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STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2005

2-6-06

INTRODUCTORY SECTION

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**STATE OF NEW MEXICO  
VILLAGE OF QUESTA**

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VILLAGE OF QUESTA**

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STATE OF NEW MEXICO  
VILLAGE OF QUESTA

OFFICIAL ROSTER  
June 30, 2005

Charlie I. Gonzales	Mayor
Louise T. Martinez	Council Member
Robert R. Ortega, Jr.	Mayor Pro-Tem
Mark Gallegos	Council Member
Larry Sanchez	Council Member

VILLAGE OFFICIALS

Brent Jaramillo	Village Administrator
Nadine Varela	Village Clerk/Treasurer
Renee Martinez	Village Deputy Clerk

## Management's Discussion and Analysis

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Village of Questa, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Village of Questa can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Village's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Village of Questa maintains twenty-two individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, and Fire Fund, all of which are considered to be major funds. Data from the other nineteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Village of Questa adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund, and CDBG Water Grant Fund to demonstrate compliance with this budget. In addition, the individual financial statements of the nonmajor governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found at exhibits B-1 through D-3 of this report.

**Proprietary funds.** Proprietary funds are generally used to account for services for which the Village charges customers – either outside customers or internal units or departments of the Village. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The Village maintains one type of proprietary fund: joint utility.

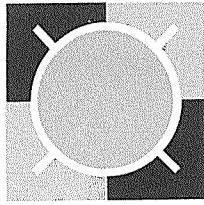
**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Village of Questa's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Village of Questa fiduciary funds account for the collection of motor vehicle fees and their remittance to other governmental agencies.

The basic fiduciary fund financial statements can be found at Exhibit E-1 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-32 of this report.

**Combining statements.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 33-60 of this report.



## Accounting & Consulting Group, LLP

### INDEPENDENT AUDITORS' REPORT

Charlie I. Gonzales, Mayor  
Village Council Members  
Village of Questa  
Questa, New Mexico  
and

Domingo P. Martinez, CGFM  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, budgetary comparison for the general fund and each major special revenue fund, and the aggregate remaining fund information of the Village of Questa as of and for the year ended June 30, 2005 which collectively comprise the Village of Questa's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Village's nonmajor governmental funds, including budgetary comparisons and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2005 as listed in the table of contents. These financial statements are the responsibility of Village of Questa's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, each major fund, and the aggregate remaining fund information of the Village of Questa as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparisons for the general and major special revenue funds, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and fiduciary fund of the Village of Questa as of June 30, 2005 and the respective changes in financial position, thereof and the respective budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*J. B. - 06*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2005 on our consideration of the Village of Questa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages iv through x is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Questa's basic financial statements. The accompanying information listed as supporting schedules I through V are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Accounting & Consulting Group, L.L.P.*

Albuquerque, New Mexico  
November 10, 2005



## Management's Discussion and Analysis

As management of Village of Questa, we offer readers of Village of Questa financial statements this narrative overview and analysis of the financial activities of Village of Questa for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements of Village of Questa and additional information provided.

### FINANCIAL HIGHLIGHTS

- The assets of Village of Questa exceeded its liabilities at the close of the most recent fiscal year by \$6,210,636 (*net assets*). Of this amount, \$407,200 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$375,360 during the fiscal year. The majority of this increase is due to an increase in revenues for the year ended June 30, 2005 in the business-type activities.
- As of June 30, 2005, the Village's governmental funds reported combined ending fund balances of \$163,310. Of this total, \$20,185 is restricted for capital projects.
- At the close of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$18,181, or 1 percent of total general fund expenditures.
- Village of Questa's total debt increased by \$126,902 during the current fiscal year. The key factor in this increase was the issuance of a \$160,000 note to NMFA to purchase a fire truck.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Village of Questa's basic financial statements. Village of Questa's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Village of Questa's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Village of Questa's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Village of Questa is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Village of Questa that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Village of Questa include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the Village include joint utilities and solid waste disposal.

The government-wide financial statements can be found at Exhibits A-1 and A-2 of this report.

## Management's Discussion and Analysis

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year that the Village has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB #34), *Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments*. Because this reporting model changes significantly both the recording and presentation of financial data, the Village has not restated prior fiscal years for the purposes of providing comparative information for the MD&A. In future years when prior-year information is available, a comparative analysis of government-wide data will be included in this report.

#### Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Village of Questa, assets exceeded liabilities by \$6,210,636 at the close of the current fiscal year.

The largest portion of Village of Questa's net assets represents the Village's investment of \$4,218,328 in capital assets (e.g., land improvements, buildings, infrastructure and machinery & equipment), less any related outstanding debt used to acquire those assets. Village of Questa uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Village of Questa's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### VILLAGE OF QUESTA'S NET ASSETS June 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current and other assets	\$ 801,927	\$ 180,935	\$ 982,862
Capital assets, net of accumulated depreciation	4,524,712	1,705,564	6,230,276
Total Assets	5,326,639	1,886,499	7,213,138
<b>Liabilities</b>			
Long-term liabilities outstanding	148,968	119,500	268,468
Other liabilities	634,620	99,414	734,034
Total Liabilities	783,588	218,914	1,002,502
<b>Net Assets</b>			
Invested in capital assets, net of related debt	4,218,328	1,569,814	5,788,142
Restricted	15,294	—	15,294
Unrestricted	309,429	97,771	407,200
Total Net Assets	4,543,051	1,667,585	6,210,636
Total Liabilities and Net Assets	\$ 5,326,639	\$ 1,886,499	\$ 7,213,138

A portion of Village of Questa's net assets (2 percent) represents resources that are subject to restrictions. The restrictions relate to capital projects.

At the end of the current fiscal year, Village of Questa is able to report positive balances in all the categories of net assets, for the government as a whole as well as for the business-type activities.

## Management's Discussion and Analysis

### Analysis of Changes in Net Assets

The Village's net assets overall increased by \$375,360 during the current fiscal year. This increase is explained in the government and business-type activities discussion below, and are primarily a result of increased revenues while increasing the Village's expenditures even more during the fiscal year.

#### Changes in Net Assets For the Year Ended June 30, 2005

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Revenues</b>			
Program revenues:			
Charges for service	\$ 297,748	\$ 415,294	\$ 713,042
Operating grants and contributions	402,773	31,874	434,647
Capital grants	250,217	408,893	659,110
General revenues:			
Property taxes	47,111	—	47,111
Franchise taxes	24,761	—	24,761
Gross receipts taxes	368,851	—	368,851
Motor vehicle and fuel taxes	33,243	—	33,243
Miscellaneous revenue	2,198,654	8,764	2,207,418
Unrestricted investment earnings	144	1,041	1,185
Total revenues	3,623,502	865,866	4,489,368
<b>Expenses</b>			
General government	2,355,410	—	2,355,410
Public safety	573,351	—	573,351
Culture and recreation	23,912	—	23,912
Health and welfare	557,099	—	557,099
Public works	—	—	—
Joint utility	—	581,680	581,680
Interest on long-term debt	22,556	—	22,556
Total expenses	3,532,328	581,680	4,114,008
(Decrease) Increase in assets before transfers	91,174	284,186	375,360
Transfers	(44,334)	44,334	—
(Decrease) Increase in net assets	46,840	328,520	375,360
Net assets, beginning of year	4,476,111	1,339,065	5,815,176
Ending net assets	\$ 4,522,951	\$ 1,667,585	\$ 6,190,536

Miscellaneous income included a \$505,870 contribution from Molycorp for an investigation of Village water and \$821,534 to help fund Village operations.

**Governmental activities.** Governmental activities increased Village of Questa's net assets by \$46,840. The key element of this increase in miscellaneous revenues and increased expenditures.

**Business-type activities.** Business-type activities decreased the Village's net assets by \$328,520. The key element of this decrease was expenses greater than revenues in the joint utility operations.

## Management's Discussion and Analysis

### FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

As noted earlier, Village of Questa uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of Village of Questa's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Village of Questa's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the Village include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As of the end of the current fiscal year, Village of Questa's governmental funds reported combined ending fund balances of \$163,310, an increase of \$53,354 in comparison with the prior year. The increase is primarily due to the transfers to Joint Utility Fund and increased revenues. Approximately 87 percent of this total amount, \$143,125, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for subsequent year's capital projects \$20,185.

Revenues for governmental functions overall totaled approximately \$3,617,795 in the fiscal year ended June 30, 2005, which represents an increase of \$2,111,148 from the fiscal year ended June 30, 2004. Expenditures for governmental functions, totaling \$3,554,047, increased by approximately \$2,068,841 from the fiscal year ended June 30, 2004. In the fiscal year ended June 30, 2005, revenues for governmental functions exceeded expenditures by approximately \$63,748.

The General Fund is the chief operating fund of Village of Questa. At the end of the current fiscal year, *unreserved* fund balance of the general fund was \$18,181, while total fund balance was \$18,181

The fund balance of Village of Questa's general fund decreased by \$(35,120) during the current fiscal year, due to expenditures and operating transfers in excess of revenues. The decrease does include the transfer of \$44,334 to the business-type activities which occurred during 2005. Overall, the governmental fund's performance resulted in revenues over expenditures in the fiscal year ended June 30, 2005 of \$63,748, an increase of \$42,307 over the comparable figure from the prior year of \$21,441.

The Molycorp Fund has a total fund balance of \$152,728. The net increase in fund balance during the current year in the Molycorp Fund was \$152,620. This increase is due primarily to revenues in excess of expenditure by the fund.

**Proprietary Funds.** The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for Joint Utility and Solid Waste were \$1,715,187 and \$(47,602) respectively. The total increase in net assets for the enterprise funds was \$328,520. Factors concerning the finances of this fund have been addressed previously in the discussion of the Village's business-type activities.

**Fiduciary Funds.** The Village maintains fiduciary funds for the assets of the Motor Vehicle Department funds. Changes to the fiduciary funds were immaterial for the fiscal year.

### General Fund Budgetary Highlights

Village budgets reflect the same pattern as seen in the revenue and expenditures of the Village. The State of New Mexico budget process is defined under state law and regulation. To enhance the process of developing a budget at the Village level, Village of Questa utilizes goals and objectives defined by the Village Councilors, community input meetings, long term plans and input from various staff groups to develop the Village budget. Village priorities are well defined through this process.

## Management's Discussion and Analysis

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

The Village's final budget does not differ from the original budget due to no budget increases and decreases being made during the fiscal year.

The General Fund had no change in budgeted revenues.

The Molycorp Fund a no change in budgeted revenues.

Nonmajor Funds had no change in budgeted revenues.

The Capital Project Funds (nonmajor) are not included in the original budget which is submitted to the Department of Finance and Administration (DFA). These funds are spent on a project-by-project basis so the budgets are constantly changing. Instead, the budgets for these funds are created during the year through budget adjustment requests (BAR's).

During the year, budgeted revenues estimates and other resources exceeded actual by \$968,850. Specifically, the general fund, and Molycorp funds exceeded estimates by \$872,748, and \$81,372, respectively. In contrast, the total nonmajor special revenue funds fell short of estimates by \$1,922,970. The increased revenue and expenditures were due to a special oversight project funded by Molycorp.

### Capital Asset and Debt Administration

**Capital assets.** Village of Questa's capital assets for its governmental and business-type activities as of June 30, 2005 amount to \$6,230,276 (net of accumulated depreciation). Capital assets include land improvements, buildings, and machinery & equipment. The total increase in the Village's capital assets (excluding accumulated depreciation) for the current fiscal year was \$149,525 for governmental activities. The increase in business-type capital assets during the current fiscal year was \$34,000.

#### Capital Assets, Net of Depreciation June 30, 2005

	Governmental Activities	Business-like Activities	Total
Construction in progress	\$ 206,758	\$ —	\$ 206,758
Distribution system		2,795,954	\$ 2,795,954
Buildings and improvements	3,774,833	—	3,774,833
Machinery and equipment	350,962	617,700	968,662
Vehicles	903,850	124,000	1,027,850
Total capital assets	5,236,403	3,537,654	8,774,057
Accumulated depreciation	(711,691)	(1,832,090)	(2,543,781)
Capital assets, net of accumulated depreciation	\$ 4,524,712	\$ 1,705,564	\$ 6,230,276

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 6 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

## Management's Discussion and Analysis

The Village has recorded its capital assets as part of the general fixed asset account group in past years. With the implementation of GASB Statement No. 34, the Village reduced the governmental capital assets for the appropriate beginning accumulated depreciation amounts of \$435,944 for governmental activities.

**Debt Administration.** At the end of the current fiscal year, Village of Questa had total long-term obligations outstanding of \$284,718. Of this amount, \$135,750 is revenue bonds with the gross revenue from utility operations pledged to pay the payments.

### Village of Questa's Outstanding Debt As of June 30, 2005

	<u>Governmental Activities</u>	<u>Business-like Activities</u>	<u>Total</u>
Revenue bonds	\$	\$ 135,750	\$ 135,750
NMFA notes	<u>148,968</u>	<u>—</u>	<u>148,968</u>
Total long-term liabilities	<u>\$ 148,968</u>	<u>\$ 135,750</u>	<u>\$ 284,718</u>

See Note 7 in the accompanying Notes to the Financial Statements for further information regarding Village of Questa's long-term debt.

### Economic Factors and Next Year's Budgets and Rates

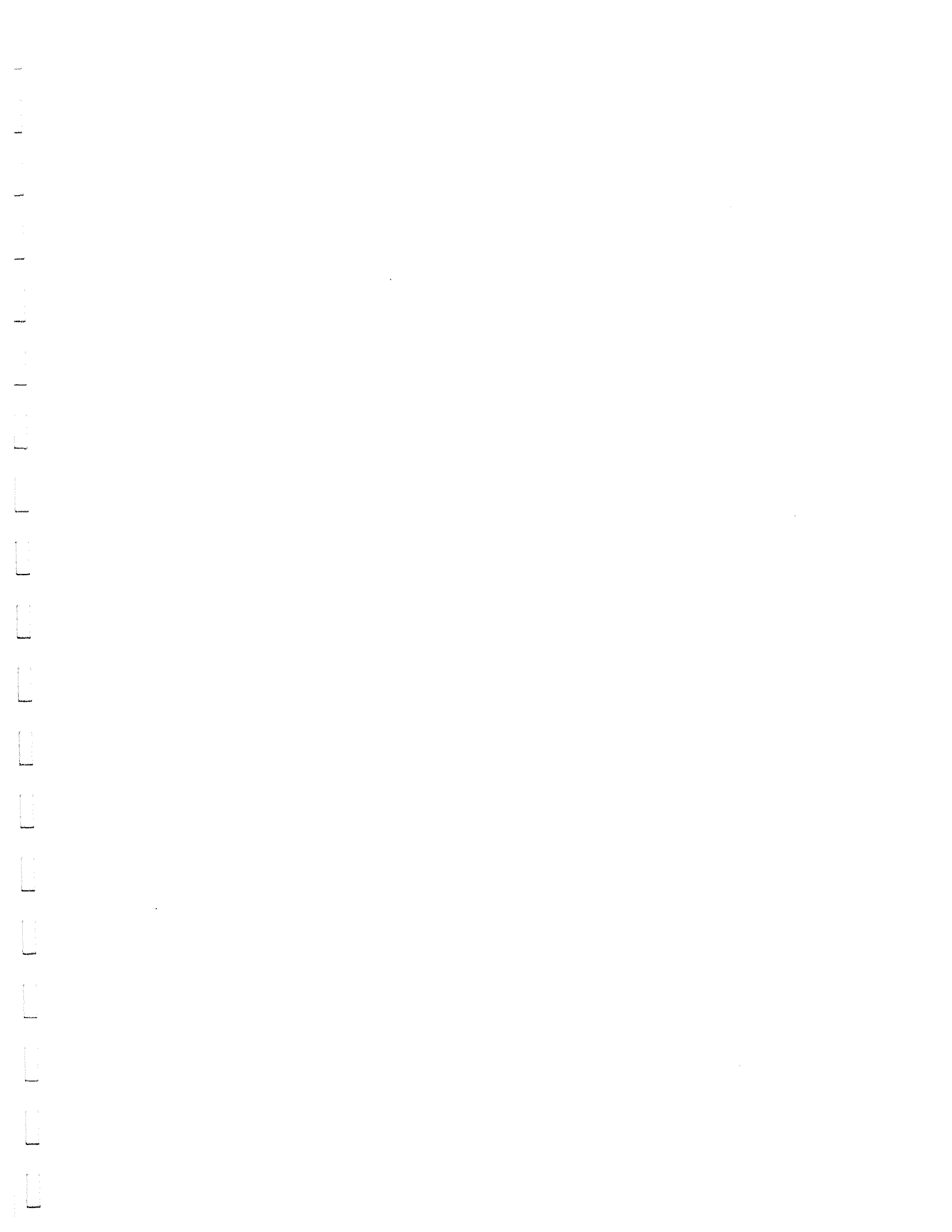
- The mining operations at Molycorp remains closed.
- Inflationary trends in the region compare favorably to national indices.

The above factors were considered in preparing Village of Questa's budget for the 2004 fiscal year.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Village of Questa's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village of Questa Administration, Village of Questa, P. O. Box 260, Questa, New Mexico, 87556.

**BASIC FINANCIAL STATEMENTS**





**STATE OF NEW MEXICO**  
Village of Questa

Exhibit A-1

Statement of Net Assets  
June 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Current Liabilities			
Accounts payable	\$ 610,961	\$ 28,471	\$ 639,432
Accrued expenses	18,968	4,565	23,533
Accrued interest	1,708	1,161	2,869
Accrued compensated absences	2,983	15,161	18,144
Deposits payable	-	33,625	33,625
Due to other funds	-	181	181
Current portion of bonds payable	-	16,250	16,250
Current portion of loans and notes payable	-	-	-
Total Current Liabilities	<u>634,620</u>	<u>99,414</u>	<u>734,034</u>
Noncurrent Liabilities			
Bonds payable	-	119,500	119,500
Loans and notes payable	<u>200,465</u>	<u>-</u>	<u>200,465</u>
Total Noncurrent Liabilities	<u>200,465</u>	<u>119,500</u>	<u>319,965</u>
Total Liabilities	<u>835,085</u>	<u>218,914</u>	<u>1,053,999</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	4,218,328	1,569,814	5,788,142
Restricted for:			-
Capital projects	15,294	-	15,294
Unrestricted	<u>257,932</u>	<u>97,771</u>	<u>355,703</u>
Total Net Assets	<u>\$ 4,491,554</u>	<u>\$ 1,667,585</u>	<u>\$ 6,159,139</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
Village of Questa

Exhibit A-2

Statement of Activities  
For the Year Ending June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business Type Activities	Total
<b>Primary Government</b>							
General government	\$ 2,406,907	\$ 164,870	\$ 171,932	\$ (57,180)	\$ (2,127,285)	\$ -	\$ (2,127,285)
Public safety	573,351	101,758	227,841	-	(243,752)	-	(243,752)
Public works	557,099	-	-	307,397	(249,702)	-	(249,702)
Culture and recreation	23,912	31,120	3,000	-	10,208	-	10,208
Health and welfare	-	-	-	-	-	-	-
Interest on long-term debt	2,456	-	-	-	(2,456)	-	(2,456)
<i>Total governmental activities</i>	<u>3,563,725</u>	<u>297,748</u>	<u>402,773</u>	<u>250,217</u>	<u>(2,612,987)</u>	<u>-</u>	<u>(2,612,987)</u>
<b>Business-type Activities:</b>							
Joint Utility	433,878	270,384	31,874	408,893	-	277,273	277,273
Solid Waste	147,802	144,910	-	-	-	(2,892)	(2,892)
<i>Total business type activities</i>	<u>581,680</u>	<u>415,294</u>	<u>31,874</u>	<u>408,893</u>	<u>-</u>	<u>274,381</u>	<u>274,381</u>
<b>Total</b>	<u>\$ 4,145,405</u>	<u>\$ 713,042</u>	<u>\$ 434,647</u>	<u>\$ 659,110</u>	<u>\$ (2,612,987)</u>	<u>\$ 274,381</u>	<u>\$ (2,338,606)</u>
<b>General Revenues:</b>							
Taxes							
Property taxes, levied for general purposes					47,111		47,111
Property taxes, levied for debt service					-		-
Property taxes, levied for capital projects					-		-
Franchise taxes					24,761		24,761
Gross receipts taxes					368,851		368,851
Public service taxes					33,243		33,243
Interest income					144	1,041	1,185
Miscellaneous income					2,198,654	8,764	2,207,418
Transfers					(44,334)	44,334	-
<b>Total General Revenues and Transfers</b>					<u>2,628,430</u>	<u>54,139</u>	<u>2,682,569</u>
Excess (deficiency) of revenues over expenses					15,443	328,520	343,963
Change in net assets					15,443	328,520	343,963
Net assets, beginning					4,476,111	1,339,065	5,815,176
Net assets, ending					<u>\$ 4,491,554</u>	<u>\$ 1,667,585</u>	<u>\$ 6,159,139</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
Village of Questa

Balance Sheet  
Governmental Funds  
June 30, 2005

	<u>General Fund</u>	<u>Molycorp fund</u>	<u>Other Governmental Fund</u>	<u>Total</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 116,361	\$ 1,272	\$ 61,979	\$ 179,612
Accounts and taxes receivable	456,115	151,456	14,563	622,134
Due from other funds	-	-	863	863
<i>Total assets</i>	<u>\$ 572,476</u>	<u>\$ 152,728</u>	<u>\$ 77,405</u>	<u>\$ 802,609</u>
<i>Liabilities and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 534,827	\$ -	\$ 80,398	\$ 615,225
Accrued expenses	13,763	0	3,924	17,687
Due to other funds	-	-	682	682
Deferred revenue	5,705	-	-	5,705
<i>Total liabilities</i>	<u>554,295</u>	<u>-</u>	<u>85,004</u>	<u>639,299</u>
<i>Fund balances</i>				
Unreserved:				
Undesignated, reported in:				
General fund	18,181	-	-	18,181
Capital projects funds	-	-	20,185	20,185
Special revenue funds	-	152,728	(27,784)	124,944
<i>Total fund balances</i>	<u>18,181</u>	<u>152,728</u>	<u>(7,599)</u>	<u>163,310</u>
<i>Total liabilities and fund balances</i>	<u>\$ 572,476</u>	<u>\$ 152,728</u>	<u>\$ 77,405</u>	<u>\$ 802,609</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Village of Questa

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2004

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$ 163,310
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	4,524,712
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds:	
Deferred property taxes	5,705
Accrued interest	(1,708)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(200,465)</u>
Net assets of governmental activities	<u><u>\$ 4,491,554</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
Village of Questa

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ending June 30, 2005

	General Fund	Molycorp Fund	Other Governmental Funds	Total
<i>Revenues:</i>				
Taxes	\$ 429,960	\$ -	\$ 38,301	\$ 468,261
Intergovernmental Income	83,418	-	533,873	617,291
Charges for Services	42,427	85,818	91,210	219,455
Licenses and Fees	109,212	-	4,780	113,992
Investment Income (Loss)	33	27	84	144
Miscellaneous	1,443,140	735,689	19,823	2,198,652
	<u>2,108,190</u>	<u>821,534</u>	<u>688,071</u>	<u>3,617,795</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	1,714,903	668,914	19,918	2,403,735
Public Safety	241,894	-	219,386	461,280
Public Works	-	0	463,258	463,258
Culture and Recreation	-	-	24,512	24,512
Health and Welfare	-	-	-	-
Capital Outlay	32,925	-	134,491	167,416
<i>Debt Service:</i>				
Principal	-	-	33,098	33,098
Interest	-	-	748	748
	<u>1,989,722</u>	<u>668,914</u>	<u>895,411</u>	<u>3,554,047</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>118,468</u>	<u>152,620</u>	<u>(207,340)</u>	<u>63,748</u>
<i>Other financing sources (uses)</i>				
Note proceeds	-	-	-	-
Transfers In	466	-	147,500	147,966
Transfers (Out)	(154,054)	-	(38,246)	(192,300)
<i>Total other financing sources (uses)</i>	<u>(153,588)</u>	<u>-</u>	<u>109,254</u>	<u>(44,334)</u>
<i>Net change in fund balance</i>	<u>(35,120)</u>	<u>152,620</u>	<u>(98,086)</u>	<u>19,414</u>
<i>Fund balance - beginning of year</i>	<u>53,301</u>	<u>108</u>	<u>90,487</u>	<u>143,896</u>
<i>Fund balance - end of year</i>	<u>\$ 18,181</u>	<u>\$ 152,728</u>	<u>\$ (7,599)</u>	<u>\$ 163,310</u>

The accompanying notes are an integral part of these financial statements

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ending June 30, 2005

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

Net change in fund balances - total governmental funds	\$	19,414
<p>Governmental funds report capital outlays 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:</p>		
Capital expenditures		167,416
Capital expenditures funded by note payable		160,000
Adjustment to capital assets resulting from inventory		-
Depreciation expense		(208,484)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:</p>		
Property taxes		5,706
<p>The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:</p>		
Issuance of long-term debt for capital assets		(160,000)
Difference in accrued interest		(1,707)
Principal payments on notes payable		33,098
		-
Change in net assets of governmental activities	\$	15,443

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

## Village of Questa

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Budget (Non-GAAP Basis) and Actual

For the Year Ending June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 357,300	\$ 357,300	\$ 418,004	\$ 60,704
Intergovernmental Income	42,731	(26,219)	83,418	109,637
Charges For Services	15,200	15,200	42,427	27,227
Licenses and Fees	96,330	96,330	112,102	15,772
Investment Income(Loss)	100	100	33	(67)
Miscellaneous	393,300	393,300	1,052,775	659,475
<i>Total revenues</i>	<u>904,961</u>	<u>836,011</u>	<u>1,708,759</u>	<u>872,748</u>
<i>Expenditures:</i>				
Current:				
General Government	650,852	650,852	1,213,601	(562,749)
Public Safety	265,430	279,862	280,856	(994)
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	32,925	32,925	32,925	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>949,207</u>	<u>963,639</u>	<u>1,527,382</u>	<u>(563,743)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(44,246)</u>	<u>(127,628)</u>	<u>181,377</u>	<u>309,005</u>
<i>Other financing sources (uses)</i>				
Designated Cash	44,246	127,628	-	(127,628)
Transfers In	-	-	466	466
Transfers Out	-	-	(154,054)	(154,054)
<i>Total other financing sources (uses)</i>	<u>44,246</u>	<u>127,628</u>	<u>(153,588)</u>	<u>(281,216)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	27,789	27,789
<i>Fund Balance - Beginning of Year</i>	-	-	88,572	88,572
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,361</u>	<u>\$ 116,361</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

## Village of Questa

Molycorp Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ending June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	-	-	-	-
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Investment Income(Loss)	75	75	27	(48)
Miscellaneous	588,631	588,631	670,051	81,420
<i>Total revenues</i>	<u>588,706</u>	<u>588,706</u>	<u>670,078</u>	<u>81,372</u>
<i>Expenditures:</i>				
Current:				
General Government	910,831	1,021,114	668,914	352,200
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>910,831</u>	<u>1,021,114</u>	<u>668,914</u>	<u>352,200</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(322,125)</u>	<u>(432,408)</u>	<u>1,164</u>	<u>433,572</u>
<i>Other financing sources (uses)</i>				
Designated Cash	384,125	494,408	-	(494,408)
Transfers In	-	-	-	-
Transfers Out	(62,000)	(62,000)	-	62,000
<i>Total other financing sources (uses)</i>	<u>322,125</u>	<u>432,408</u>	<u>-</u>	<u>(432,408)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	1,164	1,164
<i>Fund Balance - Beginning of Year</i>	-	-	108	108
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,272</u>	<u>\$ 1,272</u>

The accompanying notes are an integral part of these financial statements



**STATE OF NEW MEXICO**  
Village of Questa

Proprietary Funds  
Statement of Net Assets  
June 30, 2005

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Assets</i>			
<i>Current assets</i>			
Cash	\$ 131,118	\$ 7,280	\$ 138,398
Investments	-	-	-
Accounts receivable (less allowance for doubtful accounts of \$19,790 and \$5,000)	27,250	15,288	42,538
Due from other funds	47,191	-	47,191
Inventory	-	-	-
<i>Total current assets</i>	<u>205,559</u>	<u>22,568</u>	<u>228,127</u>
<i>Capital assets</i>			
Capital assets	3,537,654	-	3,537,654
Accumulated depreciation	(1,832,090)	-	(1,832,090)
<i>Total Capital assets</i>	<u>1,705,564</u>	<u>-</u>	<u>1,705,564</u>
<i>Total Assets</i>	<u>\$ 1,911,123</u>	<u>\$ 22,568</u>	<u>\$ 1,933,691</u>
<i>Liabilities and Net Assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 6,211	\$ 22,260	\$ 28,471
Accrued expenses	20,350	538	20,888
Due to other funds	-	47,372	47,372
Customer deposits	33,625	-	33,625
Current maturity of bonds payable	16,250	-	16,250
<i>Total current liabilities</i>	<u>76,436</u>	<u>70,170</u>	<u>146,606</u>
<i>Noncurrent liabilities</i>			
Bonds payable	119,500	-	119,500
<i>Total noncurrent liabilities</i>	<u>119,500</u>	<u>-</u>	<u>119,500</u>
<i>Total liabilities</i>	<u>195,936</u>	<u>70,170</u>	<u>266,106</u>
<i>Net Assets:</i>			
Unreserved	-	-	-
Designated for subsequent year	-	-	-
Unreserved, undesignated	1,715,187	(47,602)	1,667,585
<i>Total net assets</i>	<u>1,715,187</u>	<u>(47,602)</u>	<u>1,667,585</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 1,911,123</u>	<u>\$ 22,568</u>	<u>\$ 1,933,691</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Questa

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2005

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Operating revenues:</i>			
Charges for services	270,384	\$ 144,910	\$ 415,294
<i>Total operating revenues</i>	<u>270,384</u>	<u>144,910</u>	<u>415,294</u>
<i>Operating expenses:</i>			
Depreciation	86,699	-	86,699
Personal services	180,932	-	180,932
Contractual services	42,497	101,301	143,798
Supplies and purchased power	80,806	46,501	127,307
Maintenance and materials	15,483	-	15,483
Miscellaneous	-	-	-
Heat, light and power	21,274	-	21,274
<i>Total operating expenses</i>	<u>427,691</u>	<u>147,802</u>	<u>575,493</u>
<i>Operating income (loss)</i>	<u>(157,307)</u>	<u>(2,892)</u>	<u>(160,199)</u>
<i>Non-operating revenues (expenses):</i>			
Taxes	-	-	-
Interest expense	(6,187)	-	(6,187)
Interest income	995	46	1,041
Government contributions	440,767	-	440,767
Loss on disposition of fixed assets	-	-	-
Miscellaneous financing costs	-	-	-
Miscellaneous income	8,764	-	8,764
Transfers	44,334	-	44,334
<i>Total non-operating revenues (expenses)</i>	<u>488,673</u>	<u>46</u>	<u>488,719</u>
<i>Change in net assets</i>	331,366	(2,846)	328,520
<i>Total net assets, beginning of year</i>	<u>1,383,821</u>	<u>(44,756)</u>	<u>1,339,065</u>
<i>Total net assets, end of year</i>	<u>\$ 1,715,187</u>	<u>\$ (47,602)</u>	<u>\$ 1,667,585</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Questa

Statement of Cash Flows - Proprietary Funds  
For the Year Ended June 30, 2005

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 267,229	\$ 147,087	\$ 414,316
Cash payments to employees for services	(175,250)	(15)	(175,265)
Cash payments to suppliers for goods and services	(160,060)	(140,113)	(300,173)
<i>Net cash used for operating activities</i>	(68,081)	6,959	(61,122)
<i>Cash flows from noncapital financing activities:</i>			
Government contributions	440,767	-	440,767
Additions to capital assets	(400,000)	-	(400,000)
Interest paid	(6,187)	-	(6,187)
Miscellaneous income	8,764	-	8,764
Increase in customer deposits	9,575	-	9,575
Transfers to other funds	44,334	-	44,334
<i>Net cash provided from noncapital financing activities:</i>	97,253	-	97,253
<i>Cash flows from capital and related financing activities:</i>			
Principal payments on bonds payable	(15,250)	-	(15,250)
<i>Net cash provided from capital and related financing activities:</i>	(15,250)	-	(15,250)
<i>Cash flows from investing activities:</i>			
Interest on investments	995	46	1,041
<i>Net cash provided from investing activities:</i>	995	46	1,041
<i>Net increase in cash and cash equivalents</i>	14,917	7,005	21,922
<i>Cash and cash equivalents - beginning of year</i>	116,201	275	116,476
<i>Cash and cash equivalents - end of year</i>	\$ 131,118	\$ 7,280	\$ 138,398
<i>Reconciliation of operating income (loss) to net cash provided (used)</i>			
<i>by operating activities</i>			
Operating income (loss)	\$ (157,307)	\$ (2,892)	\$ (160,199)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities			
Depreciation	86,699	-	86,699
Changes in assets and liabilities			
Receivables	(3,155)	2,177	(978)
Interfund account	-	-	-
Accrued expenses	5,682	(15)	5,667
Accounts payable	-	7,689	7,689
<i>Net cash (used) by operating activities</i>	\$ (68,081)	\$ 6,959	\$ (61,122)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
Village of Questa

Fiduciary Funds  
Statement of Fiduciary Net Assets  
June 30, 2005

	<u>Agency Funds</u>
<i>Assets</i>	
Cash	\$ 397
Due from other funds	<u>-</u>
<i>Total assets</i>	<u>397</u>
<i>Liabilities</i>	
Due to other taxing units	<u>397</u>
<i>Total liabilities</i>	<u>\$ 397</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
Village of Questa  
Notes to Financial Statements  
June 30, 2005

**NOTE 1. Summary of Significant Accounting Policies**

The Village of Questa (Village) was incorporated under provisions of Chapter 3, Article 2, NMSA, 1978 as amended. The Village operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The Village of Questa is a body politic and corporate under the name and form of government selected by its qualified electors. The Village may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. In June 2001, the GASB approved Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement No. 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies establishes and rescinds certain financial statement disclosure requirements.

The Village implemented the provisions of GASB No.’s 34, 37 and 38 effective July 1, 2003.

The financial statements of Village of Questa have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Village’s accounting policies are described below.

**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-14. 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.

STATE OF NEW MEXICO  
Village of Questa  
Notes to Financial Statements  
June 30, 2005

NOTE 1. **Summary of Significant Accounting Policies (continued)**

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

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 Village of Questa and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Village of Questa and is generally available to 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 Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village has no component units, and is not a component unit of another governmental agency during the fiscal year ended June 30, 2005.

**B. *Government-wide and fund financial statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. *Measurement focus, basis of accounting, and financial statement presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

STATE OF NEW MEXICO

Village of Questa

Notes to Financial Statements

June 30, 2005

NOTE 1. Summary of Significant Accounting Policies (continued)

C. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

Governmental fund 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Governmental funds are used to account for the Village's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Village except for items included in other funds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 34, the Village is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the General Fund and the Molycorp Oversight Fund. No other funds were required to be presented as major at the discretion of management.

STATE OF NEW MEXICO  
Village of Questa  
Notes to Financial Statements  
June 30, 2005

NOTE 1. **Summary of Significant Accounting Policies (continued)**

C. ***Measurement focus, basis of accounting, and financial statement presentation (continued)***

The Molycorp Oversight Fund is used to account for funds provided by Molycorp to oversee the environmental impact of operations at the Molycorp mine. Authorization is a contract between the Village and Molycorp.

The government reports its proprietary fund as a major governmental fund.

Additionally, the government reports the following fund types:

The *fiduciary funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The Village's fiduciary funds are used to account for the collection and payment of motor vehicle fees to other governmental agencies

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial 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 and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Program revenues reduce the cost of the function to be financed from the Village's general revenues. Amounts reported as *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*.

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 needed.

The Village reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Village does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Village's enterprise fund is charges for services at the Village Fairgrounds. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.



STATE OF NEW MEXICO

Village of Questa

Notes to Financial Statements

June 30, 2005

NOTE 1. Summary of Significant Accounting Policies (continued)

*D. Assets, Liabilities and Net Assets or Equity*

**Cash and Temporary Investments:** The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Village to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Village are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**Receivables and Payables:** Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10<sup>th</sup> and April 10<sup>th</sup> are considered delinquent and the Village may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Taos County bills, collects and remits the Village of Questa's share of property taxes monthly to the Village.

**Prepaid Items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. The Village does not develop any computer software. Also the Village does not have a library, but does participate in a book mobile. The policy of the Village is to expense books as purchased.

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.

STATE OF NEW MEXICO  
 Village of Questa  
 Notes to Financial Statements  
 June 30, 2005

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Net Assets or Equity (continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Permanent Buildings	45
Land Improvements	20
Vehicles	6
Computer equipment	5
Other furniture and equipment	5-20

**Deferred Revenues:** Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as deferred revenue.

**Compensated Absences:** Qualified employees are entitled to accumulate compensated absences earned. Employees may not accumulate annual leave and lose any unused vacation pay from calendar year to calendar year. Upon termination, employees will be paid for all days current year of accrued annual leave not yet taken.

Qualified employees are entitled to accumulate sick leave at a rate of twelve days per year. Sick leave can be carried over from year to year. Upon termination employees receive no pay for sick time accumulated.

Vested or accumulated vacation leave that is expected to be liquidated within the next twelve months with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There were no amounts of vested or accumulated vacation leave that are not expected to be liquidated within the next twelve months.

**Long-term Obligations:** In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**Fund Equity:** In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Interfund Transactions:** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from 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.

STATE OF NEW MEXICO  
Village of Questa  
Notes to Financial Statements  
June 30, 2005

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***D. Changes in Accounting Principles and Prior Period Adjustments***

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

Annual budgets of the Village are prepared prior to June 1 and must be approved by resolution of the Village Commissioners, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Village Commissioners and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

The Village is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2005 is presented.

**STATE OF NEW MEXICO**  
Village of Questa  
Notes to Financial Statements  
June 30, 2005

**NOTE 2. Stewardship, Compliance and Accountability (continued)**

*Budgetary Information (continued)*

The following is a reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund type.

	General Fund	Moly Corp Fund	Other Governmental Funds
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP basis)	\$ (1,178)	\$ 152,620	\$ (98,086)
Adjustments:			
To adjust revenues for tax accruals, earnings on investments, and other deferrals and accruals.	(400,994)	(151,456)	31,636
Adjustments:			
To adjust expenditures for payables, payroll taxes, prepaid expenses and other accruals.	427,605	—	81,292
Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)	\$ 27,789	\$ 1,164	\$ 14,842

**NOTE 3. Deposits and Investments**

State statutes authorize the investment of Village funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Village properly followed State investment requirements as of June 30, 2005.

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.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

At June 30, 2005, the carrying amount of the Village's deposits was \$318,407 and the respective balances per the financial institutions totaled \$376,000. Of this balance, \$230,102 was covered by federal depository insurance.

**STATE OF NEW MEXICO**  
Village of Questa  
Notes to Financial Statements  
June 30, 2005

**NOTE 3. Deposits and Investments (continued)**

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 in excess of FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Village's deposits.

	<u>First State Bank</u>	<u>Centinel Bank</u>	<u>Questa Credit Union</u>	<u>Total</u>
Total amounts of deposits	\$ 206,853	\$ 154,045	\$ 15,102	\$ 376,000
FDIC coverage	<u>(115,000)</u>	<u>(100,000)</u>	<u>(15,102)</u>	<u>(230,102)</u>
Total uninsured public funds	<u>\$ 91,853</u>	<u>\$ 54,045</u>	<u>\$ —</u>	<u>\$ 145,898</u>
Collateral requirement (50% of uninsured public funds)	45,926	27,023	—	72,949
Pledged security	<u>(128,685)</u>	<u>(100,000)</u>	<u>—</u>	<u>(228,685)</u>
(Over)Under collateralized	<u>\$ (82,759)</u>	<u>\$ (72,977)</u>	<u>\$ —</u>	<u>\$ (154,736)</u>

NM State Statutes require collateral pledged for repurchase agreements in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least 102% of the amount on deposit with the institution. There are no repurchase agreements for the year ended June 30, 2005.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. The following is a schedule of collateral pledged:

**Centinel Bank:**

<u>Security Description</u>	<u>CUSIP Number</u>	<u>Face Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Market Value</u>
Estancia NM School Bond	297326DC1	\$100,000	4.0%	10/01/2009	\$ 104,450

The above securities are held in the name of Centinel Bank at The Centinel Bank of Taos.

**First State Bank:**

<u>Security Description</u>	<u>CUSIP Number</u>	<u>Face Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Market Value</u>
Federal Home Loan Bank	3133MTQB7	\$ 80,000	3.5%	11/15/2007	\$ 79,200
Federal Home Loan Bank	3133XBCS9	25,000	3.88%	08/14/2009	24,774
Federal Home Loan Bank	3133MY3B	25,000	3.63%	04/23/2008	<u>24,711</u>
TOTAL					<u>\$ 128,685</u>

The above securities are held in the name of First State Bank at the First State Bank in Taos, New Mexico.

**STATE OF NEW MEXICO**  
Village of Questa  
Notes to Financial Statements  
June 30, 2005

**NOTE 3. Deposits and Investments (continued)**

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.

*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 government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2005, \$145,898 of \$375,999 was exposed to custodial credit risk because it was uninsured and the collateral was held by the pledging bank's trust department, not in the county's name. At June 30, 2005 the carrying amount of those deposits was \$318,307.

All investments are cash or certificates of deposit whose fair market value approximates face value plus any accrued interest. The County had no investments that were highly sensitive to changes in interest rates.

The Village utilizes pooled accounts for their funds. The General, Special Revenue, Capital Projects, Solid Waste and Agency Funds are all in multiple accounts.

**NOTE 4. Receivables**

Receivables as of June 30, 2005, are as follows:

	Special Revenue			Total
	General Fund	Moly Corp Fund	Municipal Street Fund	
Property Taxes	\$ 7,295	\$ —	\$ —	\$ 7,295
Charges for Services	—	151,456	—	151,456
Taxes:				
Gross Receipts Tax	40,181	—	—	40,181
Gasoline Tax	—	—	—	—
Cigarette	—	—	—	—
Cigarette Tax 2 cents	—	—	—	—
Franchise Tax	6,070	—	—	6,070
Intergovernmental	—	—	14,563	14,563
Other – Disaster Reimbursement	402,569	—	—	402,569
Net Receivables	<u>\$ 456,115</u>	<u>\$ 151,456</u>	<u>\$ 14,563</u>	<u>\$ 622,134</u>
Utilities				42,537
Total Accounts Receivables				<u>\$ 664,671</u>

The above governmental receivables are deemed 100% collectible. The utility accounts receivable are net of an estimated allowance for uncollectible accounts of \$30,000.

**STATE OF NEW MEXICO**  
Village of Questa  
Notes to Financial Statements  
June 30, 2005

**NOTE 5. Interfund Receivables, Payables, and Transfers**

Net operating transfers are as follows:

<b>Governmental Activities:</b>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
General Fund	\$ 466	\$ 154,054
Municipal Street	13,130	—
Legislative Appropriation	3,424	—
Fire Fund	125,012	—
CDBG Water Grant	—	32,312
EMS Grant	5,934	—
Emergency EMS	<u>—</u>	<u>5,934</u>
	147,966	192,300
 <b>Business-like Activities:</b>		
Joint Utility to General	—	466
Joint Utility from General	35,000	—
Joint Utility from CDBG Water	<u>9,800</u>	<u>—</u>
 Total Primary Government	<u>\$ 192,766</u>	<u>\$ 192,766</u>

“Due to” and “Due from” balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2005 is as follows:

<b>Governmental Activities:</b>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Rural Development	\$ 863	\$ —
Recreational Fund	—	324
Environmental Gross Receipts	<u>—</u>	<u>358</u>
 Total Governmental Activities	<u>863</u>	<u>682</u>
 <b>Business-like Activities:</b>		
Joint Utility	47,191	—
Solid Waste	<u>—</u>	<u>47,372</u>
 Total Primary Government	<u>\$ 48,054</u>	<u>\$ 48,054</u>

**STATE OF NEW MEXICO**

Village of Questa

Notes to Financial Statements

June 30, 2005

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2005 follows. Land is not subject to depreciation.

**Governmental Activities:**

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Capital Assets Used in				
Governmental Activities:				
Furniture, Fixture & Equipment \$	231,116	\$ 119,846	\$ —	\$ 350,962 ✓
Vehicles	700,900	202,950	—	903,850 ✓
Buildings & Improvements	3,770,213	4,620	—	3,774,833 ✓
Construction in progress	<u>206,758</u>	<u>—</u>	<u>—</u>	<u>206,758</u> ✓
	4,908,987	327,416	—	5,236,403
Accumulated Depreciation:				
Furniture & Equipment	145,297	24,289	—	169,586
Vehicles	357,910	71,750	—	429,660
Building & Improvements	<u>—</u>	<u>112,445</u>	<u>—</u>	<u>112,445</u>
	503,207	208,484	—	711,691
Net Book Value	<u>\$ 4,405,780</u>	<u>\$ 118,932</u>	<u>\$ —</u>	<u>\$ 4,524,712</u>

Depreciation expense for the year ended June 30, 2005 was charged to the following functions and funds:

Public safety	\$ 99,036
Culture and recreation	150
Public works	103,669
General	<u>5,629</u>

Total depreciation expense: governmental activities \$ 208,484

**Business-like Activities:**

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Capital Assets Used in				
Business-like Activities:				
Distribution System	\$ 2,795,954	\$ —	\$ —	\$ 2,795,954
Vehicles	12,400	—	—	124,000
Furniture & Equipment	<u>217,700</u>	<u>400,000</u>	<u>—</u>	<u>617,700</u>
	3,137,654	400,000	—	3,537,654
Accumulated Depreciation:				
Distribution System	1,524,501	59,919	—	1,584,420
Vehicles	46,761	13,130	—	59,891
Furniture & Equipment	<u>174,129</u>	<u>13,650</u>	<u>—</u>	<u>187,779</u>
	1,745,391	86,699	—	1,832,090
Net Book Value	<u>\$ 1,392,263</u>	<u>\$ 313,301</u>	<u>\$ —</u>	<u>\$ 1,705,564</u>

Depreciation expense relating to business-like activities for the year ended June 30, 2005 totaled \$86,699.



**STATE OF NEW MEXICO**  
Village of Questa  
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June 30, 2005

**NOTE 7. Long-term Debt**

During the year ended June 30, 2005, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Current</u> <u>Maturities</u>
Loan Payable - NMFA	\$ 40,565	\$ —	\$ 20,100	\$ 20,465	\$ 20,465
Loan Payable – NMFA	2,998	—	2,998	—	—
Loan Payable – NMFA	30,000	—	10,000	20,000	10,000
Loan Payable – NMFA	<u>—</u>	<u>160,000</u>	<u>—</u>	<u>160,000</u>	<u>21,032</u>
Total Long-Term Debt	<u>\$ 73,563</u>	<u>\$ 160,000</u>	<u>\$ 33,098</u>	<u>\$ 200,465</u>	<u>\$ 51,497</u>

The annual requirements to amortize the loan payable to NMFA as of June 30, 2005, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 51,497	\$ 3,948
2007	32,339	2,291
2008	22,603	2,027
2009	22,913	1,718
2010	23,279	1,354
2011	23,691	943
2012	<u>24,143</u>	<u>492</u>
	<u>\$ 200,465</u>	<u>\$ 12,773</u>

**Proprietary Long-Term Debt**

The Water and Sewer fund has incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2005:

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions/</u> <u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
\$140,000 original issue Series 1981 Water and Sewer Revenue Bonds payable in annual installments each June 1 <sup>st</sup> through the year 2002 Interest is at 5.0% per annum.	\$ 102,000	\$ (3,000)	\$ 99,000	\$ 4,000
\$223,000 original issue Series 1963 Water Revenue Bonds payable in annual Installments each August 1 <sup>st</sup> through the year 2008.	<u>49,000</u>	<u>(12,250)</u>	<u>36,750</u>	<u>12,250</u>
Total	<u>\$ 151,000</u>	<u>\$ (15,250)</u>	<u>\$ 135,750</u>	<u>\$ 16,250</u>

**STATE OF NEW MEXICO**  
Village of Questa  
Notes to Financial Statements  
June 30, 2005

**NOTE 7. Long-term Debt (continued)**

The payments for the remaining bond issues are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 16,250	\$ 6,266	\$ 22,516
2007	16,250	5,561	21,811
2008	16,250	4,855	21,105
2009	4,000	4,250	8,250
2010	5,000	4,150	9,150
2011-2015	27,000	16,950	43,950
2016-2020	35,000	9,450	44,450
2021-2025	<u>16,000</u>	<u>1,200</u>	<u>17,200</u>
Total	<u>\$ 135,750</u>	<u>\$ 52,682</u>	<u>\$ 188,432</u>

Each of the utility bonds has debt service and repair and replacement reserve requirements. The Village was current in making the required payments to its reserves. At June 30, 2005 the following schedule shows the maximum reserves and actual reserves held by the Village.

<u>Series</u>	<u>Required</u> <u>Payment until</u> <u>Maximum</u>	<u>Maximum Reserves</u>			<u>Actual at June 30, 2005</u>	
		<u>Debt</u> <u>Service</u>	<u>Repair and</u> <u>Replacement</u>	<u>Total</u>	<u>Debt</u> <u>Service</u>	<u>Repair and</u> <u>Replacement</u>
1981	\$ 232/month	\$ 8,357	\$ —	\$ 8,347	\$ 8,347	\$ —
1963	\$100/month	<u>10,000</u>	<u>5,000</u>	<u>15,000</u>	<u>10,000</u>	<u>5,000</u>
		<u>\$ 18,357</u>	<u>\$ 5,000</u>	<u>\$ 23,357</u>	<u>\$ 18,347</u>	<u>\$ 5,000</u>

**NOTE 8. 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; injuries and natural disasters. The Village of Questa participates in the New Mexico Self-Insurer's Fund risk pool. The Village pays an annual premium to the pool based on claim experience and the status of the pool. The Village is not liable for more than the premium paid.

The Village has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Village which exceeds the insurance coverage, the Village would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2005, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Village of Questa.

New Mexico Self-Insurers' Fund has not provided information or an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

STATE OF NEW MEXICO  
 Village of Questa  
 Notes to Financial Statements  
 June 30, 2005

**NOTE 9. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures as part of the Combining Statements - Overview of certain information concerning individual funds including:

*Deficit fund balance of individual funds:* The funds with deficit fund balances as of June 30, 2005 were as follows

CDBG Water Grant Fund	\$ (64,270)
Youth Facility	(4,368)
Solid Waste	(47,602)

**NOTE 10. PERA Pension Plan**

*Plan Description.* Substantially all of the Village of Questa'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 Employee 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, 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. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123.

*Funding Policy.* Plan *members*, who are covered under "Municipal general member coverage plan 1" (Chapter 10, Article 11.45 through 11.49 NMSA 1978) are required to contribute 7% of their defined gross salary to the plan. The Village contributions are 7% of the employee's defined gross salary. Under municipal general member coverage plan 1, the amount of pension is equal to two percent of the final average salary multiplied by credited service. The amount shall not exceed sixty percent of the final average salary. The requirements may be amended by acts of the legislature. The Village's contributions to PERA for the years ended June 30, 2005, 2004 and 2003 were \$50,0072, \$35,645, and \$40,007 equal to the amount of the required contributions for the years, respectively.

**NOTE 11. Post-Employment Benefits**

The Retiree Health Care Act (the "Act") (Chapter 10, Article 7C, NMSA, 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co-payments or out-of-pocket payments to eligible retirees. Monies flow to the Retiree Health Care Fund on pay-as-you-go basis from eligible employers and eligible retirees.

STATE OF NEW MEXICO

Village of Questa

Notes to Financial Statements

June 30, 2005

**NOTE 11. Post-Employment Benefits (continued)**

Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employee during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990 and former legislators who served at least two years. Each participating employer makes contributions to the fund in the amount of .65% of employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employee's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issued a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, Albuquerque State Government Center, 401 Roma NW, Suite 200, Albuquerque, New Mexico 87102.

The Village joined the Retire Health Care Plan provided under the Retiree Health Care Act (Chapter 10, Article 7C, NMSA, 1978) starting in calendar year 2004. For the year ended June 30, 2005, the Village remitted \$4,441 in employer contributions to the Retiree Health Care Authority.

**NOTE 12. Contingent Liabilities**

The Village is party to various claims and lawsuits arising in the normal course of business.

Management and the Village's attorney are unaware of any material pending or threatened litigation, claims or assessments against the Village which are not covered by the Village's insurance as described in Note 8.

**NOTE 13. Federal and State Grants**

In the normal course of operations, the Village receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**STATE OF NEW MEXICO**  
Village of Questa  
Notes to Financial Statements  
June 30, 2005

**Note 14**

**Subsequent Accounting Standard Pronouncements**

In November 2003, the Governmental Accounting Board (GASB) issued GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which is effective for financial statements for periods beginning after December 15, 2004. This statement requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. The Statement also requires all governments to account for insurance recoveries in the same manner. The District is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In May 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, which is effective for financial statements for period beginning after June 15, 2005. This Statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by Statement 34. The Village is analyzing the effect that these standards will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In December 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, which is effective for financial statements for periods beginning after June 15, 2005. The clarifications in this Statement should improve the understandability and comparability of net asset information by making the assessment of legal enforceability more uniform across governments. The Village is analyzing the effect that these standards will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

**SUPPLEMENTARY INFORMATION**

**NONMAJOR GOVERNMENTAL FUNDS**

**STATE OF NEW MEXICO**  
**Village of Questa**  
**June 30, 2005**

**NONMAJOR GOVERNMENTAL FUNDS**

**FIRE PROTECTION FUND** – 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: NMSA 59-A-53-1).

**EMERGENCY MEDICAL SERVICES FUND** – to account for the acquisition of emergency medical equipment and the operation of the equipment financed through a grant from the State of New Mexico. Authority: NMSA 24-10A & NMSA 6-11-6.

**LAW ENFORCEMENT PROTECTION FUND** – to account for grant funds used for maintenance and development of the Village's police force. Financing is provided by a grant from the State of New Mexico. Such revenue provides for purchase and repair of equipment as well as classes to upgrade the training of police personnel and may be used only for these purposes. Funding authority is NMSA 29-13-1.

**RECREATION FUND** – to account for the operation and maintenance of recreational facilities in the Village. Financing is provided by a specific annual cigarette tax levy. Authority: NMSA 7-12-1 & 7-12-15.

**RURAL DEVELOPMENT** – to account for the proceeds of a State Appropriation for Economic Development planning purposes. Authorization is a grant in prior years from State of New Mexico.

**MOLY CORP FUND** – to account for a private grant from a local mining company for special projects of the Village. Authorization is private grant.

**CORRECTIONS FUND** – to establish an additional source of funds to 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 operations of a motor vehicle. Authority: NMSA 33-0-3.

**ENVIRONMENTAL GROSS RECEIPTS FUND** – to account for the collection of one-eighth of one percent gross receipts tax dedicated for the acquisition, construction, operation and maintenance of solid waste facilities, water facilities, waste water facilities or sewer systems. Authority: NMSA Chapter 7, Article 20E.

**YOUTH FACILITIES FUND** – to account for revenues and expenditures of the youth facilities activities of the Village. Authority: Village Council action.

**EMS FIRE** – to account for grant revenues and expenditures for the purchase of medical supplies. The authority is the Emergency Medical Services Fund Act, DOH 7,27.4 NMAC.

**CDBG WATER SYSTEM PROJECT** – To account for the proceeds of a Community Development Block Grant (CDBG) from the U.S. Department of Housing and Urban Development. The grant is being used for water system improvements. Grant proceeds flow through the State Department of Finance and Administration. Pass thru grant number is 01-C-RD-I-1-G-80.

**MUNICIPAL STREETS PROJECTS** – To account for various projects funded by co-operative agreements with the New Mexico State Department of Transportation.

**LEGISLATIVE APPROPRIATION** – To account for proceeds from the New Mexico Environmental Department for improvements to water system in Questa. Authority is by Section 74-1-6.B, NMSA 1978.

**LIBRARY FUND** – To account for the operations and maintenance of the Village Library funding is provided by a state grant under Section 18-2-4B NMSA, 1978.

**AVIATION FUND** – To account for improvements to the Village airport funded by a state grant under NMSA, 1978 Section 64-1-13 of the Aviation Act.



STATE OF NEW MEXICO  
Village of Questa

Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2005

	Special Revenue					
	Fire Fund	Recreation Fund	Emergency EMS Grant	EMS Grant	Library	Correction Fees
<i>Assets</i>						
Cash and cash equivalents	\$ 1	\$ 1,480	\$ 20,698	\$ 45	\$ 4,324	\$ 15,296
Investments	-	-	-	-	-	-
Accounts and taxes receivable	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Prepaid insurance	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
<i>Total assets</i>	<u>\$ 1</u>	<u>\$ 1,480</u>	<u>\$ 20,698</u>	<u>\$ 45</u>	<u>\$ 4,324</u>	<u>\$ 15,296</u>
<i>Liabilities</i>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,476
Accrued expenses	-	-	2,274	-	-	-
Accrued compensated absences	-	-	-	-	-	-
Deferred revenue	-	324	-	-	-	-
Due to other funds	-	324	2,274	-	-	5,476
<i>Total liabilities</i>	<u>-</u>	<u>324</u>	<u>2,274</u>	<u>-</u>	<u>-</u>	<u>5,476</u>
<i>Fund balances</i>						
Unreserved	-	-	-	-	-	-
Designated for subsequent year	1	1,156	18,424	45	4,324	9,820
Unreserved, undesignated	1	1,156	18,424	45	4,324	9,820
<i>Total fund balances</i>	<u>1</u>	<u>1,156</u>	<u>18,424</u>	<u>45</u>	<u>4,324</u>	<u>9,820</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1</u>	<u>\$ 1,480</u>	<u>\$ 20,698</u>	<u>\$ 45</u>	<u>\$ 4,324</u>	<u>\$ 15,296</u>

STATE OF NEW MEXICO  
Village of Questa

Schedule A-1  
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Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2005

	Special Revenue					
	Environmental Gross Receipts	Law Enforcement Protection	Rural Development	CDBG Water Grant Fund	Youth Facility	Aviation Fund
<i>Assets</i>						
Cash and cash equivalents	\$ 4,881	\$ 40	\$ 1,658	\$ 6,902	\$ 282	\$ -
Investments	-	-	-	-	-	-
Accounts and taxes receivable	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Prepaid insurance	-	-	-	-	-	-
Due from other funds	-	-	863	-	-	-
<i>Total assets</i>	<u>\$ 4,881</u>	<u>\$ 40</u>	<u>\$ 2,521</u>	<u>\$ 6,902</u>	<u>\$ 282</u>	<u>\$ -</u>
<i>Liabilities</i>						
Accounts payable	\$ -	\$ -	\$ -	\$ 71,172	\$ 3,750	\$ -
Accrued expenses	-	-	-	-	900	-
Accrued compensated absences	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	358	-	-	-	-	-
<i>Total liabilities</i>	<u>\$ 358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,172</u>	<u>\$ 4,650</u>	<u>\$ -</u>
<i>Fund balances</i>						
Unreserved	-	-	-	-	-	-
Designated for subsequent year	4,523	40	2,521	(64,270)	(4,368)	-
Unreserved, undesignated	4,523	40	2,521	(64,270)	(4,368)	-
<i>Total fund balances</i>	<u>\$ 4,881</u>	<u>\$ 40</u>	<u>\$ 2,521</u>	<u>\$ 6,902</u>	<u>\$ 282</u>	<u>\$ -</u>
<i>Total liabilities and fund balances</i>						

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
Village of Questa

Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2005

	Capital Projects		Total Nonmajor Governmental Funds
	Municipal Street	Legislative Appropriation	
<i>Assets</i>			
Cash and cash equivalents	\$ 4,954	\$ 1,418	61,979
Investments	-	-	-
Accounts and taxes receivable	-	-	-
Other receivables	14,563	-	14,563
Due from other governments	-	-	-
Inventory	-	-	-
Prepaid insurance	-	-	-
Due from other funds	-	-	863
<i>Total assets</i>	<u>\$ 19,517</u>	<u>\$ 1,418</u>	<u>77,405</u>
<i>Liabilities</i>			
Accounts payable	-	-	\$ 80,398
Accrued expenses	750	-	3,924
Accrued compensated absences	-	-	-
Deferred revenue	-	-	-
Due to other funds	-	-	682
<i>Total liabilities</i>	<u>750</u>	<u>-</u>	<u>85,004</u>
<i>Fund balances</i>			
Unreserved	-	-	-
Designated for subsequent year	-	-	-
Unreserved, undesignated	18,767	1,418	(7,599)
<i>Total fund balances</i>	<u>18,767</u>	<u>1,418</u>	<u>(7,599)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 19,517</u>	<u>\$ 1,418</u>	<u>\$ 77,405</u>

**STATE OF NEW MEXICO**  
Village of Questa  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2005

	Special Revenue					
	Fire Fund	Recreation Fund	Emergency EMS	EMS Grant	Library	Correction Fees
<i>Revenues:</i>						
Taxes	\$ -	\$ 665	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	102,515	-	6,534	-	3,000	-
Charges for Services	20	-	60,000	70	-	-
Licenses and Fees	-	-	-	-	-	4,780
Investment Income (Loss)	15	-	-	21	-	-
Miscellaneous	953	-	-	-	-	-
<i>Total revenues</i>	<u>103,503</u>	<u>665</u>	<u>66,534</u>	<u>91</u>	<u>3,000</u>	<u>4,780</u>
<i>Expenditures:</i>						
Current:						
General Government	-	-	-	-	-	-
Public Safety	152,764	-	46,527	11,916	-	7,541
Public Works	-	-	-	-	-	-
Culture and Recreation	-	816	-	-	156	-
Health and Welfare	-	-	-	-	-	-
Capital Outlay	57,018	-	-	-	-	-
Debt Service:						
Principal	20,100	-	-	-	-	-
Interest	-	-	-	-	-	-
<i>Total expenditures</i>	<u>229,882</u>	<u>816</u>	<u>46,527</u>	<u>11,916</u>	<u>156</u>	<u>7,541</u>
	<u>(126,379)</u>	<u>(151)</u>	<u>20,007</u>	<u>(11,825)</u>	<u>2,844</u>	<u>(2,761)</u>
<i>Excess (deficiency) of revenues over expenditures</i>						
<i>Other financing sources (uses)</i>						
Bond Proceeds	-	-	-	-	-	-
Transfers In	125,012	-	-	5,934	-	-
Transfers Out	-	-	(5,934)	-	-	-
<i>Total other financing sources (uses)</i>	<u>125,012</u>	<u>-</u>	<u>(5,934)</u>	<u>5,934</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>(1,367)</u>	<u>(151)</u>	<u>14,073</u>	<u>(5,891)</u>	<u>2,844</u>	<u>(2,761)</u>
<i>Fund balances - beginning of year</i>	<u>1,368</u>	<u>1,307</u>	<u>4,351</u>	<u>5,936</u>	<u>1,480</u>	<u>12,581</u>
<i>Fund balances - end of year</i>	<u>\$ 1</u>	<u>\$ 1,156</u>	<u>\$ 18,424</u>	<u>\$ 45</u>	<u>\$ 4,324</u>	<u>\$ 9,820</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Questa  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2005

	Special Revenue				
	Environmental Gross Receipts	Law Enforcement Protection	CDBG Water Grant Fund	Youth Facility	Aviation fund
<i>Revenues:</i>					
Taxes	\$ 7,051	-	-	\$ 5,000	-
Intergovernmental Income	-	34,198	55,981	-	182,586
Charges for Services	-	-	-	14,819	-
Licenses and Fees	-	-	-	-	-
Investment Income (Loss)	-	48	-	-	-
Miscellaneous	-	-	12	120	-
<i>Total revenues</i>	<u>7,051</u>	<u>34,246</u>	<u>55,993</u>	<u>19,939</u>	<u>182,586</u>
<i>Expenditures:</i>					
Current:					
General Government	16,385	-	-	-	-
Public Safety	-	1,386	-	-	-
Public Works	-	-	74,163	-	182,714
Culture and Recreation	-	-	-	23,540	-
Health and Welfare	-	-	-	-	-
Capital Outlay	-	20,763	-	-	-
Debt Service:					
Principal	-	12,998	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>16,385</u>	<u>35,147</u>	<u>74,163</u>	<u>23,540</u>	<u>182,714</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(9,334)</u>	<u>(901)</u>	<u>(18,170)</u>	<u>(3,601)</u>	<u>(128)</u>
<i>Other financing sources (uses)</i>					
Bond Proceeds	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	(32,312)	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(32,312)</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>(9,334)</u>	<u>(901)</u>	<u>(50,482)</u>	<u>(3,601)</u>	<u>(128)</u>
<i>Fund balances - beginning of year</i>	<u>13,857</u>	<u>941</u>	<u>(13,788)</u>	<u>(767)</u>	<u>128</u>
<i>Fund balances - end of year</i>	<u>\$ 4,523</u>	<u>\$ 40</u>	<u>\$ (64,270)</u>	<u>\$ (4,368)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
Village of Questa

Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2005

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Rural Development	Municipal Streets	Legislative Appropriation			
<i>Revenues:</i>						
Taxes	\$ -	\$ 25,585	\$ -		\$ 38,301	
Intergovernmental Income	1,658	108,796	38,605		533,873	
Charges for Services	-	16,301	-		91,210	
Licenses and Fees	-	-	-		4,780	
Investment Income (Loss)	-	-	-		84	
Miscellaneous	-	18,738	-		19,823	
<i>Total revenues</i>	<u>1,658</u>	<u>169,420</u>	<u>38,605</u>		<u>688,071</u>	
<i>Expenditures:</i>						
<i>Current:</i>						
General Government	3,533	-	-		19,918	
Public Safety	-	-	-		220,134	
Public Works	-	171,546	34,835		463,258	
Culture and Recreation	-	-	-		24,512	
Health and Welfare	-	-	-		-	
Capital Outlay	-	56,710	-		134,491	
Debt Service:						
Principal	-	-	-		33,098	
Interest	-	-	-		-	
<i>Total expenditures</i>	<u>3,533</u>	<u>228,256</u>	<u>34,835</u>		<u>895,411</u>	
	<u>(1,875)</u>	<u>(58,836)</u>	<u>3,770</u>		<u>(207,340)</u>	
<i>Excess (deficiency) of revenues over expenditures</i>						
<i>Other financing sources (uses)</i>						
Bond Proceeds	-	-	-		-	
Transfers In	-	13,130	3,424		147,500	
Transfers Out	-	-	-		(38,246)	
<i>Total other financing sources (uses)</i>		<u>13,130</u>	<u>3,424</u>		<u>109,254</u>	
<i>Net change in fund balances</i>	<u>(1,875)</u>	<u>(45,706)</u>	<u>7,194</u>		<u>(98,086)</u>	
<i>Fund balances - beginning of year</i>	<u>4,396</u>	<u>64,473</u>	<u>(5,776)</u>		<u>90,487</u>	
<i>Fund balances - end of year</i>	<u>\$ 2,521</u>	<u>\$ 18,767</u>	<u>\$ 1,418</u>		<u>\$ (7,599)</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

## Village of Questa

Fire Fund Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	369,334	369,334	61,567	(307,767)
Charges For Services	12,000	12,000	20	(11,980)
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	50	50	15	(35)
Miscellaneous	1,468	1,468	953	(515)
<i>Total revenues</i>	<u>382,852</u>	<u>382,852</u>	<u>62,555</u>	<u>(320,297)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	77,934	95,086	58,284	36,802
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	130,650	130,650	130,650	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>208,584</u>	<u>225,736</u>	<u>188,934</u>	<u>36,802</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>174,268</u>	<u>157,116</u>	<u>(126,379)</u>	<u>(283,495)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(174,268)	(157,116)	-	157,116
Transfers In	-	-	125,012	125,012
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(174,268)</u>	<u>(157,116)</u>	<u>125,012</u>	<u>282,128</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(1,367)	(1,367)
<i>Fund Balance - Beginning of Year</i>	-	-	1,368	1,368
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Questa

Recreation Fund Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	(Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 800	\$ 800	\$ 739	\$ (61)
Intergovernmental Income	-	-	-	-
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	800	800	739	(61)
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	800	815	-	815
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	800	815	-	815
<i>Excess (deficiency) of revenues over expenditures</i>	-	(15)	739	754
<i>Other financing sources (uses)</i>				
Designated Cash	-	15	-	(15)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	15	-	(15)
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	739	739
<i>Fund Balance - Beginning of Year</i>	-	-	1,557	1,557
<i>Fund Balance - End of Year</i>	\$ -	\$ -	\$ 2,296	\$ 2,296

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

## Village of Questa

Emergency EMS Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	11,879	11,879	6,534	(5,345)
Charges For Services	110,000	110,000	60,000	(50,000)
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>121,879</u>	<u>121,879</u>	<u>66,534</u>	<u>(55,345)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	110,000	160,000	44,253	115,747
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	5,959	5,959	-	5,959
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>115,959</u>	<u>165,959</u>	<u>44,253</u>	<u>121,706</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>5,920</u>	<u>(44,080)</u>	<u>22,281</u>	<u>66,361</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(5,920)	44,080	-	(44,080)
Transfers In	-	-	-	-
Transfers Out	-	-	(5,934)	(5,934)
<i>Total other financing sources (uses)</i>	<u>(5,920)</u>	<u>44,080</u>	<u>(5,934)</u>	<u>(50,014)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>-</u>	<u>-</u>	<u>16,347</u>	<u>16,347</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>4,351</u>	<u>4,351</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,698</u>	<u>\$ 20,698</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Questa

EMS Grant Fund Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	-	-	-	-
Charges For Services	110,000	110,000	70	(109,930)
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	21	21
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>110,000</u>	<u>110,000</u>	<u>91</u>	<u>(109,909)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	-	-	-	-
Public Safety	110,000	110,056	11,916	98,140
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>110,000</u>	<u>110,056</u>	<u>11,916</u>	<u>98,140</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(56)</u>	<u>(11,825)</u>	<u>(11,769)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	-	56	-	(56)
Transfers In	-	-	5,934	5,934
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>56</u>	<u>5,934</u>	<u>5,878</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>-</u>	<u>-</u>	<u>(5,891)</u>	<u>(5,891)</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>5,936</u>	<u>5,936</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 45</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

## Village of Questa

Library Fund Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	-	-	3,000	3,000
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	156	-	156
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>156</u>	<u>-</u>	<u>156</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(156)</u>	<u>3,000</u>	<u>3,156</u>
<i>Other financing sources (uses)</i>				
Designated Cash	-	156	-	(156)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>156</u>	<u>-</u>	<u>(156)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>1,480</u>	<u>1,480</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,480</u>	<u>\$ 4,480</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

## Village of Questa

Correction Fees Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	-	-	-	-
Charges For Services	-	-	-	-
Licenses and Fees	4,000	4,000	4,780	780
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	4,000	4,000	4,780	780
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	4,000	7,541	7,541	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	4,000	7,541	7,541	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	(3,541)	(2,761)	780
<i>Other financing sources (uses)</i>				
Designated Cash	-	3,541	-	(3,541)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	3,541	-	(3,541)
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(2,761)	(2,761)
<i>Fund Balance - Beginning of Year</i>	-	-	18,057	18,057
<i>Fund Balance - End of Year</i>	\$ -	\$ -	\$ 15,296	\$ 15,296

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

## Village of Questa

Environmental Gross Receipts Tax Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 6,500	\$ 6,500	\$ 7,495	\$ 995
Intergovernmental Income	-	-	-	-
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	6,500	6,500	7,495	995
<i>Expenditures:</i>				
Current:				
General Government	6,500	16,385	16,385	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	6,500	16,385	16,385	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	(9,885)	(8,890)	995
<i>Other financing sources (uses)</i>				
Designated Cash	-	9,885	-	(9,885)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	9,885	-	(9,885)
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(8,890)	(8,890)
<i>Fund Balance - Beginning of Year</i>	-	-	13,771	13,771
<i>Fund Balance - End of Year</i>	\$ -	\$ -	\$ 4,881	\$ 4,881

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Questa

Law Enforcement Fund Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	21,200	21,200	21,200	-
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	20	20	48	28
Miscellaneous	2,041	2,041	-	(2,041)
<i>Total revenues</i>	<u>23,261</u>	<u>23,261</u>	<u>21,248</u>	<u>(2,013)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	-	-	-	-
Public Safety	11,128	11,128	1,386	9,742
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	21,774	21,774	20,763	1,011
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>32,902</u>	<u>32,902</u>	<u>22,149</u>	<u>10,753</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(9,641)</u>	<u>(9,641)</u>	<u>(901)</u>	<u>8,740</u>
<i>Other financing sources (uses)</i>				
Designated Cash	9,641	9,641	-	(9,641)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>9,641</u>	<u>9,641</u>	<u>-</u>	<u>(9,641)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(901)	(901)
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>941</u>	<u>941</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40</u>	<u>\$ 40</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

## Village of Questa

Share Account Fund Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	-	-	-	-
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	15	15	-	(15)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	15	15	-	(15)
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	15	15	-	(15)
<i>Other financing sources (uses)</i>				
Designated Cash	(15)	(15)	-	15
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	(15)	(15)	-	15
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	-	-
<i>Fund Balance - Beginning of Year</i>	-	-	568	568
<i>Fund Balance - End of Year</i>	\$ -	\$ -	\$ 568	\$ 568

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

## Village of Questa

Youth Facility Fund Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 6,000	\$ 6,000	\$ 5,000	\$ (1,000)
Intergovernmental Income	-	-	-	-
Charges For Services	22,921	22,921	14,819	(8,102)
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	7,240	7,240	120	(7,120)
<i>Total revenues</i>	<u>36,161</u>	<u>36,161</u>	<u>19,939</u>	<u>(16,222)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	42,312	54,788	-	54,788
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>42,312</u>	<u>54,788</u>	<u>-</u>	<u>54,788</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,151)</u>	<u>(18,627)</u>	<u>19,939</u>	<u>38,566</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(3)	(110)	-	110
Transfers In	4,027	4,027	4,027	-
Transfers Out	-	-	(4,027)	(4,027)
<i>Total other financing sources (uses)</i>	<u>4,024</u>	<u>3,917</u>	<u>-</u>	<u>(3,917)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>(2,127)</u>	<u>(14,710)</u>	<u>19,939</u>	<u>34,649</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>4,026</u>	<u>4,026</u>
<i>Fund Balance - End of Year</i>	<u>\$ (2,127)</u>	<u>\$ (14,710)</u>	<u>\$ 23,965</u>	<u>\$ 38,675</u>

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

## Village of Questa

Aviation Fund Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	382,654	382,654	182,586	(200,068)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>382,654</u>	<u>382,654</u>	<u>182,586</u>	<u>(200,068)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	214,919	214,919	182,714	32,205
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>214,919</u>	<u>214,919</u>	<u>182,714</u>	<u>32,205</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>167,735</u>	<u>167,735</u>	<u>(128)</u>	<u>(167,863)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(167,735)	(167,735)	-	167,735
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(167,735)</u>	<u>(167,735)</u>	<u>-</u>	<u>167,735</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(128)	(128)
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>128</u>	<u>128</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Questa

Rural Development Fund Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	-	-	1,658	1,658
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>1,658</u>	<u>1,658</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	3,533	(3,533)
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>3,533</u>	<u>(3,533)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(1,875)</u>	<u>(1,875)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>-</u>	<u>-</u>	<u>(1,875)</u>	<u>(1,875)</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>4,396</u>	<u>4,396</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,521</u>	<u>\$ 2,521</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

## Village of Questa

Municipal Streets Capital Projects Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 28,900	\$ 28,900	\$ 27,913	\$ (987)
Intergovernmental Income	167,758	167,758	152,149	(15,609)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	18,738	18,738
<i>Total revenues</i>	196,658	196,658	198,800	2,142
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	182,458	201,805	199,004	2,801
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	14,200	14,200	24,654	(10,454)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	196,658	216,005	223,658	(7,653)
<i>Excess (deficiency) of revenues over expenditures</i>	-	(19,347)	(24,858)	(5,511)
<i>Other financing sources (uses)</i>				
Designated Cash	-	19,347	-	(19,347)
Transfers In	-	-	13,130	13,130
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	19,347	13,130	(6,217)
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(11,728)	(11,728)
<i>Fund Balance - Beginning of Year</i>	-	-	16,682	16,682
<i>Fund Balance - End of Year</i>	\$ -	\$ -	\$ 4,954	\$ 4,954

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Questa

CDBG Water Grant Fund Capital Projects Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	575,000	575,000	55,981	(519,019)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	12	12
<i>Total revenues</i>	<u>575,000</u>	<u>575,000</u>	<u>55,993</u>	<u>(519,007)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	100,000	100,000	74,163	25,837
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
Capital Outlay	475,000	475,000	-	475,000
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>575,000</u>	<u>575,000</u>	<u>74,163</u>	<u>500,837</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(18,170)</u>	<u>(18,170)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	-	-	(32,312)	(32,312)
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(32,312)</u>	<u>(32,312)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>-</u>	<u>-</u>	<u>(50,482)</u>	<u>(50,482)</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>57,384</u>	<u>57,384</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,902</u>	<u>\$ 6,902</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

## Village of Questa

Legislative Appropriation Fund Capital Projects Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	200,000	200,000	38,605	(161,395)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>200,000</u>	<u>200,000</u>	<u>38,605</u>	<u>(161,395)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	200,000	200,000	34,835	165,165
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>200,000</u>	<u>200,000</u>	<u>34,835</u>	<u>165,165</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>3,770</u>	<u>3,770</u>
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	-	-	3,424	3,424
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>3,424</u>	<u>3,424</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>-</u>	<u>-</u>	<u>7,194</u>	<u>7,194</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>(5,776)</u>	<u>(5,776)</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,418</u>	<u>\$ 1,418</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Questa

Joint Utility Proprietary Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	587,300	587,300	440,767	(146,533)
Charges For Services	678,275	678,275	270,384	(407,891)
Interest Income	-	-	-	-
Investment Income(Loss)	165	165	995	830
Miscellaneous	8,300	8,300	8,764	464
<i>Total revenues</i>	<u>1,274,040</u>	<u>1,274,040</u>	<u>720,910</u>	<u>(553,130)</u>
<i>Expenditures:</i>				
Current:				
Depreciation	-	-	86,699	(86,699)
Personal services	275,840	305,554	180,932	124,622
Contractual services	562,992	747,602	42,497	705,105
Supplies & purchased power	68,941	68,941	80,806	(11,865)
Maintenance and materials	5,366	5,366	15,483	(10,117)
Miscellaneous	76,254	76,254	0	76,254
Heat, light & power	18,684	18,684	21,274	(2,590)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	6,187	(6,187)
<i>Total expenditures</i>	<u>1,008,077</u>	<u>1,222,401</u>	<u>433,878</u>	<u>788,523</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>265,963</u>	<u>51,639</u>	<u>287,032</u>	<u>235,393</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(285,015)	(70,691)	-	70,691
Transfers In	19,052	19,052	53,080	34,028
Transfers Out	-	-	(8,746)	(8,746)
<i>Total other financing sources (uses)</i>	<u>(265,963)</u>	<u>(51,639)</u>	<u>44,334</u>	<u>95,973</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	331,366	331,366
<i>Fund Balance - Beginning of Year</i>	-	-	1,383,821	1,383,821
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,715,187</u>	<u>\$ 1,715,187</u>

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

**STATE OF NEW MEXICO**  
Village of Questa

Solid Waste Proprietary Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	-	-	-	-
Charges For Services	139,050	139,050	144,910	5,860
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	50	50	46	(4)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>139,100</u>	<u>139,100</u>	<u>144,956</u>	<u>5,856</u>
<i>Expenditures:</i>				
Current:				
Depreciation	-	-	0	-
Personal services	-	-	101,301	(101,301)
Contractual services	92,000	92,000	46,501	45,499
Supplies & purchased power	47,100	47,100	-	47,100
Maintenance and materials	175	175	-	175
Miscellaneous	-	-	-	-
Heat, light & power	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>139,275</u>	<u>139,275</u>	<u>147,802</u>	<u>(8,527)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(175)</u>	<u>(175)</u>	<u>(2,846)</u>	<u>(2,671)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	175	175	-	(175)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>175</u>	<u>175</u>	<u>-</u>	<u>(175)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(2,846)	(2,846)
<i>Fund Balance - Beginning of Year</i>	-	-	<u>(44,756)</u>	<u>(44,756)</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (47,602)</u>	<u>\$ (47,602)</u>

The accompanying notes are an integral part of these financial statements

**SUPPORTING SCHEDULES**



**STATE OF NEW MEXICO**  
**VILLAGE OF QUESTA**  
**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY**  
**FOR PUBLIC FUNDS**  
**JUNE 30, 2005**

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2004	Name and Location of Safekeeper
First State Bank	Federal Home Loan Bank Cusip 3133MTQB7 3.5% Due 11/15/2007	\$ 79,200	Federal Home Loan Bank Dallas, Texas
First State Bank	Federal Home Loan Bank Cusip 3133XBCS9 3.5% Due 08/14/2009	24,774	Federal Home Loan Bank Dallas, Texas
First State Bank	Federal Home Loan Bank Cusip 3133MY3B1 3.5% Due 04/23/2008	24,711	Federal Home Loan Bank Dallas, Texas
Centinel Bank	Estancia NM School Cusip 297326DC1 Due 10/01/09	<u>100,000</u>	Federal Home Loan Bank Dallas, Texas
		<u>\$ 228,685</u>	

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

STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS  
JUNE 30, 2005

Schedule II

Bank Account Type/Name	First State Bank	Centinel Bank	Questa C.U.	Total
Checking - General Fund	127,946	-	-	127,946
Checking-Fire	23,454	-	-	23,454
Checking - EMS Fire Fund	5,796	-	-	5,796
Checking -LEPF	400	-	-	400
Checking - Motor Vehicle	-	8,423	-	8,423
Checking - Municipal Judge	1,586	-	-	1,586
Checking - Molycorp	7,338	-	-	7,338
Checking - Youth Facility	-	-	-	-
Checking - EMS	25,072	-	-	25,072
Checking - Oversight Account	-	17,972	-	17,972
Checking - 2003 CDBG Water Imp	-	92	-	92
Checking - CFRP Grant	260	-	-	260
Checking - Police Dept. Justice Fund	-	11,379	-	11,379
Checking - 2004 CDBG Water Imp	-	6,902	-	6,902
Savings - Share Account	-	-	102	102
Checking - Sewer Sys Reserve	-	8,351	-	8,351
Checking - Water, Sewer, Solid Waste	-	72,318	-	72,318
Checking - Water Rights	-	28,608	-	28,608
Certificate- Water	10,000	-	-	10,000
Certificate- Meter	-	-	15,000	15,000
Certificate-Water	5,000	-	-	5,000
Certificate- Water	-	-	-	-
Certificate - CDBG Match	-	-	-	-
<b>Total On Deposit</b>	<b>206,852</b>	<b>154,045</b>	<b>15,102</b>	<b>375,999</b>
<b>Reconciling Items</b>	<b>49,631</b>	<b>8,061</b>	<b>-</b>	<b>57,692</b>
<b>Reconciled Balance</b>	<b>\$ 157,221</b>	<b>\$ 145,984</b>	<b>\$ 15,102</b>	<b>\$ 318,307</b>
<b>Petty Cash</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>
<b>Total June 30, 2004</b>	<b>\$ 157,221</b>	<b>\$ 145,984</b>	<b>\$ 15,102</b>	<b>\$ 318,407</b>

See independent auditors' report  
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
 Village of Questa  
 Capital Assets Used in the Operation of Governmental Funds  
 Schedule By Function and Activity  
 For the Fiscal Year Ended June 30, 2005

Program	Buildings	Equipment	Total
City council	\$ 3,774,833	\$ 29,644	\$ 3,804,477
Police		822,363	822,363
Streets		337,114	337,114
Recreation		65,691	65,691
Construction in progress	<u>206,758</u>		<u>206,758</u>
Subtotal	3,981,591	1,254,812	5,236,403
Less: accumulated depreciation	<u>112,445</u>	<u>599,246</u>	<u>711,691</u>
Total governmental funds capital assets	<u>\$ 3,869,146</u>	<u>\$ 655,566</u>	<u>\$ 4,524,712</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
Village of Questa

Agency Fund  
Schedule of Changes in Assets and Liabilities  
For The Year Ended June 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>
<b><u>ASSETS</u></b>				
Cash	\$ <u>1,486</u>	\$ <u>112,005</u>	\$ <u>113,094</u>	\$ <u>397</u>
<b><u>LIABILITIES</u></b>				
Deposits held in trust for others	\$ <u>1,486</u>	\$ <u>112,005</u>	\$ <u>113,094</u>	\$ <u>397</u>

The accompanying notes are an integral part of these financial statements

State of New Mexico  
Village of Questa

Schedule V

Joint Powers Agreements  
June 30, 2005

Housing of Medical Rescue Unit

Participants: County of Taos and the Village of Questa

Responsible Party: Village of Questa

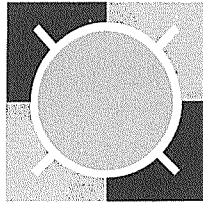
Description: Village of Questa agrees to provide facilities for housing an emergency medical services rescue unit to the County of Taos.

Period: July 1, 2003 to June 30, 2005 with the option to renew for three years.

Project costs: None

Village contribution: None

Audit responsibility: None



**Accounting & Consulting Group, LLP**  
**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 Standard***

Charlie I. Gonzales, Mayor  
Village Council Members  
Village of Questa  
Questa, New Mexico

and

Domingo P. Martinez, CGFM  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the financial statements of the government activities, the business-type activities, each major fund, budgetary comparisons for the general fund and each major special revenue fund, and the aggregate remaining fund information of the Village of Questa as of and for the year ended June 30, 2005, and have issued our report thereon dated November 10, 2005. We have also audited the financial statements of each of the Village's nonmajor governmental funds, including budgetary comparisons and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2005 as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Village of Questa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our opinion could adversely affect the Village of Questa's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Responses as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Questa'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 statements 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 one instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2005-1.

This report is intended solely for the information and use of the audit committee, management, the Office of the State Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Accounting & Consulting Group, L.L.P.*

Albuquerque, New Mexico  
November 10, 2005

**State of New Mexico  
Village of Questa**

**Findings and Responses  
June 30, 2005**

**Prior Year Findings Resolved and No Longer in Effect:**

2004-1      PERA Coverage for Required Employee  
2004-2      Calculation of Overtime Compensation

**Current year Findings:**

**2005-1 Budget Over-expenditures**

*Criteria* – A budget is a proposed plan of financial operations for a given period of time. The annual budget authorizes and provides the basis for control of financial operations during the fiscal year. The Village cannot exceed its budget as required by NMSA 1978 Section 6-3-1 to 6-3-25 and State Auditor Rule 2.2.2.10G.

*Condition* – The Village incurred expenditures in excess of the approved budget in the following funds.

<u>Fund</u>	<u>Approved Budget</u>	<u>Actual Expenditures</u>	<u>Amount Over-Expended</u>
General	\$ 963,639	\$ 1,527,382	\$ 563,743
Rural Development	—	3,533	3,533
Municipal Streets	216,005	223,658	7,653

*Cause* – Expenditures were approved in excess of available budget or budget adjustments were not approved to cover the expenditure approved.

*Effect* – State statute may have been violated subjecting those responsible to the penalty provisions of the statute.

*Auditor's Recommendation* – We recommend that expenditures not be approved which would cause the budget to be exceeded. We also recommend that timely budget adjustments be prepared when necessary.

*Managements Response* – The Village experienced disaster level flooding during May and June, 2005. This resulted in expenditures in excess of budget with no time to prepare budget adjustments. The Village will prepare timely budget adjustment in the future.



**State of New Mexico  
Village of Questa**

**Other Disclosures  
June 30, 2005**

**Exit Conference**

On November 10, 2005, an exit conference was held with C. Jack Emmons, CPA of Accounting & Consulting Group LLP with Robert R. Ortega, Jr., Mayor Pro-tem, Brent Jaramillo, Administrator, and Nadine Varela, Village Clerk.

**Preparation of Financial Statements**

These financial statements have been prepared by the independent auditor, Accounting & Consulting Group, LLP. The contents of these financial statements remain the responsibility of the Village.

*JK  
2-6-06*