u>\$ 174,102</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4. CAPITAL ASSETS

Governmental fund capital asset activity for the year ending June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities					
Capital assets, not depreciated:					
Land	\$ 86,130	\$	\$	\$	\$ 86,130
Constructions in progress	<u>607,465</u>	<u>565,290</u>	<u></u>	<u></u>	<u>1,172,755</u>
Total, not depreciated	<u>693,595</u>	<u>565,290</u>	<u>0</u>	<u>0</u>	<u>1,258,885</u>
Capital assets, depreciated:					
Buildings and improvements	3,610,760				3,610,760
Equipment and other	2,097,890	10,000		(82,863)	2,025,027
Infrastructure	<u>54,050</u>	<u></u>	<u></u>	<u>82,863</u>	<u>136,913</u>
Total, depreciated	<u>5,762,700</u>	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>5,772,700</u>
Accumulated depreciation for:					
Buildings and improvements	1,095,582	106,307			1,201,889
Equipment and other	1,323,745	101,196			1,424,941
Infrastructure	<u>8,267</u>	<u>6,846</u>	<u></u>	<u></u>	<u>15,113</u>
Total accumulated depreciation	<u>2,427,594</u>	<u>214,349</u>	<u>0</u>	<u>0</u>	<u>2,641,943</u>
Total capital assets, depreciated, net	<u>3,335,106</u>	<u>(204,349)</u>	<u>0</u>	<u>0</u>	<u>3,130,757</u>
Total capital assets, net	<u>\$ 4,028,701</u>	<u>\$ 360,941</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,389,642</u>

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

Governmental activities	
General government	\$ 35,709
Public safety	92,353
Highways and streets	14,952
Culture and recreation	<u>71,335</u>
Total depreciation expense	<u>\$ 214,349</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTES 4. CAPITAL ASSETS (CONTINUED)

Enterprise fund capital asset activity for the year ending June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
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 Progress-Water & Waste Water	480,481	1,789,581		2,270,062
Construction in Progress-Housing Authority		<u>14,272</u>		<u>14,272</u>
Total, not depreciated	<u>498,201</u>	<u>1,803,853</u>	<u>0</u>	<u>2,302,054</u>
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	7,500		331,079
Housing Authority:				
Buildings and improvements	1,745,696	59,935	(10,046)	1,795,585
Equipment and other	<u>118,208</u>	<u>5,000</u>	<u>(8,721)</u>	<u>114,487</u>
Total, depreciated	<u>5,302,325</u>	<u>72,435</u>	<u>(18,767)</u>	<u>5,355,993</u>
Accumulated depreciation for				
Water and Waste Water	1,525,068	110,842		1,635,910
Housing Authority	<u>813,349</u>	<u>46,631</u>	<u>(15,864)</u>	<u>844,116</u>
Total accumulated depreciation	<u>2,338,417</u>	<u>157,473</u>	<u>(15,864)</u>	<u>2,480,026</u>
Total capital assets, depreciated, net	<u>2,963,908</u>	<u>(85,038)</u>	<u>(2,903)</u>	<u>2,875,967</u>
Total capital assets, net	<u>\$ 3,462,109</u>	<u>\$ 1,718,815</u>	<u>\$ (2,903)</u>	<u>\$ 5,178,021</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5. LONG-TERM OBLIGATIONS — GOVERNMENTAL FUNDS

During the year ended June 30, 2013, the following changes occurred:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities					
Loans payable	\$ 91,610	\$	\$ 45,407	\$ 46,203	\$ 46,203
Compensated absences	<u>10,322</u>	<u>3,159</u>	<u>5,049</u>	<u>8,432</u>	<u>8,432</u>
Total	<u>\$101,932</u>	<u>\$ 3,159</u>	<u>\$ 50,456</u>	<u>\$ 54,635</u>	<u>\$ 54,635</u>

Loan Payable. The Village entered into a loan agreement with the New Mexico Finance Authority on March 05, 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 01, 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	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 30,530</u>	<u>\$ 750</u>	<u>\$ 31,280</u>
	<u>\$ 30,530</u>	<u>750</u>	<u>31,280</u>

Loan Payable. The Village entered into a loan agreement with the New Mexico Finance Authority on January 09, 2010. Interest is at 4.264%. The proceeds from the loan were used for the purchase of a street sweeper. The loan was for \$78,155 and matures May 01, 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	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 15,673</u>	<u>\$ 32</u>	<u>\$ 15,705</u>
	<u>\$ 15,673</u>	<u>\$ 32</u>	<u>\$ 15,737</u>

Accrued Compensated Absences. Regular full time employees receive two weeks of vacation per year after completion of one year of employment with the Village. Part time and seasonal employees are not entitled to vacation benefits. Vacation balances are payable upon termination but may not be carried over to the next year. Balances are reset at each employee's anniversary date.

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS

During the year ended June 30, 2013, the following changes occurred:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type activities					
Compensated absences	\$ <u>7,920</u>	\$ <u>1,133</u>	\$ <u>4,353</u>	\$ <u>4,700</u>	\$ <u>4,700</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, 2013 consisted of the following amounts:

<u>Interfund Receivable</u>	<u>Amount</u>	<u>Interfund Payable</u>	<u>Amount</u>
Major governmental Funds:		Major governmental Funds:	
General Fund	\$ <u>329,654</u>	General Fund	\$ <u>123,788</u>
Total Major Governmental Funds	<u>329,654</u>	Total Major Governmental Funds	<u>123,788</u>
Nonmajor Governmental Funds:		Nonmajor Governmental Funds:	
Corrections Fund	22,553	Street Fund	52,786
EMS Fund	10,981	Capital Project	2,464
Fire Protection Fund	39,506		
LEPF Fund	11,774		
Lodgers Fund	2,972		
Street Fund	37,025		
Recreation Fund	<u>3,385</u>		
Total Nonmajor Governmental Funds	<u>128,196</u>	Total Nonmajor Governmental Funds	<u>55,250</u>
Proprietary Funds:		Proprietary Funds:	
		Water and Sewer Fund	278,812
Total Proprietary Funds	<u>0</u>	Total Proprietary Funds	<u>278,812</u>
Grand Total	<u>\$ 457,850</u>	Grand Total	<u>\$ 457,850</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9. INTERFUND OPERATING TRANSFERS

The Village had no interfund operating transfers during the year ended June 30, 2013.

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, 2013, 2012, and 2011 were \$65,306, \$63,168, and, \$69,078, 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.

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 13. DEFICIT FUND BALANCE AND EXCESS OF EXPENDITURES OVER BUDGET

Generally Accepted Accounting Principles require disclosures of certain information concerning individual funds including:

A. Deficit fund balances of individual funds are the following:

<u>Fund Name</u>	<u>Amount</u>
Street Fund	\$ (15,761)
Capital Project Fund	(2,464)

B. Excess of expenditures over appropriations:

<u>Fund</u>	<u>Amount</u>
Library Fund	\$ 4,087
Lodgers Tax Fund	12,651
Recreation Fund	613

NOTE 14. RELATED PARTY TRANSACTIONS

The Village paid \$9,862 for the purchase of supplies to a hardware store owned by the father of the mayor.

NOTE 15. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through November 25, 2013, the date the financial statements were available to be issued. There were no material subsequent events.

NOTE 16. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS

The GASB issued Statement No. 65, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Village is reviewing the effects of implementation of this statement.

STATE OF NEW MEXICO
VILLAGE OF CUBA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 16. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS (CONTINUED)

The GASB issued Statement No. 66 *Technical Corrections-2012-an amendment of the GASB Statements No. 10 and No. 62*, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this statement is to amend Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, government would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement also amends Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and that principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee. These changes would eliminate any uncertainty regarding the application of Statement No. 13, Accounting for Operating Leases with Schedule Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales of Pledges of receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The Village is reviewing the effects of the implementation of this statement.

In June 2012, Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statements No. 25*, which is effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The Village is still evaluating how this reporting standard will affect the reporting entity.

In June 2012, Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27*, which is effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2016.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, which is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively.

In April 2013, GASB Statement No 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The Village is still evaluating how this reporting standard will affect the reporting entity.

STATE OF NEW MEXICO
VILLAGE OF CUBA
NONMAJOR FUNDS
JUNE 30, 2013

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.

Street. 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.

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.

STATE OF NEW MEXICO
VILLAGE OF CUBA
COMBINING BALANCE SHEET NONMAJOR FUNDS
JUNE 30, 2013

	<u>Corrections</u> <u>Fund</u>	<u>EMS</u>	<u>Fire</u> <u>Protection</u>	<u>LEPF</u>
ASSETS				
Cash and cash equivalents	\$	\$	\$ 15,368	\$ 7,784
Cash - restricted				
Receivables:				
Taxes:				
Lodgers tax				
Court fines and fees	1,524			
Others	1,616			
Due from other funds	<u>22,553</u>	<u>10,981</u>	<u>39,506</u>	<u>11,774</u>
Total assets	<u>\$ 25,693</u>	<u>\$ 10,981</u>	<u>\$ 54,874</u>	<u>\$ 19,558</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$	\$	\$ 11,777	\$ 4,669
Due to other funds	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u> 0</u>	<u> 0</u>	<u>11,777</u>	<u>4,669</u>
FUND BALANCES				
Restricted for:				
Special Revenue Funds	25,693	10,981	43,097	14,889
Debt Service Funds				
Unassigned	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>25,693</u>	<u>10,981</u>	<u>43,097</u>	<u>14,889</u>
Total liabilities and fund balances	<u>\$ 25,693</u>	<u>\$ 10,981</u>	<u>\$ 54,874</u>	<u>\$ 19,558</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA
COMBINING BALANCE SHEET NONMAJOR FUNDS
JUNE 30, 2013

	<u>Library</u>	<u>Lodgers Tax</u>	<u>Street Fund</u>	<u>Recreation</u>
ASSETS				
Cash and cash equivalents	\$ 7,066	\$ 9,705	\$	\$ 2,714
Cash - restricted				
Receivables:				
Taxes:				
Lodgers tax		18,691		
Court fines and fees				
Others				
Due from other funds	<u> </u>	<u>2,972</u>	<u>37,025</u>	<u>3,385</u>
Total assets	<u>\$ 7,066</u>	<u>\$ 31,368</u>	<u>\$ 37,025</u>	<u>\$ 6,099</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$	\$ 6,786	\$	\$ 976
Due to other funds	<u> </u>	<u> </u>	<u>52,786</u>	<u> </u>
Total liabilities	<u>0</u>	<u>6,786</u>	<u>52,786</u>	<u>976</u>
FUND BALANCES				
Restricted for:				
Special Revenue Funds	7,066	24,582		5,123
Debt Service Funds				
Unassigned	<u> </u>	<u> </u>	<u>(15,761)</u>	<u> </u>
Total fund balances	<u>7,066</u>	<u>24,582</u>	<u>(15,761)</u>	<u>5,123</u>
Total liabilities and fund balances	<u>\$ 7,066</u>	<u>\$ 31,368</u>	<u>\$ 37,025</u>	<u>\$ 6,099</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA
COMBINING BALANCE SHEET NONMAJOR FUNDS
JUNE 30, 2013

	<u>Capital Project</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$	\$ 535	\$ 43,172
Cash - restricted		27,851	27,851
Receivables:			
Taxes:			
Lodgers tax			18,691
Court fines and fees			1,524
Others			1,616
Due from other funds			<u>128,196</u>
Total assets	<u>\$ 0</u>	<u>\$ 28,386</u>	<u>\$ 221,050</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$	\$	\$ 24,208
Due to other funds	<u>2,464</u>	<u></u>	<u>55,250</u>
Total liabilities	<u>2,464</u>	<u>0</u>	<u>79,458</u>
FUND BALANCES			
Restricted for:			
Special Revenue Funds			131,431
Debt Service Funds		28,386	28,386
Unassigned	<u>(2,464)</u>	<u></u>	<u>(18,225)</u>
Total fund balances	<u>(2,464)</u>	<u>28,386</u>	<u>141,592</u>
Total liabilities and fund balances	<u>\$ 0</u>	<u>\$ 28,386</u>	<u>\$ 221,050</u>

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Corrections Fund</u>	<u>EMS</u>	<u>Fire Protection</u>	<u>LEPF</u>
REVENUES:				
Taxes	\$	\$	\$	\$
Licenses and fees	15,834			
State sources - Intergovernmental		9,846	41,363	22,400
Miscellaneous				
<i>Total revenues</i>	<u>15,834</u>	<u>9,846</u>	<u>41,363</u>	<u>22,400</u>
EXPENDITURES:				
Current:				
Public Safety	21,609	9,846	37,773	19,303
Culture and Recreation				
Debt Service:				
Principal				
Interest and fees				
<i>Total expenditures</i>	<u>21,609</u>	<u>9,846</u>	<u>37,773</u>	<u>19,303</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,775)</u>	<u>0</u>	<u>3,590</u>	<u>3,097</u>
Net change in fund balance	(5,775)	0	3,590	3,097
Fund balance - beginning of year	<u>31,468</u>	<u>10,981</u>	<u>39,507</u>	<u>11,792</u>
Fund balance - end of year	<u>\$ 25,693</u>	<u>\$ 10,981</u>	<u>\$ 43,097</u>	<u>\$ 14,889</u>

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Library</u>	<u>Lodgers Tax</u>	<u>Street Fund</u>	<u>Recreation</u>
REVENUES:				
Taxes	\$	\$ 30,954	\$	\$
Licenses and fees	586			5,706
State sources - Intergovernmental	5,672			
Miscellaneous				
<i>Total revenues</i>	<u>6,258</u>	<u>30,954</u>	<u>0</u>	<u>5,706</u>
EXPENDITURES:				
Current:				
Public Safety				
Culture and Recreation	1,427	26,309		7,751
Debt Service:				
Principal				
Interest and fees				
<i>Total expenditures</i>	<u>1,427</u>	<u>26,309</u>	<u>0</u>	<u>7,751</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>4,831</u>	<u>4,645</u>	<u>0</u>	<u>(2,045)</u>
Net change in fund balance	4,831	4,645	0	(2,045)
Fund balance - beginning of year	<u>2,235</u>	<u>19,937</u>	<u>(15,761)</u>	<u>7,168</u>
Fund balance - end of year	<u>\$ 7,066</u>	<u>\$ 24,582</u>	<u>\$ (15,761)</u>	<u>\$ 5,123</u>

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Capital Project</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES:			
Taxes	\$	\$ 13,080	\$ 44,034
Licenses and fees			22,126
State sources - Intergovernmental		31,349	110,630
Miscellaneous		<u>103</u>	<u>103</u>
<i>Total revenues</i>	<u>0</u>	<u>44,532</u>	<u>176,893</u>
EXPENDITURES:			
Current:			
Public Safety			88,531
Culture and Recreation			35,487
Debt Service:			
Principal		45,407	45,407
Interest and fees		<u>1,647</u>	<u>1,647</u>
<i>Total expenditures</i>	<u>0</u>	<u>47,054</u>	<u>171,072</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>(2,522)</u>	<u>5,821</u>
Net change in fund balance	0	(2,522)	5,821
Fund balance - beginning of year	<u>(2,464)</u>	<u>30,908</u>	<u>135,771</u>
Fund balance - end of year	<u><u>\$ (2,464)</u></u>	<u><u>\$ 28,386</u></u>	<u><u>\$ 141,592</u></u>

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) CORRECTIONS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		(Negative)
<i>REVENUES:</i>				
Licenses, permits, fees and fines	\$ 55,000	\$ 55,000	\$ 15,834	\$ (39,166)
<i>Total revenues</i>	55,000	55,000	15,834	(39,166)
<i>EXPENDITURES:</i>				
Public Safety	55,000	55,000	21,609	33,391
<i>Total expenditures</i>	55,000	55,000	21,609	33,391
<i>Excess (deficiency) of revenues over (under) expenditures</i>	0	0	(5,775)	(5,775)
<i>Fund balance - Beginning of Year</i>	38,535	38,535	31,468	(7,067)
<i>Fund balance - End of Year</i>	\$ 38,535	\$ 38,535	25,693	\$ (7,067)
Reconciliation of budgetary basis to GAAP basis				
Change in fund balance-cash basis			(5,775)	
Adjustments to revenues			0	
Adjustments to expenditures			0	
Change in fund balance-GAAP basis			\$ (5,775)	

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
EMERGENCY MEDICAL SERVICES FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
<i>REVENUES:</i>				
Licenses, permits, fees and fines	\$ 9,846	\$ 9,846	\$ 9,846	\$
Other	<u>100,000</u>	<u>100,000</u>	<u> </u>	<u>(100,000)</u>
<i>Total revenues</i>	<u>109,846</u>	<u>109,846</u>	<u>9,846</u>	<u>(100,000)</u>
<i>EXPENDITURES:</i>				
Public Safety	<u>109,846</u>	<u>109,846</u>	<u>9,846</u>	<u>100,000</u>
<i>Total expenditures</i>	<u>109,846</u>	<u>109,846</u>	<u>9,846</u>	<u>100,000</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	0	0	0	0
<i>Fund balance - Beginning of Year</i>	<u>10,981</u>	<u>10,981</u>	<u>10,981</u>	<u>0</u>
<i>Fund balance - End of Year</i>	<u>\$ 10,981</u>	<u>\$ 10,981</u>	<u>10,981</u>	<u>\$ 0</u>
Reconciliation of budgetary basis to GAAP basis				
Change in fund balance-cash basis			0	
Adjustments to revenues			0	
Adjustments to expenditures			<u>0</u>	
Change in fund balance-GAAP basis			<u>\$ 0</u>	

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) FIRE PROTECTION FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Positive (Negative)
<i>REVENUES:</i>				
Intergovernmental grants	\$ 41,362	\$ 41,362	\$ 41,363	\$ 1
<i>Total revenues</i>	41,362	41,362	41,363	1
<i>EXPENDITURES:</i>				
Public Safety	41,362	41,362	32,311	9,051
<i>Total expenditures</i>	41,362	41,362	32,311	9,051
<i>Excess (deficiency) of revenues over (under) expenditures</i>	0	0	9,052	9,052
<i>Fund balance - Beginning of Year</i>	36,333	36,333	39,507	3,174
<i>Fund balance - End of Year</i>	\$ 36,333	\$ 36,333	48,559	\$ 3,174
Reconciliation of budgetary basis to GAAP basis				
Change in fund balance-cash basis			9,052	
Adjustments to revenues			0	
Adjustments to expenditures			(5,462)	
Change in fund balance-GAAP basis			\$ 3,590	

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT PROTECTION FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
<i>REVENUES:</i>				
Intergovernmental grants	\$ <u>22,400</u>	\$ <u>22,400</u>	\$ <u>22,400</u>	\$ _____
<i>Total revenues</i>	<u>22,400</u>	<u>22,400</u>	<u>22,400</u>	<u>0</u>
<i>EXPENDITURES:</i>				
Public Safety	<u>22,400</u>	<u>22,400</u>	<u>19,335</u>	<u>3,065</u>
<i>Total expenditures</i>	<u>22,400</u>	<u>22,400</u>	<u>19,335</u>	<u>3,065</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	0	0	3,065	3,065
<i>Fund balance - Beginning of Year</i>	<u>11,824</u>	<u>11,824</u>	<u>11,792</u>	<u>(32)</u>
<i>Fund balance - End of Year</i>	<u><u>\$ 11,824</u></u>	<u><u>\$ 11,824</u></u>	<u>14,857</u>	<u><u>\$ (32)</u></u>
Reconciliation of budgetary basis to GAAP basis				
Change in fund balance-cash basis			3,065	
Adjustments to revenues			0	
Adjustments to expenditures			<u>32</u>	
Change in fund balance-GAAP basis			<u><u>\$ 3,097</u></u>	

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) LIBRARY
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Positive (Negative)
<i>REVENUES:</i>				
Licenses, permits, fees and fines	\$	\$	\$ 586	\$ 586
Intergovernmental grants			6,367	6,367
<i>Total revenues</i>			6,953	6,953
<i>EXPENDITURES:</i>				
Culture and recreation			4,087	(4,087)
<i>Total expenditures</i>			4,087	(4,087)
<i>Excess (deficiency) of revenues over (under) expenditures</i>	0	0	2,866	2,866
<i>Fund balance - Beginning of Year</i>	4,127	4,127	2,235	(1,892)
<i>Fund balance - End of Year</i>	\$ 4,127	\$ 4,127	5,101	\$ (1,892)
Reconciliation of budgetary basis to GAAP basis				
Change in fund balance-cash basis			2,866	
Adjustments to revenues			(695)	
Adjustments to expenditures			2,660	
Change in fund balance-GAAP basis			\$ 4,831	

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) LODGERS TAX FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Positive (Negative)
<i>REVENUES:</i>				
Taxes	\$ <u>12,500</u>	\$ <u>12,500</u>	\$ <u>13,811</u>	\$ <u>1,311</u>
<i>Total revenues</i>	<u>12,500</u>	<u>12,500</u>	<u>13,811</u>	<u>1,311</u>
<i>EXPENDITURES:</i>				
Culture and recreation	<u>12,500</u>	<u>12,500</u>	<u>25,151</u>	<u>(12,651)</u>
<i>Total expenditures</i>	<u>12,500</u>	<u>12,500</u>	<u>25,151</u>	<u>(12,651)</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	0	0	(11,340)	(11,340)
<i>Fund balance - Beginning of Year</i>	<u>15,926</u>	<u>15,926</u>	<u>19,937</u>	<u>4,011</u>
<i>Fund balance - End of Year</i>	<u><u>15,926</u></u>	<u><u>15,926</u></u>	<u>8,597</u>	<u><u>4,011</u></u>
Reconciliation of budgetary basis to GAAP basis				
Change in fund balance-cash basis			(11,340)	
Adjustments to revenues			17,143	
Adjustments to expenditures			<u>(1,158)</u>	
Change in fund balance-GAAP basis			<u><u>4,645</u></u>	

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final	Amounts	
<i>REVENUES:</i>				
Intergovernmental grants	\$ 75,000	\$ 75,000	\$	\$ (75,000)
Other	<u>25,000</u>	<u>25,000</u>	<u>9</u>	<u>(24,991)</u>
<i>Total revenues</i>	<u>100,000</u>	<u>100,000</u>	<u>9</u>	<u>(99,991)</u>
<i>EXPENDITURES:</i>				
Capital Outlay	<u>100,000</u>	<u>100,000</u>	<u></u>	<u>100,000</u>
<i>Total expenditures</i>	<u>100,000</u>	<u>100,000</u>	<u>0</u>	<u>100,000</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	0	0	9	9
<i>Fund balance - Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund balance - End of Year</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u>9</u>	<u><u>\$ 0</u></u>
Reconciliation of budgetary basis to GAAP basis				
Change in fund balance-cash basis			9	
Adjustments to revenues			565,281	
Adjustments to expenditures			<u>(565,290)</u>	
Change in fund balance-GAAP basis			<u><u>\$ 0</u></u>	

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Positive (Negative)
<i>REVENUES:</i>				
Licenses, permits, fees and fines	\$ 9,000	\$ 9,000	\$ 5,706	\$ (3,294)
<i>Total revenues</i>	9,000	9,000	5,706	(3,294)
<i>EXPENDITURES:</i>				
Culture and recreation	9,000	9,000	9,613	(613)
<i>Total expenditures</i>	9,000	9,000	9,613	(613)
<i>Excess (deficiency) of revenues over (under) expenditures</i>	0	0	(3,907)	(3,907)
<i>Fund balance - Beginning of Year</i>	7,825	7,825	7,168	(657)
<i>Fund balance - End of Year</i>	\$ 7,825	\$ 7,825	3,261	\$ (657)
Reconciliation of budgetary basis to GAAP basis				
Change in fund balance-cash basis			(3,907)	
Adjustments to revenues			0	
Adjustments to expenditures			1,862	
Change in fund balance-GAAP basis			\$ (2,045)	

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
<i>REVENUES:</i>				
Intergovernmental grants	\$ 1,580,000	\$ 1,580,000	\$	\$ (1,580,000)
Other	<u>1,075,000</u>	<u>1,075,000</u>	<u> </u>	<u>(1,075,000)</u>
<i>Total revenues</i>	<u>2,655,000</u>	<u>2,655,000</u>	<u> 0</u>	<u>(2,655,000)</u>
<i>EXPENDITURES:</i>				
Public Safety	<u>2,655,000</u>	<u>2,655,000</u>	<u> </u>	<u>2,655,000</u>
<i>Total expenditures</i>	<u>2,655,000</u>	<u>2,655,000</u>	<u> 0</u>	<u>2,655,000</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	0	0	0	0
<i>Fund balance - Beginning of Year</i>	<u> 0</u>	<u> 0</u>	<u> (2,464)</u>	<u> (2,464)</u>
<i>Fund balance - End of Year</i>	<u><u> 0</u></u>	<u><u> 0</u></u>	<u> (2,464)</u>	<u><u> (2,464)</u></u>
Reconciliation of budgetary basis to GAAP basis				
Change in fund balance-cash basis			0	
Adjustments to revenues			0	
Adjustments to expenditures			<u> 0</u>	
Change in fund balance-GAAP basis			<u><u> 0</u></u>	

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Positive (Negative)
<i>REVENUES:</i>				
Taxes	\$ 65,339	\$ 65,339	\$ 15,696	\$ (49,643)
Intergovernmental grants	29,927	29,927	31,349	1,422
Other	<u> </u>	<u> </u>	<u>103</u>	<u>103</u>
<i>Total revenues</i>	<u>95,266</u>	<u>95,266</u>	<u>47,148</u>	<u>(48,118)</u>
<i>EXPENDITURES:</i>				
Debt Service-principal	95,266	95,266	45,407	49,859
Debt Service-interest and fees	<u> </u>	<u> </u>	<u>1,646</u>	<u>(1,646)</u>
<i>Total expenditures</i>	<u>95,266</u>	<u>95,266</u>	<u>47,053</u>	<u>48,213</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	0	0	95	95
<i>Fund balance - Beginning of Year</i>	<u>29,063</u>	<u>29,063</u>	<u>30,908</u>	<u>1,845</u>
<i>Fund balance - End of Year</i>	<u>\$ 29,063</u>	<u>\$ 29,063</u>	<u>31,003</u>	<u>\$ 1,845</u>
Reconciliation of budgetary basis to GAAP basis				
Change in fund balance-cash basis			95	
Adjustments to revenues			(2,616)	
Adjustments to Expenditures			<u>(1)</u>	
Change in fund balance-GAAP basis			<u>\$ (2,522)</u>	

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final	Amounts	
<i>REVENUES:</i>				
Sales and services	\$ <u>483,000</u>	\$ <u>483,000</u>	\$ <u>344,636</u>	\$ <u>(138,364)</u>
<i>Total revenues</i>	<u>483,000</u>	<u>483,000</u>	<u>344,636</u>	<u>(138,364)</u>
<i>EXPENDITURES:</i>				
Operating	<u>483,000</u>	<u>483,000</u>	<u>399,833</u>	<u>83,167</u>
<i>Total expenditures</i>	<u>483,000</u>	<u>483,000</u>	<u>399,833</u>	<u>83,167</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>0</u>	<u>0</u>	<u>(55,197)</u>	<u>(55,197)</u>
<i>Other financing sources (uses):</i>				
Intergovernmental Capital grants	<u> </u>	<u> </u>	<u>1,520,682</u>	<u>1,520,682</u>
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>1,520,682</u>	<u>1,520,682</u>
<i>Changes in net position</i>	0	0	1,465,485	1,465,485
<i>Net position - Beginning of Year</i>	<u>1,713,004</u>	<u>1,713,004</u>	<u>1,957,302</u>	<u>244,298</u>
<i>Net position - End of Year</i>	<u>\$ 1,713,004</u>	<u>\$ 1,713,004</u>	<u>3,422,787</u>	<u>\$ 1,709,783</u>
<i>Reconciliation of budgetary basis to GAAP basis</i>				
Changes in net position-cash basis			1,465,485	
Adjustments to revenues			(59,151)	
Adjustments to expenditures			<u>(92,467)</u>	
Change in net position - GAAP basis			<u>\$ 1,313,867</u>	

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
HOUSING AUTHORITY ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		(Negative)
<i>REVENUES:</i>				
Sales and services	\$ 46,600	\$ 46,600	\$ 5,552	\$ (41,048)
<i>Total revenues</i>	46,600	46,600	5,552	(41,048)
<i>EXPENDITURES:</i>				
Operating	143,200	143,200	6,071	137,129
<i>Total expenditures</i>	143,200	143,200	6,071	137,129
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(96,600)	(96,600)	(519)	96,081
<i>Other financing sources (uses):</i>				
Transfers In			44,000	44,000
<i>Total other financing sources (uses)</i>	0	0	44,000	44,000
<i>Changes in net position</i>	(96,600)	(96,600)	43,481	140,081
<i>Net position - Beginning of Year</i>	1,085,605	1,085,605	1,133,158	47,553
<i>Net position - End of Year</i>	\$ 989,005	\$ 989,005	1,132,639	\$ 47,553
Reconciliation of budgetary basis to GAAP basis				
Change in net position-cash basis			43,481	
Adjustments to revenues			180,023	
Adjustments to expenditures			(195,799)	
Change in net position-GAAP basis			\$ 27,705	

STATE OF NEW MEXICO
VILLAGE OF CUBA
AGENCY FUNDS
JUNE 30, 2013

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,

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<i>MOTOR VEHICLE FUND:</i>				
ASSETS				
Cash	\$ 200	\$	\$	\$ 200
Total assets	<u>200</u>	<u>0</u>	<u>0</u>	<u>200</u>
LIABILITIES				
Due to other entities	<u>200</u>			<u>200</u>
Total liabilities	<u>200</u>	<u>0</u>	<u>0</u>	<u>200</u>
<i>MUNICIPAL COURT FUND:</i>				
ASSETS				
Cash	<u>8,447</u>	<u>53,628</u>	<u>57,441</u>	<u>4,634</u>
Total assets	<u>8,447</u>	<u>53,628</u>	<u>57,441</u>	<u>4,634</u>
LIABILITIES				
Due to other entities	<u>8,447</u>	<u>53,628</u>	<u>57,441</u>	<u>4,634</u>
Total liabilities	<u>8,447</u>	<u>53,628</u>	<u>57,441</u>	<u>4,634</u>
<i>MUNICIPAL JUDGE'S BOND FUND:</i>				
ASSETS				
Cash	<u>2,019</u>	<u>2,915</u>	<u>150</u>	<u>4,784</u>
Total assets	<u>2,019</u>	<u>2,915</u>	<u>150</u>	<u>4,784</u>
LIABILITIES				
Due to other entities	<u>2,019</u>	<u>2,915</u>	<u>150</u>	<u>4,784</u>
Total liabilities	<u>2,019</u>	<u>2,915</u>	<u>150</u>	<u>4,784</u>
ASSETS (TOTAL)				
CASH	<u>10,666</u>	<u>56,543</u>	<u>57,591</u>	<u>9,618</u>
TOTAL ASSETS	<u>10,666</u>	<u>56,543</u>	<u>57,591</u>	<u>9,618</u>
LIABILITIES (TOTAL)				
DUE TO OTHER ENTITIES	<u>10,666</u>	<u>56,543</u>	<u>57,591</u>	<u>9,618</u>
TOTAL LIABILITIES	<u>\$ 10,666</u>	<u>\$ 56,543</u>	<u>\$ 57,591</u>	<u>\$ 9,618</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF DEPOSIT ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Depository</u>	<u>Account Name</u>	<u>Type</u>	<u>Depository Balance</u>	<u>Reconciled Balance</u>
Wells Fargo	General	Checking	\$ 132,310	\$ 80,724
Wells Fargo	Juvenile Fund	Checking	2,681	2,664
Wells Fargo	Fire Protection	Checking	15,661	15,368
Wells Fargo	Law Enforcement Protection	Checking	8,489	8,489
Wells Fargo	Library	Checking	7,700	7,066
Wells Fargo	Lodgers Tax	Checking	9,705	9,705
Wells Fargo	Water and Sewer System	Checking	44,970	32,970
Wells Fargo	Water and Sewer Improvements	Checking	92,104	1,730
Wells Fargo	W/S Deposits	Checking	7,773	7,727
Wells Fargo	Public Housing Deposits	Checking	9,985	2,488
Wells Fargo	Security Deposit Account	Checking	5,259	5,253
Bank of Albuquerque	Debt Service Reserve	Checking	27,851	27,851
Bank of Albuquerque	Debt Service	Checking	152	152
Bank of Albuquerque	Debt Service Program Funds	Checking	382	382
Cuba Credit Union	Regular Share Account	Savings	<u>212</u>	<u>212</u>
Cash and cash equivalents			<u>365,234</u>	<u>202,781</u>
Petty cash	Petty cash - LEPF	Petty Cash		50
Petty cash	Petty cash - Recreation	Petty Cash		50
Petty cash	Petty cash - water	Petty Cash		<u>97</u>
Petty cash			<u>0</u>	<u>197</u>
Total deposit and investment accounts			365,234	202,978
Less: Reconciling amount				<u>(754)</u>
Total deposit and investment accounts- non-agency			<u>365,234</u>	<u>202,224</u>
Agency funds cash accounts				
Petty cash	MVD Cash Drawer	Petty Cash		200
Cuba Credit Union	Municipal Court	Checking	4,634	4,634
Cuba Credit Union	Municipal Judge's Bonds	Checking	<u>4,784</u>	<u>4,784</u>
Total cash - agency funds			<u>9,418</u>	<u>9,618</u>
Total depository accounts			<u>\$ 374,652</u>	<u>211,842</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2013

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	\$ 25,192	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	<u>5/27/09 - 5/26/14</u>	No compensation		Sandoval County	Sandoval County

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF APPROPRIATIONS
JUNE 30, 2013

<u>Appropriation</u>	<u>Beginning Date</u>	<u>Ending Date</u>	<u>Original Amount</u>	<u>Funds Expended</u>	<u>Funds Remaining</u>
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 09-3809	4/27/2010	06/30/2013	100,000	100,000	
SAP 09-3810	4/27/2010	06/30/2013	350,000	350,000	
SAP 09-3811	4/24/2010	06/30/2013	225,000	225,000	
SAP 12-1634	7/27/2012	06/30/2014	<u>50,000</u>	<u>37,735</u>	<u>12,265</u>
Total			<u>\$ 2,625,000</u>	<u>\$ 2,607,735</u>	<u>\$ 17,265</u>

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

The funds remaining are encumbered.

STATE OF NEW MEXICO
VILLAGE OF CUBA
HOUSING AUTHORITY - FINANCIAL DATA SCHEDULE
JUNE 30, 2013

FDS Line #	Accounts Description	Low Rent Housing Project (LRH)	Capital Funds Program (CFP)	Total
ASSETS:				
111	Cash - Unrestricted	\$ 3,076	\$	\$ 3,076
114	Cash - Tenant Security Deposits	<u>4,665</u>	<u></u>	<u>4,665</u>
100	Total Cash	<u>7,741</u>	<u>0</u>	<u>7,741</u>
121	Accounts Receivable - PHA Projects	129,434	5,680	135,114
125	Accounts Receivable - Miscellaneous			
126	Accounts Receivable - Tenants - Dwelling Rents	11,605		11,605
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	131,007	5,680	136,687
142	Prepaid Expenses and Other Assets	<u>209</u>	<u></u>	<u>209</u>
150	Total Current Assets	<u>138,957</u>	<u>5,680</u>	<u>144,637</u>
161	Land	15,608		15,608
161	Work in progress	14,272		14,272
162	Buildings	1,795,585		1,795,585
163	Furniture, Equipment & Machinery - Dwelling	42,798		42,798
164	Furniture, Equipment & Machinery - Administration	71,689		71,689
166	Accumulated Depreciation	<u>(844,117)</u>	<u></u>	<u>(844,117)</u>
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,095,835</u>	<u>0</u>	<u>1,095,835</u>
180	Total Non-Current Assets	<u>1,095,835</u>	<u>0</u>	<u>1,095,835</u>
190	Total Assets	<u>\$ 1,234,792</u>	<u>\$ 5,680</u>	<u>\$ 1,240,472</u>
LIABILITIES:				
312	Accounts payable < 90 days	\$ 58,117	\$	\$ 58,117
322	Accrued Compensated Absences - Current	1,133		1,133
333	Accounts payable - Other Government	15,695		15,695
341	Tenant Security Deposits	<u>4,665</u>	<u></u>	<u>4,665</u>
310	Total Current Liabilities	<u>79,610</u>	<u>0</u>	<u>79,610</u>
353	Non-current Liabilities - Other			
350	Total Noncurrent Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
300	Total Liabilities	<u>79,610</u>	<u>0</u>	<u>79,610</u>
508	Invested in Capital Assets, Net of Related Debt	<u>1,095,835</u>	<u></u>	<u>1,095,835</u>
511	Total Reserved Fund Balance	<u>1,095,835</u>	<u>0</u>	<u>1,095,835</u>
512	Unrestricted Net Position	<u>59,347</u>	<u>5,680</u>	<u>65,027</u>
513	Total Equity/Net Position	<u>1,155,182</u>	<u>5,680</u>	<u>1,160,862</u>
600	Total Liabilities and Equity/Net Position	<u>\$ 1,234,792</u>	<u>\$ 5,680</u>	<u>\$ 1,240,472</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA
HOUSING AUTHORITY - FINANCIAL DATA SCHEDULE
JUNE 30, 2013

FDS Line #	Accounts Description	Low Rent Housing Project (LRH)	Capital Funds Program (CFP)	Total
REVENUE:				
703	Net Tenant Rental Revenue	\$ 52,997	\$	\$ 52,997
705	Total Tenant Revenue	<u>52,997</u>	<u>0</u>	<u>52,997</u>
706	HUD PHA Operating Grants	31,761		31,761
706	Capital Grants		79,207	79,207
715	Other Revenue	<u>6,616</u>	<u>14,993</u>	<u>21,609</u>
700	Total Revenue	<u>91,374</u>	<u>94,200</u>	<u>185,574</u>
EXPENSES:				
911	Administrative Salaries	31,506		31,506
912	Auditing Fees	4,608		4,608
913	Book-keeping Fee	8,950		8,950
915	Employee Benefit Contributions - Admin.	28,619		28,619
916	Office Expenses	6,534		6,534
919	Other	<u>2,823</u>	<u>14,394</u>	<u>17,217</u>
910	Total Operating - Administrative	<u>83,040</u>	<u>14,394</u>	<u>97,434</u>
932	Electricity	3,980		3,980
933	Gas	874		874
934	Fuel	<u>260</u>		<u>260</u>
930	Total Utilities	<u>5,114</u>	<u>0</u>	<u>5,114</u>
941	Ordinary Maintenance and Operations-Labor	21,611		21,611
942	Ordinary Maintenance and Operations-Materials and Other	10,891		10,891
943	Ordinary Maintenance and Operations-Contracts	1,818		1,818
945	Employee Benefit Contributions-Ordinary Maintenance	<u>10,474</u>		<u>10,474</u>
940	Total Maintenance	<u>44,794</u>	<u>0</u>	<u>44,794</u>
961	Liability Insurance	4,273		4,273
961	All Other Insurance	<u>720</u>		<u>720</u>
961	Total Insurance Premiums	<u>4,993</u>	<u>0</u>	<u>4,993</u>
969	Total Operating Expenses	<u>137,941</u>	<u>14,394</u>	<u>152,335</u>
970	Excess Operating Revenue over Operating Expenses	(46,567)	79,806	33,239
974	Depreciation Expense	<u>46,631</u>		<u>46,631</u>
900	Total Expenses	<u>\$ 184,572</u>	<u>\$ 14,394</u>	<u>\$ 198,966</u>

STATE OF NEW MEXICO
VILLAGE OF CUBA
HOUSING AUTHORITY - FINANCIAL DATA SCHEDULE
JUNE 30, 2013

FDS Line #	Accounts Description	Low Rent Housing Project (LRH)	Capital Funds Program (CFP)	Total
OTHER FINANCING SOURCES (USES):				
1,001	Operating Transfers In	\$ 44,600	\$	\$ 44,600
1,002	Operating Transfers Out		(600)	
1,009	Transfers between Programs & Projects-In			
1,009	Transfers between Programs & Projects-Out			
1,009	Loss on sale of assets	<u>(2,903)</u>		<u>(2,903)</u>
1,010	Total Other Financing Sources (Uses)	<u>41,697</u>	<u>(600)</u>	<u>41,697</u>
1,000	<i>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses and Other Financing Sources (Uses)</i>	<u>(51,501)</u>	<u>79,206</u>	<u>27,705</u>
1,103	Beginning Equity	<u>\$ 1,119,551</u>	<u>\$ 13,607</u>	<u>\$ 1,133,158</u>
1,119	Unit Months Available	336		336
1,121	Number of Unit Months Leased	332		332

**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***

Hector H. Balderas
New Mexico State Auditor
The Honorable Mayor and the Village Council
Village of Cuba
Cuba, New Mexico

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund of the Village of Cuba, New Mexico (Village) as of and for the year ended June 30, 2013, and related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village's, presented as supplemental information, and have issued our report thereon dated March 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-08, 2008-07 and 2010-01 to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2008-05 to be significant deficiency.

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 questioned costs as items 2007-05, 2008-02, 2008-06, 2012-002, 2013-001 and 2013-002.

The Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
March 19, 2014

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control
Over Compliance required by OMB Circular A-133**

Hector H. Balderas
New Mexico State Auditor
The Honorable Mayor and the Village Council
Village of Cuba
Cuba, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the Village of Cuba's (the Village), compliance of with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended June 30, 2013. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Village's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Village's compliance.

Opinion on Each Major Federal Program

In our opinion, the Village complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A- 133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
March 19, 2014

**STATE OF NEW MEXICO
VILLAGE OF CUBA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

<u>Federal Grantor or Pass-Through Grantor / Program Title</u>	<u>Pass-through Grant Number</u>	<u>Federal CFDA</u>	<u>Federal Expenditures</u>
<i>Department of Health and Human Services</i>			
Health Care and Other Facilities	C76HF16314	93.887	\$ <u>565,290</u>
Total Health and Human Services			<u>565,290</u>
<i>Department of Housing and Urban Development</i>			
Public Housing Capital Funds	NM02P071501	14.872	94,200
Public & Indian Low Rent Housing	NM07100000	14.850a	<u>31,761</u>
Total Housing and Urban Development			<u>125,961</u>
Total Federal Financial Assistance			<u>\$ 691,251</u>
 <i>Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:</i>			
Total Federal Awards Expended Per Schedule of Expenditures of Federal Awards			\$ 691,251
Total Expenditures Funded by Other Sources			<u>1,244,365</u>
Total expenditures			<u>\$ 1,935,616</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Village of Cuba (Village) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Sub recipients

The Village did not provide any federal awards to sub recipients during the year.

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Section I – Summary of Audit Results

Financial Statements:

1. Type of auditors' report issued	Qualified
2. Internal control over financial reporting:	
a. Material weakness identified?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
c. Noncompliance material to financial statements noted?	Yes

Federal Awards:

1. Internal control over major programs:		
a. Material weakness identified?		No
b. Significant deficiencies identified not considered to be material weaknesses?		No
c. Control deficiencies identified not considered to be significant deficiencies?		No
2. Type of auditors' report issued on compliance for major programs		Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?		No
4. Identification of major programs:		
CFDA Number	Federal Program	
93.887	Health Care and Other Facilities	
5. Dollar threshold used to distinguish between type A and type B programs:		300,000
6. Auditee qualified as low-risk auditee?		No

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section II - Summary Schedule of Prior Audit Findings

FS-2007-01 Late Audit Report - Resolved

FS-2007-04 Water and Sewer Deposits not adequately funded - Resolved

FS-2007-05 Excess of Expenditures Over Authorized Budget - Modified and repeated

FS-2007-08 Preparation of Financial Statements - Repeated

FS-2008-02 Disaster Recovery Plan and Information Technology General Controls - Repeated

FS-2008-05 Payroll Disbursements - Modified and repeated

FS-2008-06 Compliance with Travel and Per Diem - Modified and repeated

FS-2008-07 Joint Utility Billing Revenue and Taxes Payable - Modified and repeated

FS-2010-01 Recording of Capital Assets - Modified and repeated

FS-2011-01 Grant Tracking - Resolved

FS-2011-02 Cash Disbursements - Resolved

FS-2012-001 Procurement of Tangible Items - Resolved

FS-2012-002 Cash Reconciliations - Modified and repeated

FS-2012-003 Housing Authority Rent Procedures - Resolved

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section III Findings - Financial Statement Audit

2007-05 Excess of Expenditures Over Authorized Budget (Non Compliance and Other)

Condition:

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

<u>Fund</u>	Amount
Library Fund	\$ 4,087
Lodgers Tax Fund	12,651
Recreation Fund	613

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.

Auditor's Recommendation:

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

Management's Response:

The Village's expenditures exceeded the authorized budget in the following funds for the Lodger's Tax Fund, where the Village ordered Municipal Banners in appreciation to our local business vendors. Municipal Banners are displayed during Special Events. The Recreation Fund was in excess of expenditures due to the Ball Park Lights were inoperable; defective wiring was replaced and services were brought up to electrical code. The Housing Authority Fund has been operating under the direction of the General Fund for payroll and other operating costs until operating subsidy is released by HUD. The Village has developed a process to ensure that funds do not exceed the operating budget. The Village of Cuba will add a line item for contingency operations.

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section III Findings - Financial Statement Audit - Continued

2007-08 Preparation of Financial Statements (Material Weakness)

Condition:

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

Criteria:

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.

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.

Auditor's Recommendation:

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

Management's Response:

The Village Clerk participates in trainings offered by the Office of the State Auditor and the Department of Finance and Administration. The Village of Cuba has purchased Caselle software for the preparation of the financials, which was recommended by the Department of Finance and Administration.

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section III Findings - Financial Statement Audit - Continued

2008-02 Disaster Recovery Plan and Information Technology General Controls (Non Compliance and Other)

Condition:

The disaster recovery plan in place is inadequate for the size and operations of the Village. 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. A disaster recovery plan should be a map for reestablishing operations after a disaster. This map should include details of, at minimum, the following: (1) What hardware and software are in place and which vendors may be used to replace the hardware and software, (2) Potential off-site locations for running operations, (3) Names and telephone numbers of critical operations personnel that should be contacted during a disaster, (4) Backup and recovery procedures for data, (5) The location of the offsite data backups, (6) A detailed list of instructions to be followed in order to reestablish operations.

Effect:

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

Cause:

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

Auditor's 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's Response:

The Village of Cuba will prepare a detailed disaster recovery plan with policies and procedures in governing the information technology function. The Village currently has a back up of all financial data at the office of the accountant. The Cuba Municipal Court has data stored with Administrative Office of the Courts. The Cuba Motor Vehicle Department has data stored with the NM Motor Vehicle Division Office. The Cuba Public Library has data stored with EQ Consulting Services. The Governing Body formed and approved a resolution for a disaster recovery plan to collaborate with Agility Recovery Systems and ISYS/Bioventions in the event of a disaster. This is recommended by the NM Self Insurer's Fund. A draft is being prepared for a completion date of May 15, 2014.

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section III Findings - Financial Statement Audit - Continued

2008-05 Payroll Disbursements (Significant Deficiency)

Condition:

During our audit procedure related to payroll, we tested 20 personnel files and timesheets and noted the following:

- 17 employees did not have background check in their files.
- 3 employees did not have drug test certificate in their files.
- 1 employees' time card hours are not consistent with hours paid.

Criteria:

Segregation of duties in payroll, the existence of an appropriate pay rate schedule, a review of employee timesheets, a review of payroll reports, and proper authorization and approval for wages, as indicated in NMSA 1978 Section 6-6-3 are required to be maintained in order to have proper and sufficient internal controls to reduce the risk of fraudulent activities. And management should establish and implement sound internal control procedures to maintain personnel records on a periodic basis.

Effect:

Due to lack of proper and sufficient internal control, the risk of fraudulent activities may increase.

Cause:

The Village has inadequate procedures over the maintenance of personnel files. Also, there is insufficient review of payroll.

Auditor's 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 should consider reviewing payroll more thoroughly to ensure that errors in payroll processing are caught and corrected before final checks are processed.

Management's Response:

The Village currently retrieves a confidential release report from the Cuba Motor Vehicle Department which is not sufficient information on the employee. The Village will perform a personnel file audit to ensure that each employee hired prior to March 2006 will be required to release information to the NCIC program. Two employees did not have a drug certificate in the file. The Village will consider reviewing payroll more thoroughly to ensure that errors in payroll processing are caught and corrected before final checks are processed.

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section III Findings - Financial Statement Audit - Continued

2008-06 Compliance with Travel and Per Diem (Non Compliance and Other)

Condition:

During our audit procedure related to travel and per diem disbursements, we noted that the per diem rate was paid 100% in advance of travel for 18 out 22 disbursements tested.

Criteria:

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.

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 did not maintain policies and procedures to ensure that expenditures related to travel and per diem were paid according to State Statutes.

Auditor's Recommendation:

The Village should establish and implement policies and procedure for the payment of travel and per diem expenditures and ensure compliance with State Statutes.

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's Response:

The Village will establish, implement and enforce policies and procedures for payment of travel and per diem expenditures and ensure compliance with State Statutes, reviewing supporting documents to ensure the disbursements are in accordance with the Travel and Per Diem Act.

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section III Findings - Financial Statement Audit - Continued

2008-07 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. It was noted that the recorded revenue exceeded billing reports. In addition, management does not believe that gross receipts taxes collected on utility billings were remitted to the State.

Criteria:

One of the assertions inherent in the financial statements is completeness. Because the Village is not reconciling billing registers to recorded revenues, utility billing revenues may be misstated. Good internal controls dictate that revenue and liability accounts should be reconciled on a regular basis.

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. Additionally, utility billing revenue and taxes payable may be misstated.

Cause:

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

Management believes part of the difference in recorded revenues and billings is caused by gross receipts tax being recorded as a revenue instead of a liability.

Auditor's 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's Response:

The Village will reconcile current year and prior year utility billing revenues and gross receipt taxes to determine if amounts are owed to the State. The Taxation and revenue Department provided the Village with a list to assist with the reconciliation.

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section III Findings - Financial Statement Audit - Continued

2010-01 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 comparing capital asset listing to current insurance schedules to ensure the listing is accurate and complete.
- The Village did not perform a physical inventory of its capital assets.

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.

Section 12-6-10, NMSA 1978, requires the Village to conduct an annual physical inventory of movable chattels and equipment, certify the correctness of that inventory, and provide a copy of it to the Village's auditors.

Effect:

The Village's capital assets are at risk for being misappropriated because they are not properly inventoried.

Cause:

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

Auditor's Recommendation:

We recommend that the Village perform an annual physical inventory count. We further recommend that the Village should track all capital assets on an annual basis including the cost of capital assets and additions and disposals.

Management's Response:

The Village will establish procedures for the tracking of Capital Assets and perform a physical inventory on an annual basis, then recorded to the Caselle Software accounting program.

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section III Findings - Financial Statement Audit - Continued

2012-002 Cash Reconciliations (Non Compliance and Other)

Condition:

We reviewed the bank and investment reconciliations as part of our audit of cash. We noted eight outstanding deposits totaling \$946, out of which seven were twenty-nine months old and one was twelve 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.

Auditor's Recommendation:

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

Management's Response:

The Village will form a resolution to dispose the outstanding deposits that were posted and resulted in a duplicate entry. The Village will establish a monthly review procedure whereby items outstanding greater than ninety days are reviewed for validity.

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section III Findings - Financial Statement Audit - Continued

2013-001 Compliance with Pledged Collateral Requirement (Non Compliance and Other)

Condition:

During the year ended June 30, 2013, the Village maintained and utilized deposits with financial institutions which were not covered by pledged collateral as required by State of New Mexico Statutes.

Criteria:

NMAC 2.2.2.10 N. (4) (b) requires entities to obtain pledge collateral from institutions for at least 50% of its uninsured balances.

Effect:

Lack of proper collateralization may result in non-compliance with state statutes and increase potential liability and exposure to the loss of the Village's public funds in the event of bank closure.

Cause:

The Village is unaware with the state statutes for holding pledged collateral.

Auditors' recommendation:

The Village should ensure all cash balances are collateralized as required by State Statutes.

Management's Response:

The depository pledged collateral agreement was executed on September 4, 2013 after the FYE June 30, 2013. The Village ensures that all cash balances are collateralized as required by State Statute.

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section III Findings - Financial Statement Audit - Continued

2013-002 Late Submission of IPA Recommendation Form and Audit Contract (Non Compliance)

Condition:

The Village did not submit the IPA recommendation form and audit contract to the State Auditor by the required deadline of May 15, 2013. The contract was received by the State Auditor's office on September 10, 2013.

Criteria:

As indicated in Section 2.2.2.8(G)(6)(c) NMAC, the Village should submit the completed IPA Recommendation Form for Audits and the completed and signed audit contract to the State Auditor for approval by May 15.

Effect:

The Village was not in compliance with the New Mexico State Audit Rule 2.2.2.8(G)(6)(c).

Cause:

The Village does not have a procedure to ensure that the IPA Recommendation Form and Audit Contracts are delivered to the State Auditor by the deadline.

Auditors' recommendation:

The Village should implement a procedure to ensure that IPA Recommendation Forms and Audit Contracts are delivered to the State Auditor by the prescribed deadline.

Management's Response:

The Village of Cuba recognizes the importance of submitting the IPA recommendation form and the contract with the OSA. The VOC will set a procedure to stay in compliance.

STATE OF NEW MEXICO
VILLAGE OF CUBA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section IV Audit Findings and Questioned Costs in Relation to Federal Awards

There are no findings or questioned costs in relation to federal awards.

STATE OF NEW MEXICO
VILLAGE OF CUBA
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2013

An exit conference was held on December 02, 2013, and attended by the following:

Village of Cuba, New Mexico

Richard R. Velarde, Mayor
Brian L. Velarde, Mayor Pro-Tern
Vandora P. Casados, Clerk-Treasurer

Harshwal & Company LLP

Sanwar Harshwal, CPA, Managing Partner
Nash Nachiappan, CPA, Senior Auditor
Vaishali Shukla, Senior Auditor

The financial statements were prepared by Harshwal & Company LLP 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.