

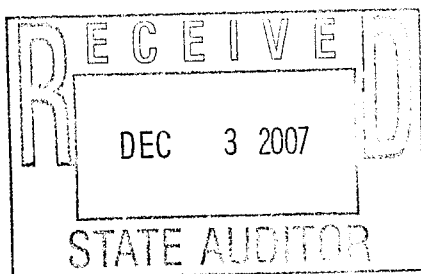
STATE OF NEW
MEXICO



ANNUAL FINANCIAL
REPORT JUNE 30, 2007

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INTRODUCTORY SECTION



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STATE OF NEW MEXICO
VILLAGE OF QUESTA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS

	Exhibit	Page
INTRODUCTORY SECTION		
Table of Contents		1
Official Roster		5
FINANCIAL SECTION		
Independent Auditors' Report		9
Management's Discussion and Analysis		13
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	22
Statement of Activities	A-2	24
Fund Financial Statements:		
Balance Sheet – Governmental Funds	B-1	26
Reconciliation of the Balance Sheet to the Statement of Net Assets		27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	B-2	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		29
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual:		
General Fund	C-1	30
Oversight Fund	C-2	31
CDBG Fund	C-3	32
Special Projects Fund	C-4	33
Statement of Fund Net Assets-Proprietary Funds	D-1	34
Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Funds	D-2	35
Statement of Cash Flows – Proprietary Funds	D-3	37
Statement of Fiduciary Net Assets – Agency Fund	E-1	39
NOTES TO THE FINANCIAL STATEMENTS		41
SUPPLEMENTARY INFORMATION		
Non-major Fund Descriptions		
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet – Non-major Governmental Funds	A-1	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	A-2	70

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STATE OF NEW MEXICO
VILLAGE OF QUESTA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION	Statement/ Schedule	Page
Fund Balances		
Local Correction Special Revenue Fund	B-1	74
Environmental Gross Receipts Tax Special Revenue Fund	B-2	75
EMS Fire Special Revenue Fund	B-3	76
EMS County Special Revenue Fund	B-4	77
Library Special Revenue Fund	B-5	78
Fire Protection Special Revenue Fund	B-6	79
Beautification Special Revenue Fund	B-7	80
Law Enforcement Protection Special Revenue Fund	B-8	81
Municipal Judge Special Revenue Fund	B-9	82
Recreation Special Revenue Fund	B-10	83
Youth Facility Special Revenue Fund	B-11	84
Police Department Justice Special Revenue Fund	B-12	85
Municipal Streets Capital Projects Fund	B-13	86
Sewer Replacement Capital Projects Fund	B-14	87
C.F.R.P. Capital Projects Fund	B-15	88
SUPPORTING SCHEDULES		
Schedule of Collateral Pledged by Depository for Public Funds	I	91
Schedule of Cash and Temporary Investment Accounts	II	93
Schedule of Changes in Fiduciary Assets and Liabilities	III	97
 COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>		101
 Schedule of Findings		105
Other Disclosures		108

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STATE OF NEW MEXICO
VILLAGE OF QUESTA

OFFICIAL ROSTER
June 30, 2007

Village Council

Malaquais V. Rael
Louise T. Martinez
Robert R. Ortega, Jr.
Mark Gallegos
Julian J. Cisneros

Mayor
Council Member
Mayor Pro-Tem
Council Member
Council Member

Village Officials

Brent Jaramillo
Nadine Varela
Renee Martinez

Village Administrator
Village Clerk/ Treasurer
Village Deputy Clerk

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
and
The Village Council
Village of Questa
Questa, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparison statements of the general fund and major special revenue funds of the Village of Questa (the "Village") as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements and budgetary comparison statements of each of the Village's non-major governmental funds and the budgetary comparisons for each enterprise fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007 as listed in the table of contents. These financial statements are the responsibility of Village of Questa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Questa, as of June 30, 2007, and the respective changes in financial position, thereof and the respective budgetary comparison statements for the General Fund and major special revenue funds 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 non-major governmental fund of Village of Questa as of June 30, 2007, and the respective changes in financial position thereof and the respective budgetary comparison statements for each non-major governmental fund, major capital projects fund, and enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Where Quality & Accuracy Count

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2007 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 13-20 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 combining and individual fund financial statements, and the budgetary comparison statements. The accompanying financial information listed as supporting Schedules I through III in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Village of Questa. Such information has been subjected to the auditing procedures applied in the audit of the basic and each of the non-major governmental fund financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Precision Accounting, LLC.

Precision Accounting, LLC
Albuquerque, New Mexico
November 25, 2007

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STATE OF NEW MEXICO
Village of Questa
Other Disclosures
June 30, 2007
Management's Discussion and Analysis
Unaudited

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, 2007. 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 \$7,002,132 (*net assets*). Of this amount, \$145,964 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$116,820 during the fiscal year. The majority of this decrease is due a decrease in net assets for business-type activities.
- As of June 30, 2007, the Village's governmental funds reported combined ending fund balances of \$7,002,132. of this total; \$8,741 is restricted for capital projects.

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 Sewer.

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

The overall financial position of the Village of Questa has decreased by \$118,941 primarily due to the loss in the Joint Utility fund as a result of not billing for all services. See finding FA-07-01.

STATE OF NEW MEXICO

Village of Questa

Other Disclosures

June 30, 2007

Management's Discussion and Analysis

Unaudited

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, Lodger's Tax Fund, Sewer/AWWT Replacement Fund, Streets Tax Fund and Grants 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 non-major 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, Municipal Judge's Fund and Sewer/AWWT Replacement Fund, Streets Tax Fund and Grant Fund to demonstrate compliance with this budget. In addition, the individual financial statements of the non-major 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 3 types of proprietary funds:

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 41-61 of this report.

Combining statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 66-73 of this report.

STATE OF NEW MEXICO
Village of Questa
Other Disclosures
June 30, 2007

Management's Discussion and Analysis
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the second 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*.

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 \$7,002,132 at the close of the current fiscal year.

The largest portion of Village of Questa's net assets represents the Village's investment of \$7,033,652 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, 2007			June 30, 2006		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
Assets						
Current and other assets	366,544	223,825	590,369	360,365	140,272	500,637
Capital assets, net of accumulated depreciation	4,324,807	2,708,845	7,033,652	4,442,297	2,822,111	7,264,408
Total Assets	4,691,351	2,932,670	7,624,021	4,802,662	2,962,383	7,765,045
Liabilities						
Long-term liabilities outstanding	98,186	107,161	205,347	158,968	119,500	278,468
Other Liabilities	245,940	172,723	418,663	296,980	70,645	367,625
Total Liabilities	344,126	279,884	624,010	455,948	190,145	646,093
Net Assets						
Invested in capital assets, net of related debt	4,197,836	2,605,595	6,803,431	4,283,329	2,672,611	6,955,940
Restricted	113,296	-	113,296	219,615	-	219,615
Unrestricted	36,093	47,191	83,284	(156,230)	99,627	(56,603)
Total Net Assets	4,347,225	2,652,786	7,000,011	4,346,714	2,772,238	7,118,952
Total Liabilities and Net Assets	4,691,351	2,932,670	7,624,021	4,802,662	2,962,383	7,765,045

A portion of Village of Questa's net assets represents resources that are subject to restrictions. The restrictions relate to capital projects and debt service. At the end of the current fiscal year, Village of Questa is able to report positive balances in all of the categories of net assets, for the government as a whole as well as for the business-type activities.

STATE OF NEW MEXICO
Village of Questa
Other Disclosures
June 30, 2007

Management's Discussion and Analysis
Unaudited

Changes in Net Assets
For the Year Ended June 30, 2007

Analysis of Changes in Net Assets	Governmental Activities	Business-Type Activities	Total
Revenue			
Program revenue			
Charges for Service	\$ 180,583	\$ 543,103	\$ 723,686
Operating grants and contributions	1,588,040	-	1,588,040
Capital Grants	104,555	-	104,555
General Revenue			
Property Tax	75,302	-	75,302
Franchise Tax	18,397	-	18,397
Gross Receipts Tax	404,475	-	404,475
Public Service Tax	35,240	-	35,240
Interest	2,223	810	3,033
Miscellaneous	17,961	3,376	21,337
Total Revenue	\$ 2,426,776	\$ 547,289	\$ 2,974,065
Expenses			
General Government	\$ 1,024,966	\$ -	\$ 1,024,966
Public Safety	482,647	-	482,647
Culture and Recreation	118,535	-	118,535
Public Works	883,930	-	883,930
Capital Outlay	10,280	-	10,280
Joint Utility	-	429,838	429,838
Solid Waste	-	142,810	142,810
Total Expenses	\$ 2,520,358	\$ 572,648	\$ 3,093,006
(Decrease) Increase in Assets before transfer	(93,582)	(25,359)	(118,941)
Transfers	94,093	(94,093)	-
(Decrease) Increase in Net Assets	511	(119,452)	(118,941)
Net Assets, Beginning of Year (restated)	4,346,714	2,772,238	7,118,952
Ending Net Assets	4,347,225	\$ 2,652,786	\$ 7,000,011

The Village of Questa's net assets decreased by \$118,941 during the current fiscal year. This decrease is explained in the government and business-type activities discussion below, and is primarily a result of the Village only billing the minimum on their utility services.

Governmental activities: Governmental activities increased the Village of Questa's net assets by \$511. The key element of this controlled expenditures.

Business-type activities: Business-type activities decreased the Village's net assets by \$119,452. The key element of this increase was the Village only billing the minimum on their utility services.

STATE OF NEW MEXICO
Village of Questa
Other Disclosures
June 30, 2007

Management's Discussion and Analysis
Unaudited

Changes in Net Assets
For the Year Ended June 30, 2006

	Governmental Activities	Business-Type Activities	Total
Revenue			
Program revenue			
Charges for Service	\$1,452,356	\$447,278	\$1,899,634
Operating grants and contributions	883,920	125,416	959,336
Capital Grants and Contributions	1,346,260	-	1,346,260
General Revenue			
Property Tax	49,103	-	49,103
Franchise Tax	39,369	-	39,369
Gross Receipts Tax	434,634	-	434,634
Public Service Tax	44,538	-	44,538
Interest Income	605	1,774	2,379
Misc revenues	537,772	3,352	541,124
Total Revenue	4,738,557	577,820	5,316,377
Expenses			
General Government	3,210,940	-	3,210,940
Public Safety	455,753	-	455,753
Culture and Recreation	32,534	-	32,534
Public Works	1,185,219	-	1,185,219
Joint Utility	-	470,829	470,829
Solid Waste	-	142,818	142,818
Total Expenses	4,884,446	613,647	5,498,093
(Decrease) Increase in Assets before transfer	(145,889)	(35,827)	(181,716)
Transfers	1,049	(1,049)	-
(Decrease) Increase in Net Assets	(144,840)	(36,876)	(181,716)
Net Assets, Beginning of Year (restated)	4,491,554	1,667,585	6,159,139
Contributed Capital	-	1,141,529	1,141,529
Ending Net Assets	4,346,714	2,772,238	7,118,952

STATE OF NEW MEXICO
Village of Questa
Other Disclosures
June 30, 2007

Management's Discussion and Analysis
Unaudited

FINANCIAL ANALYSIS OF THE VILLAGES 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 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 \$142,956 an increase of \$62,650 in comparison with the prior year. This difference is after a restatement of fund balances of \$28,137. The increase in government funds is due to controlled costs as funding was reduced from prior year. This entire amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

Revenues for governmental activities overall totaled \$2,416,183 in the fiscal year ended June 30, 2007, which represents a decrease of \$2,318,596 from the fiscal year ended June 30, 2006. This decrease is the result of the completion of the CDBG Grant from prior year which brought in revenues of approximately \$766,980. There was also a decrease in taxes of \$90,691 due to decreasing population in the area.

Expenditures for governmental activities, totaling \$2,447,626, decreased by \$2,393,043 from the fiscal year ended June 30, 2006, again this was primarily due to a reduction in overall funding. Majority of the decrease, \$1,881,189, was in the general fund line item. This was the result of controlled costs due to less funding. We also did not hire positions as individuals left. In addition, Public Works line item decreased by \$546,236, this is due to the CDBG close out and less in expenditures due to reduced funding. Culture and Recreation expenditures increased by \$83,283 more likely as a result of reclassification of expenditures by the auditors. In the fiscal year ended June 30, 2007, expenditures exceeded revenues by \$17,466.

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 \$165,387, while total fund balance was \$165,387.

The fund balance of Village of Questa's general fund increased by \$145,549 during the current fiscal year, due to revenues and operating transfers in excess of expenditures. Overall, the general fund's performance resulted in revenues over expenditures in the fiscal year ended June 30, 2007 due to an increase in revenue and transfers.

Oversight Fund. The Oversight Fund has a fund balance \$(12,843). The net decrease in fund balance for the current year was \$(12,883). The net decrease in fund balance is due primarily to an excess of expenses over revenues as most of the difference is in Accounts Payable at year end.

Special Projects Fund. The Special Projects Fund has a fund deficit of \$(8,476). The net decrease in fund balance for the year was \$8,476. The decrease was primarily due to excess expenditures over revenues.

CDBG Fund. The CDBG Protection Fund has deficit fund balance of \$187,477 the net decrease in fund balance of \$187,479 is primarily due to the final costs of the project from prior years.

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

At the end of the fiscal year, the unrestricted net assets for Joint Utility and Solid Waste were \$2,680,637, and \$(27,581) respectively. The total decrease in net assets for the proprietary funds was \$119,452. 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.

STATE OF NEW MEXICO
Village of Questa
Other Disclosures
June 30, 2007

Management's Discussion and Analysis
Unaudited

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.

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.

Budget Performance

Final Budget		Actual non-GAAP Cash Basis	Favorable (Unfavorable) Variance
General Fund	\$ 881,991	\$ 686,067	\$ 195,924
Oversight Fund	\$ 460,250	\$ 428,539	\$ 31,711
CDBG Fund	\$ 425,000	\$ 187,479	\$ 237,521
Special Projects	\$ 1,501,310	\$ 507,371	1,022,998

The Village's final budget differs from the original budget due to budget increases and decreases that were made during the fiscal year. Net budget increases in the departments totaled \$270,540 for expenditures and were as follows:

General Fund	\$ 72,209
Non-major Funds	<u>71,146</u>
Total	<u>\$ 143,355</u>

The Capital Project Funds (non-major) 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).

Capital Asset and Debt Administration

Capital assets. Village of Questa's capital assets for its governmental and business-type activities as of June 30, 2007 amount to \$7,033,652 (net of accumulated depreciation). Capital assets include land, infrastructure, buildings, and machinery & equipment and vehicles. The total increase in the Village's capital assets (excluding accumulated depreciation) for the current fiscal year was \$10,280 for governmental activities due primarily to increases in infrastructure, equipment and vehicles. The decrease (excluding accumulated depreciation) in business-type capital assets during the current fiscal year was \$0.

Capital Assets, Net of Depreciation
June 30, 2007

	Governmental Activities	Business-like Activities	Total
Land	\$ 45,237	\$ -	\$ 45,237
Buildings and improvements	3,981,581	3937,483	7,919,064
Furniture, Fixtures, and equipment	361,242	617,700	979,842
Vehicles	903,850	153,757	1,057,607
Total capital assets	5,291,920	4,708,940	10,000,860
Accumulated depreciation	(967,113)	(2,000,095)	(2,967,208)
Capital assets, net of accumulated depreciation	\$ 4,324,807	\$ 2,708,845	\$ 7,033,652

STATE OF NEW MEXICO

Village of Questa

Other Disclosures

June 30, 2007

Management's Discussion and Analysis
Unaudited

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.

Debt Administration. At the end of the current fiscal year, Village of Questa had total long-term obligations outstanding of \$181,001. Of this amount, \$87,000 is revenue bonds.

Village of Questa's Outstanding Debt
As of June 30, 2007

	Governmental Activities	Business-like Activities	Total
Revenue Bonds	\$ -	\$ 103,250	\$ 103,250
NMFA notes	10,000		10,000
NMFA notes	116,629		116,629
Accrued compensated absences	13,986	6,951	20,937
Total long-term liabilities	\$ 140,615	\$ 110,201	\$ 250,816

Long-term debt additions and retirements related to notes and capital leases for long term debt activities for the year ended June 30, 2006 and 2007, respectively were \$0 and \$16,250, respectively. Accrued compensated absences additions and retirements for the year ended June 30, 2006 and 2007, respectively were \$24,424 and \$58,451, respectively, for the long term debt.

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

Currently known facts, decisions, or conditions, that are expected to have a significant effect on the financial position of the Village of Questa are as follows:

The Molycorp Mine, a major grantor in previous years, had reduced the grant amount contributed to the Village of Questa. This will result in a decrease in fund balances as expenditures will be paid for by general revenues.

The Village of Questa is currently in the planning stages for a new business center development that is anticipated to bring more business to the area thereby generating future tax revenues.

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:

Village of Questa Administration, Village of Questa, PO. Box 260 Questa, New Mexico, 87556.

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STATE OF NEW MEXICO

Exhibit A-1

Village of Questa
Statement of Net Assets
June 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	17,355	109,930	\$ 127,285
Investments	100,000	15,000	115,000
Taxes receivable	-	-	-
Accounts receivable	249,189	20,495	269,684
Due from other funds	-	78,400	78,400
Total Current Assets	<u>366,544</u>	<u>223,825</u>	<u>590,369</u>
Noncurrent Assets			
Restricted cash and cash equivalents	-	-	-
Capital assets	5,291,920	4,708,940	10,000,860
Less: accumulated depreciation	<u>(967,113)</u>	<u>(2,000,095)</u>	<u>(2,967,208)</u>
Total Noncurrent Assets	<u>4,324,807</u>	<u>2,708,845</u>	<u>7,033,652</u>
Total Assets	<u>\$ 4,691,351</u>	<u>\$ 2,932,670</u>	<u>\$ 7,624,021</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Questa
Statement of Net Assets
June 30, 2007

Exhibit A-1

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 176,426	\$ 37,036	\$ 213,462
Accrued salaries and benefits	22,583	7,635	30,218
Accrued interest	342	2,401	2,743
Accrued compensated absences	13,986	6,951	20,937
Due to other funds	-	78,400	78,400
Deposits payable	-	24,050	24,050
Current portion of bonds payable	-	16,250	16,250
Current portion of loans and notes payable	32,603	-	32,603
Total Current Liabilities	245,940	172,723	418,663
Noncurrent Liabilities			
Accrued Compensated Absences	4,160	20,161	24,321
Bonds payable	-	-	-
Loans and notes payable	94,026	87,000	181,026
Total Noncurrent Liabilities	98,186	107,161	205,347
Total Liabilities	344,126	279,884	624,010
Net Assets			
Invested in capital assets, net of related debt	4,197,836	2,605,595	6,803,431
Restricted for:			-
Capital projects	113,296	-	113,296
Unrestricted	36,093	47,191	83,284
Total Net Assets	4,347,225	2,652,786	7,000,011
Total Net Assets and Liabilities	\$ 4,691,351	\$ 2,932,670	\$ 7,624,021

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Questa
Statement of Activities
For the Year Ending June 30, 2007

Exhibit A-2

<u>Functions/Programs</u>	<u>Program Revenues</u>			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government				
General government	\$ 1,084,164	\$ 41,467	\$ 1,478,097	\$ -
Public safety	482,647	113,374	62,560	-
Public works	883,930	100	-	104,555
Culture and recreation	118,535	25,642	47,383	-
Health and welfare	-	-	-	-
Interest on long-term debt	-	-	-	-
Capital outlay:				
Depreciation	10,280	-	-	-
<i>Total governmental activities</i>	<u>2,579,556</u>	<u>180,583</u>	<u>1,588,040</u>	<u>104,555</u>
Business-type Activities:				
Joint Utility	429,838	393,245	-	-
Solid Waste	142,810	149,858	-	-
<i>Total business type activities</i>	<u>572,648</u>	<u>543,103</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,152,204</u>	<u>\$ 723,686</u>	<u>\$ 1,588,040</u>	<u>\$ 104,555</u>

General Revenues:

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for capital projects

Franchise taxes

Gross receipts taxes

Public service taxes

Interest income

Miscellaneous income

Transfers

Total General Revenues and Transfers

Excess

(deficiency) of

Change in net assets

Net assets, beginning

Net assets, ending

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Questa
Statement of Activities
For the Year Ending June 30, 2007

Exhibit A-2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Government Activities	Business Type Activities	Total
\$ 494,598	\$ -	\$ 494,598
(306,713)	-	(306,713)
(779,275)	-	(779,275)
(45,510)	-	(45,510)
-	-	-
-	-	-
<u>(10,280)</u>	<u>-</u>	<u>(10,280)</u>
<u>(647,180)</u>	<u>-</u>	<u>(647,180)</u>
-	(36,593)	(36,593)
-	7,048	7,048
<u>-</u>	<u>(29,545)</u>	<u>(29,545)</u>
<u>\$ (647,180)</u>	<u>\$ (29,545)</u>	<u>\$ (676,725)</u>
75,302	-	75,302
-	-	-
-	-	-
18,397	-	18,397
404,475	-	404,475
35,240	-	35,240
2,223	810	3,033
17,961	3,376	21,337
94,093	(94,093)	-
<u>647,691</u>	<u>(89,907)</u>	<u>557,784</u>
511	(119,452)	(118,941)
<u>511</u>	<u>(119,452)</u>	<u>(118,941)</u>
4,346,714	2,772,238	7,118,952
<u>\$ 4,347,225</u>	<u>\$ 2,652,786</u>	<u>\$ 7,000,011</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, 2007

	General Fund	Oversight Fund	CDBG Water	Special Projects Fund	Other Governmental Fund	Total
<i>Assets</i>						
Cash and cash equivalents	\$ -	\$ 3,857	\$ -	\$ -	74,355	\$ 78,212
Investments	-	-	-	-	100,000	100,000
Accounts and taxes receivable	74,390	-	-	148,859	25,940	249,189
Due from other funds	221,204	-	-	-	-	221,204
<i>Total assets</i>	<u>\$ 295,594</u>	<u>\$ 3,857</u>	<u>\$ -</u>	<u>\$ 148,859</u>	<u>\$ 200,295</u>	<u>\$ 648,605</u>
<i>Liabilities and fund balances</i>						
<i>Liabilities</i>						
Cash overdraft	\$ 60,857	\$ -	\$ -	\$ -	\$ -	\$ 60,857
Accounts payable	36,118	16,700	-	123,608	-	176,426
Accrued salaries and benefits	22,639	-	-	-	13,930	36,569
Due to other funds	-	-	187,477	33,727	-	221,204
Deferred revenue	10,593	-	-	-	-	10,593
<i>Total liabilities</i>	<u>130,207</u>	<u>16,700</u>	<u>187,477</u>	<u>157,335</u>	<u>13,930</u>	<u>505,649</u>
<i>Fund balances</i>						
Unreserved:						
Undesignated, reported in:						
General fund	165,387	-	-	-	-	165,387
Capital projects funds	-	-	-	-	-	-
Special revenue funds	-	(12,843)	(187,477)	(8,476)	186,365	(22,431)
<i>Total fund balances</i>	<u>165,387</u>	<u>(12,843)</u>	<u>(187,477)</u>	<u>(8,476)</u>	<u>186,365</u>	<u>142,956</u>
<i>Total liabilities and fund balances</i>	<u>\$ 295,594</u>	<u>\$ 3,857</u>	<u>\$ -</u>	<u>\$ 148,859</u>	<u>\$ 200,295</u>	<u>\$ 648,605</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, 2007

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	\$	142,956
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		4,324,807
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds:		
Accrued compensated absences		(4,160)
Deferred property taxes		10,593
Accrued interest		(342)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds		<u>(126,629)</u>
Net assets of governmental activities	\$	<u><u>4,347,225</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, 2007

	General Fund	Oversight Fund	CDBG Water Fund	Special Projects Fund	Other Governmental Funds	Total
<i>Revenues:</i>						
Taxes	\$ 422,763	\$ -	\$ -	\$ -	\$ 50,412	\$ 473,175
Federal Sources	-	-	-	432,761	-	432,761
State Sources	283,373	432,356	-	189,742	325,735	1,231,206
Charges for Services	5,114	-	-	-	112,867	117,981
Licenses and Fees	36,353	-	-	-	26,549	62,902
Investment Income (Loss)	38	-	-	-	2,185	2,223
Miscellaneous	43,664	-	-	-	52,271	95,935
	<u>791,305</u>	<u>432,356</u>	<u>-</u>	<u>622,503</u>	<u>570,019</u>	<u>2,416,183</u>
<i>Expenditures:</i>						
<i>Current:</i>						
General Government	536,030	445,239	-	63,662	22,257	1,067,188
Public Safety	202,512	-	-	-	199,531	402,043
Public Works	-	-	187,479	505,323	148,835	841,637
Culture and Recreation	-	-	-	51,714	66,114	117,828
Health and Welfare	-	-	-	-	-	-
Capital Outlay	-	-	-	10,280	-	10,280
<i>Debt Service:</i>						
Principal	-	-	-	-	8,650	8,650
Interest	-	-	-	-	-	-
	<u>738,542</u>	<u>445,239</u>	<u>187,479</u>	<u>630,979</u>	<u>445,387</u>	<u>2,447,626</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>52,763</u>	<u>(12,883)</u>	<u>(187,479)</u>	<u>(8,476)</u>	<u>124,632</u>	<u>(31,443)</u>
<i>Other financing sources (uses)</i>						
Note proceeds	-	-	-	-	-	-
Transfers In	92,786	-	-	-	1,307	94,093
Transfers (Out)	-	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>92,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,307</u>	<u>94,093</u>
<i>Net change in fund balance</i>	145,549	(12,883)	(187,479)	(8,476)	125,939	62,650
<i>Fund balance - beginning of year</i>	19,838	40	2	-	38,589	58,469
<i>Restatement</i>	-	-	-	-	21,837	21,837
<i>Fund balance - beginning of year, as restated</i>	19,838	40	2	-	60,426	80,306
<i>Fund balance - end of year</i>	<u>\$ 165,387</u>	<u>\$ (12,843)</u>	<u>\$ (187,477)</u>	<u>\$ (8,476)</u>	<u>\$ 186,365</u>	<u>\$ 142,956</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Village of Questa
 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, 2007

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

Net change in fund balances - total governmental funds	\$	62,650
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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:

Capital expenditures		10,280
Depreciation expense		(127,770)
Adjustment		26,340

Revenues in the statement of activities that do not provide current financial
 resources are not reported as revenue in the funds:

Property taxes		10,593
----------------	--	--------

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:

Increase in accrued compensated absences		(14,642)
Decrease in accrued interest		721
Principal payments on notes payable		<u>32,339</u>

Change in net assets of governmental activities	\$	<u>511</u>
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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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 430,750	\$ 430,750	\$ 358,966	\$ (71,784)
Intergovernmental Income	294,365	294,365	283,373	(10,992)
Charges For Services	31,000	31,000	5,114	(25,886)
Licenses and Fees	37,750	37,750	36,353	(1,397)
Investment Income(Loss)	450	450	38	(412)
Miscellaneous	56,527	56,527	43,664	(12,863)
<i>Total revenues</i>	<u>850,842</u>	<u>850,842</u>	<u>727,508</u>	<u>(123,334)</u>
<i>Expenditures:</i>				
Current:				
General Government	626,007	686,512	490,588	195,924
Public Safety	183,775	195,479	195,479	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>809,782</u>	<u>881,991</u>	<u>686,067</u>	<u>195,924</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>41,060</u>	<u>(31,149)</u>	<u>41,441</u>	<u>72,590</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(41,060)	31,149	-	(31,149)
Transfers In	-	-	92,786	92,786
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(41,060)</u>	<u>31,149</u>	<u>92,786</u>	<u>61,637</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	134,227	134,227
<i>Fund Balance - Beginning of Year</i>	-	-	19,838	19,838
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,065</u>	<u>\$ 154,065</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Village of Questa
 Oversight Fund Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 For the Year Ending June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-
State Sources	460,250	460,250	432,356	(27,894)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	460,250	460,250	432,356	(27,894)
<i>Expenditures:</i>				
Current:				
General Government	460,250	460,250	428,539	31,711
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	460,250	460,250	428,539	31,711
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	3,817	3,817
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	3,817	3,817
<i>Fund Balance - Beginning of Year</i>	-	-	40	40
<i>Fund Balance - End of Year</i>	\$ -	\$ -	\$ 3,857	\$ 3,857

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Village of Questa
 CDBG Water Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 For the Year Ending June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-
State Sources	425,000	425,000	-	(425,000)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>425,000</u>	<u>425,000</u>	<u>-</u>	<u>(425,000)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	425,000	425,000	187,479	237,521
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>425,000</u>	<u>425,000</u>	<u>187,479</u>	<u>237,521</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(187,479)</u>	<u>(187,479)</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>(187,479)</u>	<u>(187,479)</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (187,477)</u>	<u>\$ (187,477)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Village of Questa
 Special Projects Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 For the Year Ending June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Basis)	(Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Sources	303,000	303,000	189,742	(113,258)
State Sources	1,198,310	1,198,310	283,902	(914,408)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,501,310</u>	<u>1,501,310</u>	<u>473,644</u>	<u>(1,027,666)</u>
<i>Expenditures:</i>				
Current:				
General Government	472,660	472,660	46,292	426,368
Public Safety	-	29,059	-	29,059
Public Works	922,000	922,000	399,085	522,915
Culture and Recreation	106,650	106,650	51,714	54,936
Health and Welfare	-	-	-	-
Capital Outlay	-	-	10,280	(10,280)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,501,310</u>	<u>1,530,369</u>	<u>507,371</u>	<u>1,022,998</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(29,059)</u>	<u>(33,727)</u>	<u>(4,668)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	-	29,059	-	(29,059)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>29,059</u>	<u>-</u>	<u>(29,059)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>-</u>	<u>-</u>	<u>(33,727)</u>	<u>(33,727)</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (33,727)</u>	<u>\$ (33,727)</u>

STATE OF NEW MEXICO
 Village of Questa
 Proprietary Funds
 Statement of Net Assets
 June 30, 2007

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Assets</i>			
<i>Current assets</i>			
Cash	\$ 66,456	\$ 43,474	\$ 109,930
Investments	15,000	-	15,000
Accounts receivable (less allowance for doubtful accounts of \$19,790 and \$5,000)	8,304	12,191	20,495
Due from other funds	78,400	-	78,400
Inventory	-	-	-
<i>Total current assets</i>	<u>168,160</u>	<u>55,665</u>	<u>223,825</u>
<i>Noncurrent assets</i>			
Capital assets	4,708,940	-	4,708,940
Accumulated depreciation	<u>(2,000,095)</u>	<u>-</u>	<u>(2,000,095)</u>
<i>Total noncurrent assets</i>	<u>2,708,845</u>	<u>-</u>	<u>2,708,845</u>
<i>Total Assets</i>	<u>\$ 2,877,005</u>	<u>\$ 55,665</u>	<u>\$ 2,932,670</u>
<i>Liabilities and Net Assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	1,296	\$ 35,740	\$ 37,036
Accrued salaries and benefits	7,050	585	7,635
Accrued interest	2,401	-	2,401
Accrued compensated absences	6,951	-	6,951
Due to other funds	31,209	47,191	78,400
Deposits payable	24,050	-	24,050
Current maturity of bonds payable	16,250	-	16,250
<i>Total current liabilities</i>	<u>89,207</u>	<u>83,516</u>	<u>172,723</u>
<i>Noncurrent liabilities</i>			
Accrued Compensated Absences	20,161	-	20,161
Bonds payable	87,000	-	87,000
<i>Total noncurrent liabilities</i>	<u>107,161</u>	<u>-</u>	<u>107,161</u>
<i>Total liabilities</i>	<u>196,368</u>	<u>83,516</u>	<u>279,884</u>
<i>Net Assets:</i>			
Net assets invested in capital assets, net of related debt			
Net assets unrestricted:	<u>2,680,637</u>	<u>(27,851)</u>	<u>2,652,786</u>
<i>Total net assets</i>	<u>2,680,637</u>	<u>(27,851)</u>	<u>2,652,786</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 2,877,005</u>	<u>\$ 55,665</u>	<u>\$ 2,932,670</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, 2007

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Operating revenues:</i>			
Charges for services	392,426	\$ 153,234	\$ 545,660
<i>Total operating revenues</i>	<u>392,426</u>	<u>153,234</u>	<u>545,660</u>
<i>Operating expenses:</i>			
Depreciation	83,266	-	83,266
Personal services	171,794	-	171,794
Contractual services	50,437	-	50,437
Supplies and purchased power	86,972	142,810	229,782
Maintenance and materials	1,189	-	1,189
Miscellaneous	-	-	-
Heat, light and power	34,680	-	34,680
<i>Total operating expenses</i>	<u>428,338</u>	<u>142,810</u>	<u>571,148</u>
<i>Operating income (loss)</i>	<u>(35,912)</u>	<u>10,424</u>	<u>(25,488)</u>
<i>Non-operating revenues (expenses):</i>			
Taxes	-	-	-
Interest expense	(1,500)	-	(1,500)
Interest income	755	55	810
Government contributions	-	-	-
Loss on disposition of fixed assets	-	-	-
Miscellaneous financing costs	-	-	-
Miscellaneous income	819	-	819
Transfers Out	(94,093)	-	(94,093)
<i>Total non-operating revenues (expenses)</i>	<u>(94,019)</u>	<u>55</u>	<u>(93,964)</u>
<i>Change in net assets</i>	(129,931)	10,479	(119,452)
<i>Total net assets, beginning of year</i>	<u>2,810,568</u>	<u>(38,330)</u>	<u>2,772,238</u>
<i>Total net assets, end of year</i>	<u>\$ 2,680,637</u>	<u>\$ (27,851)</u>	<u>\$ 2,652,786</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
Village of Questa
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2007

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 396,111	\$ 155,773	\$ 551,884
Cash payments to employees for services	(183,852)	77	(183,775)
Cash payments to suppliers for goods and services	<u>(177,450)</u>	<u>(119,048)</u>	<u>(296,498)</u>
<i>Net cash used for operating activities</i>	<u>34,809</u>	<u>36,802</u>	<u>71,611</u>
<i>Cash flows from noncapital financing activities:</i>			
Accrued Compensated Absences	20,161	-	20,161
Additions to capital assets	-	-	-
Interest paid	(1,500)	-	(1,500)
Miscellaneous income	819	-	819
Increase in customer deposits	-	-	-
Transfers to other funds	<u>(94,093)</u>	<u>-</u>	<u>(94,093)</u>
<i>Net cash provided from noncapital financing activities:</i>	<u>(74,613)</u>	<u>-</u>	<u>(74,613)</u>
<i>Cash flows from capital and related financing activities:</i>			
Principal payments on bonds payable	<u>(16,250)</u>	<u>-</u>	<u>(16,250)</u>
<i>Net cash provided from capital and related financing activities:</i>	<u>(16,250)</u>	<u>-</u>	<u>(16,250)</u>
<i>Cash flows from investing activities:</i>			
Interest on investments	<u>755</u>	<u>55</u>	<u>810</u>
<i>Net cash provided from investing activities:</i>	<u>755</u>	<u>55</u>	<u>810</u>
<i>Net increase in cash and cash equivalents</i>	(55,299)	36,857	(18,442)
<i>Cash and cash equivalents - beginning of year</i>	<u>136,755</u>	<u>6,617</u>	<u>143,372</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 81,456</u>	<u>\$ 43,474</u>	<u>\$ 124,930</u>
<i>Reconciliation of operating income (loss) to net cash provided (used)</i>			
<i>by operating activities</i>			
Operating income (loss)	\$ (35,912)	\$ 10,424	\$ (25,488)
Adjustments to reconcile operating (loss) to net cash (used)			
by operating activities			
Depreciation	83,266	-	83,266
Changes in assets and liabilities			
Receivables	3,685	2,720	6,405
Interfund account	-	(181)	(181)
Accrued expenses	(12,058)	77	(11,981)
Accounts payable	<u>(4,172)</u>	<u>23,762</u>	<u>19,590</u>
<i>Net cash (used) by operating activities</i>	<u>\$ 34,809</u>	<u>\$ 36,802</u>	<u>\$ 71,611</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
Village of Questa
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2007

	<u>Agency Funds</u>
<i>Assets</i>	
Cash	\$ 41,985
<i>Total assets</i>	<u>41,985</u>
<i>Liabilities</i>	
Due to other taxing units	<u>41,985</u>
<i>Total liabilities</i>	<u>\$ 41,985</u>

The accompanying notes are an integral part of these financial statements

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NOTE 1. Summary of Significant Accounting Policies

The Village of Questa (Village) was incorporated in 1971, 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.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. 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 statements No. 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.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village has no component units, and is not a component unit of another governmental agency.

NOTE 1. Summary of Significant Accounting Policies (continued)

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 non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, 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.

Governmental fund financial statements are reported using the *economic resources measurement focus* and the *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.

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

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 the 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 only the General Fund, Oversight Fund, Special Projects Fund, and CDBG Water Fund. No other funds were required to be presented as major at the discretion of management.

The *General Fund* 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 *Oversight Fund* is used to account for funds provided by Molycorp, a local mining company, to oversee the environmental impact of operations. Authorization is a contract between the Village and Molycorp.

The *Special Projects Fund* is used to account for the revenues and expenditures for all special projects. Funding is provided by grants under Section 18-2-4B NMSA, 1978.

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The *CDBG Water Fund* is used 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.

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 the 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.

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*.

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 function and is included in the direct expense of each function. Interest on general and 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 service 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 Utilities. 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 the restricted resources first, then unrestricted resources as they are needed.

D. Implementation of New Accounting Principles

The Village adopted the provisions of GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments*. This statement affects the manner in which the Village records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions, and include the following sections, which were not previously included in the basic financial statements. The governmental fund financial statements continue to be presented as a building block for the new GASB Statement No. 34 statements.

a. *Management's Discussion and Analysis* – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the Village's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

b. *Government-Wide Financial Statements*- The reporting model includes financial statements prepared using full accrual accounting for all of the Village's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets - The statement of net assets is designed to display the financial position of the primary government (government and business-type activities). The Village now reports all capital assets in the government-wide statement of net assets and reports depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net assets of the Village are broken down into three categories 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the Village's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the Village has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

E. Assets, Liabilities, and Net Assets or Equity

Deposits and 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.

NOTE 1. Summary of Significant Accounting Policies (continued)

Receivables and Payables: Activity between funds that is 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 10th and April 10th 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.

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 \$5,000 (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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

<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 annual leave according to a graduated leave schedule of nine days to eighteen days per year, depending on length of service. Employees may accumulate unlimited of annual leave and carry that leave forward from calendar year to calendar year. Upon termination, employees will be paid for all days of accrued annual leave.

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 expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated within the next twelve months are reported in the government-wide statement of net assets.

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.

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

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

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 Councilors, 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 Councilors 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 the 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 in 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, 2007 is presented.

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

STATE OF NEW MEXICO
 Village of Questa
 Notes to Financial Statements
 June 30, 2007

	<u>General Fund</u>	<u>Library Fund</u>	<u>Special Projects Fund</u>	<u>Fire Protection Fund</u>	<u>Sewer Replacement Fund</u>	<u>Local Corrections Fund</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)	\$ 52,763	\$ (4,833)	\$ (8,476)	\$ 105,348	\$ 9	\$ 2,240
Adjustments: To adjust revenues for tax accruals, earnings on investments, and other deferrals and accruals.	(74,390)	-	148,859	-	-	-
Adjustments: To adjust expenditures for payables, payroll taxes, prepaid expenses, and other accruals	63,068	-	(174,110)	-	9	-
Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)	<u>\$ 41,441</u>	<u>\$ (4,833)</u>	<u>\$ (33,727)</u>	<u>\$ 105,348</u>	<u>\$ -</u>	<u>\$ 2,240</u>

	<u>Environmental GRT Fund</u>	<u>EMS Fund</u>	<u>EMS County Fund</u>	<u>Beautification Fund</u>	<u>Law Enforcement Protection Fund</u>	<u>Oversight Fund</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)	\$ (798)	\$ 1,606	\$ 26,082	\$ (1,001)	\$ (575)	\$ (12,883)
Adjustments: To adjust revenues for tax accruals, earnings on investments, and other deferrals and accruals.	-	-	(25,940)	-	-	-
Adjustments: To adjust expenditures for payables, payroll taxes, prepaid expenses, and other accruals	-	-	4,059	-	-	16,700
Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)	<u>\$ (798)</u>	<u>\$ 1,606</u>	<u>\$ 7,846</u>	<u>\$ (1,001)</u>	<u>\$ (575)</u>	<u>\$ 3,817</u>

STATE OF NEW MEXICO
 Village of Questa
 Notes to Financial Statements
 June 30, 2007

	<u>Municipal Judges Fund</u>	<u>Recreation Fund</u>	<u>Youth Facility Fund</u>	<u>Police Department Justice Fund</u>	<u>Municipal Streets</u>	<u>CDBG Water Improvements Fund</u>	<u>CFRP Fund</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)	\$ (2,195)	\$ 470	\$ (941)	\$ (326)	\$ (454)	\$(187,479)	\$ -
Adjustments:							
To adjust revenues for tax accruals, earnings on investments, and other deferrals and accruals.	-	-	-	-	-	-	-
Adjustments:							
To adjust expenditures for payables, payroll taxes, prepaid expenses, and other accruals	-	-	(1,857)	-	4,365	-	9
Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)	<u>\$ (2,195)</u>	<u>\$ 470</u>	<u>\$ 916</u>	<u>\$ (326)</u>	<u>\$ 3,915</u>	<u>\$(187,479)</u>	<u>\$ 9</u>

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, 2007.

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.

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.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2007

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 at least one half 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.

	Centinel Bank	First Community Bank
Type		
General Fund Checking	\$ 92,487	\$ -
Water, Sewer, Solid Waste Checking	86,947	-
Motor Vehicle Checking	26,380	-
Payroll Checking	2,261	-
Municipal Court Checking	3,116	337
Water Rights Checking	22,220	-
Oversight Checking Account	21,326	-
CDBG Checking	2	-
Police Department Justice Checking	10,530	-
Sewer System Reserve Checking	8,449	-
Fire Protection Checking	-	62
EMS Checking	-	17,282
EMS Fire Checking	-	2,017
Law Enforcement Checking	-	46
C.F.R.P. Checking	-	9
Water CD	-	10,000
Water CD	-	5,000
Fire Protection CD	100,000	-
Total Deposits	<u>373,717</u>	<u>34,753</u>
Less: FDIC Coverage	(200,000)	(34,753)
Total uninsured public funds	173,717	-
Pledged Securities	224,453	128,477
(Over)Under collateralized	<u>(137,595)</u>	<u>(128,477)</u>
Custodial Credit Risk-Deposits		
Account Balance	\$ 408,470	
FDIC Insured	234,753	
Collateral:		
Collateral held by the pledging bank, not in the Village's name	173,717	
Uninsured and uncollateralized	-	
Total Deposits	<u>\$ 408,470</u>	

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$173,717 of the Village's bank balance of \$408,470 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Uninsured and collateral held by pledging bank's trust department not in the Village's name	<u>173,717</u>
Total	<u>\$ 173,717</u>

STATE OF NEW MEXICO
 Village of Questa
 Notes to Financial Statements
 June 30, 2007

NOTE 3. Deposits and Investments (continued)

The collateral pledged is listed on Schedule II of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by an agency, district or political subdivision of the State of New Mexico.

Reconciliation of Cash and Temporary Investments

Carrying amounts by fund per financial statement at June 30, 2007 is:

Governmental Funds- Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 242,285
Cash and cash equivalents per Exhibit E-1	41,985
Add outstanding checks and other reconciling items	<u>124,200</u>
	<u>\$ 408,470</u>

NOTE 4. Receivables

Receivables as of June 30, 2007 are as follows:

	General Fund	Other Non-major Funds	Total
Taxes:			
Property Taxes	\$ 10,593	\$ -	\$ -
Other Tax	63,797	-	-
Intergovernmental	-	174,799	-
Net Receivables	<u>\$ 74,390</u>	<u>\$ 174,799</u>	<u>\$ 249,189</u>

The above receivables are deemed 100% collectible. In accordance with GASB No.33, property tax receivables are presented net of deferred revenue in the governmental balance sheet. Deferred revenue- property taxes totaled \$10,593, as presented in the general fund.

Proprietary funds maintained receivables totaling \$20,495 as of June 30, 2007. The utility accounts receivable are net of an estimated allowance for uncollectible accounts of \$20,495.

NOTE 5. Interfund Receivables, Payables , and Transfers

Transfers have primarily been recorded when funds from one fund are used to cover expenses in another fund. The composition of transfers are as follows:

	Transfers In	Transfers Out
Governmental Activities:		
General Fund	\$ 92,786	\$ -
Youth Facility Fund	1,307	-
Total Governmental Activities	<u>94,093</u>	<u>\$ -</u>

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2007

NOTE 5. Interfund Receivables, Payables , and Transfers (continued)

Business-like Activities:

Joint Utility	\$ -	\$ 94,093
Total Business-like Activities	<u>\$ -</u>	<u>\$ 94,093</u>

NOTE 5. Interfund Balances:

Governmental Activities:	Due from Other Funds	Due to Other Funds
General Fund	\$ 221,204	\$ -
Special Project Fund	-	33,727
CDBG Water Improvements Fund	-	187,477
Total Governmental Activities	<u>\$ 221,204</u>	<u>\$ 221,204</u>
 Business-like Activities:		
Joint Utility	\$ 78,400	\$ 31,209
Solid Waste	-	47,191
Total Business-like Activities	<u>\$ 78,400</u>	<u>\$ 78,400</u>

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2007 follows. Land is not subject to depreciation.

Governmental Activities:

	Balance June 30, 2006	Adjustments	Additions	Deletions	Balance June 30, 2007
Capital Assets, not being depreciated:					
Land	\$ 45,237	\$ -	\$ -	\$ -	\$ 45,237
Capital Assets, being depreciated:					
Furniture, Fixture, & Equipment	324,622	26,340	10,280	-	361,242
Vehicles	903,850	-	-	-	903,850
Buildings & Improvements	3,981,591	-	-	-	3,981,591
Subtotal Capital Assets	<u>\$5,255,300</u>	<u>\$ 26,340</u>	<u>\$ 10,280</u>	<u>\$ -</u>	<u>\$ 5,291,920</u>
Accumulated Depreciation:					
Furniture, Fixture, & Equipment	\$ 188,791	26,340	\$ 47,430	\$ -	\$ 262,561
Vehicles	511,767	-	80,340	-	592,107
Buildings & Improvements	112,445	-	-	-	112,445
Subtotal Accumulated Depreciation	<u>839,343</u>	<u>26,340</u>	<u>127,770</u>	<u>-</u>	<u>967,113</u>
Net Capital Assets	<u>\$4,415,957</u>	<u>\$ 26,340</u>	<u>\$ (117,490)</u>	<u>\$ -</u>	<u>\$ 4,324,807</u>

Note: The adjustment to Capital assets is for GASB 34 assets.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2007

NOTE 6. Capital Assets(continued)

Depreciation expense for the year ended June 30, 2007 was charged to the following functions and funds:

Public safety	\$ 42,293
Public works	80,095
General	5,382
Total depreciation expense: governmental activities	<u>\$ 127,770</u>

Business-like Activities:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Plant in Service	\$ 3,937,483	\$ -	\$ -	\$ 3,937,483
Capital Assets, being depreciated:				
Furniture, Fixture, & Equipment	617,700	-	-	617,700
Vehicles	153,757	-	-	153,757
Subtotal Business-like Activities	<u>\$ 4,708,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,708,940</u>
Accumulated Depreciation:				
Plant in Service	\$ 1,646,552	\$ 59,919	\$ -	\$ 1,706,471
Furniture, Fixture, & Equipment	200,616	6,638	-	207,254
Vehicle	69,661	16,709	-	86,370
Subtotal Accumulated Depreciation	<u>\$ 1,916,829</u>	<u>\$ 83,266</u>	<u>\$ -</u>	<u>\$ 2,000,095</u>
Net Capital Assets	<u>\$ 2,792,111</u>	<u>\$ (83,266)</u>	<u>\$ -</u>	<u>\$ 2,708,845</u>

Depreciation expense relating to business-like activities for the year ended June 30, 2007 totaled \$82,259.

NOTE 7. Long-term Debt

During the year ended June 30, 2007, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30 2006	Additions	Retirements	Balance June 30 2007	Amounts Due Within One Year
Loan Payable – NMFA	\$ 20,000	\$ -	\$ 10,000	\$ 10,000	\$ 10,000
Loan Payable – NMFA	138,968	-	22,339	116,629	22,603
Accrued Compensated Absences	3,504	26,137	11,495	18,146	13,986
Total Long-term Debt	<u>\$ 162,472</u>	<u>\$ 26,137</u>	<u>\$ 43,834</u>	<u>\$ 144,775</u>	<u>\$ 46,589</u>

STATE OF NEW MEXICO
 Village of Questa
 Notes to Financial Statements
 June 30, 2007

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the loan payable to NMFA as of June 30, 2007, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 32,603	\$1,748
2009	22,913	1,483
2010	23,279	1,176
2011	23,691	823
2012	<u>24,143</u>	<u>431</u>
Total	<u>\$ 126,629</u>	<u>\$ 5,661</u>

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

Propriety Long-term Debt

The Water and Sewer Fund has incurred various forms of debt, which were used for the purpose 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, 2007.

	<u>Balance June 30 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Amounts Due Within One Year</u>
\$140,000 original issue Series 1981 Water and Sewer Revenue Bonds payable in annual installments each June 1 st through the year 2022. Interest is at 5.0% per annum.	\$ 95,000	\$ -	\$ 4,000	\$ 91,000	\$ 4,000
\$223,000 original issue Series 1963 Water Revenue Bonds payable in annual installments each August 1 st through the year 2008	24,500	-	12,250	12,250	12,250
Accrued Compensated Absences	20,920	10,787	4,595	27,112	6,951
Total	<u>\$ 140,420</u>	<u>\$ 10,787</u>	<u>\$ 20,845</u>	<u>\$ 130,362</u>	<u>\$ 23,201</u>

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2007

NOTE 7. Long-term Debt(continued)

The annual requirements to amortize the loan payable to NMFA as of June 30, 2007, including interest payments are as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 16,250	\$ 4,955	\$ 21,205
2009	4,000	4,250	8,250
2010	5,000	4,025	9,025
2011	5,000	3,775	8,775
2012	5,000	3,525	8,525
2013-2017	29,000	11,975	40,975
2018-2022	39,000	4,495	43,495
	<u>\$ 103,250</u>	<u>\$ 37,000</u>	<u>\$ 140,250</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, 2007 the following schedule shows the maximum reserves and actual reserves held by the Village.

Series	Payment until Maximum	Required Minimum Reserves			Actual at June 30, 2007	
		Debt Service	Repair and Replacement	Total	Debt Service	Repair and Replacement
1981	\$ 232/Month	\$ 8,357	\$ -	\$ 8,347	\$ 8,448	\$ -
1963	\$ 100/Month	10,000	5,000	15,000	10,000	5,000
		<u>\$ 18,357</u>	<u>\$ 5,000</u>	<u>\$ 23,357</u>	<u>\$ 18,448</u>	<u>\$ 5,000</u>

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2007

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. Listed below is a summary of insurance coverage in force for the fiscal year ended June 30, 2007:

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, 2007, 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 on 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.

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, 2007 were as follows:

Special Projects Fund	\$ (8,475)
Over-site Account Fund	(12,843)
Youth Facility Fund	(1,429)
CDBG Water Improvements Fund	(187,477)
Total	\$ (210,224)

NOTE 10. PERA Pension Plans

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, public 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.

NOTE 10. PERA Pension Plans (continued)

Covered employees of the Village of Questa are eligible for receiving benefits when the age and service requirements have been met as follows:

- a. age sixty-five years or older and five or more years of credited service;
- b. age sixty-four years and eight or more years of credited service;
- c. age sixty-three and eleven or more years of credited service;
- d. age sixty-two years and fourteen or more years of credited service;
- e. age sixty-one years and seventeen or more years of credited service;
- f. age sixty years and twenty or more years of credited service;
- g. any age and twenty-five or more years of credited service;

Disability benefits are provided to members who are qualified for such coverage as determined by the disability review committee, pursuant to Chapter 10, Article 11.10.1 NMSA 1978.

Funding Policy. Regular employees, who are covered under "Municipal general member coverage plan 1" (Chapter 10, Article 11.45 through 11.49 NMSA 1978) contribute 7% of the employee's defined gross salary to the plan. Employee 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, 2007, 2006, and 2005 were \$42,916, \$41,913, and \$50,072 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 a pay-as-you-go basis from eligible employers and eligible retirees.

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 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 Retire Health Care Act on the person's unless that person retired on or before July 1, 1995, in which event the time period required for contributions becomes the time between July 1, 1990 and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990. Each participating employer makes contributions to the fund in the amount of 1.3% of each participating Employee's annual salary. Each participating employee contributes to the fund an amount equal to 0.65% of the employee's annual salary. Each participating retiree pays a monthly premium of \$57.65 for the basic single play and an addition \$5.00 if the eligible participant retired prior to July 1, 1990, and made no contributions to the plan.

NOTE 11. Post-Employment Benefits (continued)

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, 4308 Carlisle Blvd, NE, Ste 104, Albuquerque, NM 87107.

The Village joined the Retiree Health Care Plan provided under the Retiree Health Care Act (Chapter 10, Article 7C, NMSA, 1978) starting in calendar year 2004. For the years ended June, 2007, 2006, and 2005, the Village remitted \$2,592, \$2,714, and \$ 2,221 in employee contributions respectively and \$5,184, \$5,428, and \$4,441, in employer contributions respectively.

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.

NOTE 14. Subsequent Accounting Standard Pronouncements

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, 2006. 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 asset. The Statement also requires all governments to account for insurance recoveries in the same manner. The Village 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.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2007

NOTE 15. Prior Period Restatement

At June 30, 2006, the financial statements of the Village of Questa omitted the following funds. The effect on Fund Balance is shown below.

Fund Balance as of June 30, 2006	\$ 58,469
Prior-period adjustment for:	
Police Department Justice Fund	10,856
Sewer Replacement Fund	8,440
Municipal Judge's Fund	2,532
Sewer System Reserve	<u>9</u>
Fund Balance as of June 30, 2006 –Adjusted	<u>\$ 80,306</u>

NOTE 16. Joint Powers Agreements

EMS Rescue Units

Purpose

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

Participants

County of Taos and the Village of Questa

Responsible Party for Operation and Audit

Village of Questa

Beginning and Ending Date of Agreement

July 1, 2005 to June 30, 2007

Total Estimated Amount of Project and Actual Amount Contributed

None

NOTE 16. Joint Powers Agreements (continued)
C.A. Cisneros Youth and Family Center (Youth Center)

Purpose:

To provide assistance and guidance in behavior and attitude, to promote the health, social, education, vocational, character and cultural development of boys and girls, without regard to race, color creed or national or ethnic origin; to prevent and combat juvenile delinquency; to operate one or more Boys and Girls Club sites in northern New Mexico communities for the conduct of Boys and Girls Club program activities serving these purposes.

Participants

Boys and Girls Club of Northern New Mexico and the Village of Questa

Responsible Party for Operation and Audit

Village of Questa

Beginning and Ending Date of Agreement

July 1, 2006 to June 30, 2007

Total Estimated Amount of Project and Actual Amount Contributed

Unknown

Bioterrorism Hospital Preparedness Cooperative Agreement

Purpose:

To provide the administration, development, and implementation of the Federal Health Resources and Services Administration (HRSA) Bioterrorism Hospital Preparedness Program (BHPP) Cooperative Agreement Guidance provided through the New Mexico Department of Health (DOH) and contracted to Region 2.

Village of Questa agrees to accept a single shipment of all START kits and tags destined for EMS agencies in their jurisdiction and determine the most appropriate method of distributing these supplies.

Participants

Region 2 EMS and the Village of Questa

Responsible Party for Operation and Audit

Region 2 EMS

Beginning and Ending Date of Agreement

May 5, 2005 to May 5, 2007

Total Estimated Amount of Project and Actual Amount Contributed

Unknown

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NON-MAJOR GOVERNMENTAL FUNDS

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FUND DESCRIPTIONS

LOCAL CORRECTIONS FUND – to establish an additional source of funds to municipalities to offset the costs of corrections. The source of the fund is a five dollar fee, which must be paid by all persons violating the law relating to the operations of a motor vehicle. Authority is NMSA 33-0-3.

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

EMS FIRE – to account for grant revenues and expenditures for the purchase of medical supplies. Authority EMS Fund Act, DOH .24.4 NMAC.

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

BEAUTIFICATION FUND – to account for the proceeds of a State Appropriation for Economic Development planning purposes. Authority is granted in prior years by the State of New Mexico.

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 repairs of equipment as well as classes to update the training of police personnel and may be used only for these purposes. Authority is NMSA 29-13-1.

LIBRARY FUND – is used 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.

FIRE PROTECTION FUND – is used to account for the operations and maintenance of the Fire Department. Funding is provided by a state grant.

MUNICIPAL JUDGE FUND – to account for the collection of court fines and forfeitures. Authority is the NMSA Chapter 7, Article 20E.

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.

YOUTH FACILITY FUND – to account for the revenues and expenditures of the youth facilities activities of the Village. Authority is the Village Council Action.

POLICE DEPARTMENT JUSTICE – 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 repairs of equipment as well as classes to update the training of police personnel and may be used only for these purposes. Authority NMSA 29-13-1.

MUNICIPAL STREET FUND – to account for various projects funded by co-operative agreements with New Mexico State Department of Transportation.

SEWER SYSTEM RESERVE FUND – to account for reserve monies related to the Sewer System. The fund is being used to maintain a reserve per the loan agreement.

CFRP FUND – to account for proceeds from the New Mexico Environment Department for improvements to water system in Questa. Authority is by Section 74-1-6B, NMSA, 1978.

STATE OF NEW MEXICO
Village of Questa
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2007

Statement A-1
1 of 4

	Special Revenue			
	Local Corrections Fund	Environmental Gross Receipts Tax Fund	EMS Fire Fund	EMS County Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 12,774	\$ 5,263	\$ 1,655	\$ 14,416
Investments	-	-	-	-
Accounts and taxes receivable	-	-	-	-
Other receivables	-	-	-	25,940
Due from other governments	-	-	-	-
Inventory	-	-	-	-
Prepaid insurance	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 12,774</u>	<u>\$ 5,263</u>	<u>\$ 1,655</u>	<u>\$ 40,356</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-
Accrued compensated absences	-	-	-	7,704
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,704</u>
<i>Fund balances</i>				
Unreserved				
Designated for subsequent year	-	-	-	-
Unreserved, undesignated	12,774	5,263	1,655	32,652
<i>Total fund balances</i>	<u>12,774</u>	<u>5,263</u>	<u>1,655</u>	<u>32,652</u>
<i>Total liabilities and fund balances</i>	<u>\$ 12,774</u>	<u>\$ 5,263</u>	<u>\$ 1,655</u>	<u>\$ 40,356</u>

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, 2007

Statement A-1
 3 of 4

	Special Revenue			
	Municipal Judge Fund	Recreation Fund	Youth Facility Fund	Police Department Justice Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 337	\$ 1,742	\$ 428	\$ 10,530
Investments	-	-	-	-
Accounts and taxes receivable	-	-	-	-
Other receivables	-	-	-	-
Due from other governments	-	-	-	-
Inventory	-	-	-	-
Prepaid insurance	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 337</u>	<u>\$ 1,742</u>	<u>\$ 428</u>	<u>\$ 10,530</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	1,857	-
Accrued compensated absences	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>1,857</u>	<u>-</u>
<i>Fund balances</i>				
Unreserved				
Designated for subsequent year	-	-	-	-
Unreserved, undesignated	337	1,742	(1,429)	10,530
<i>Total fund balances</i>	<u>337</u>	<u>1,742</u>	<u>(1,429)</u>	<u>10,530</u>
<i>Total liabilities and fund balances</i>	<u>\$ 337</u>	<u>\$ 1,742</u>	<u>\$ 428</u>	<u>\$ 10,530</u>

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, 2007

Statement A-1
 4 of 4

Municipal Street Fund	Sewer System Reserve Fund	C.F.R.P. Grant Fund	Total Nonmajor Governmental Funds
\$ 13,110	\$ 8,449	\$ 9	74,355
-	-	-	100,000
-	-	-	-
-	-	-	25,940
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 13,110</u>	<u>\$ 8,449</u>	<u>\$ 9</u>	<u>200,295</u>
\$ -	\$ -	\$ -	\$ -
4,369	-	-	6,226
-	-	-	7,704
-	-	-	-
-	-	-	-
<u>4,369</u>	<u>-</u>	<u>-</u>	<u>13,930</u>
-	-	-	-
8,741	8,449	9	186,365
<u>8,741</u>	<u>8,449</u>	<u>9</u>	<u>186,365</u>
<u>\$ 13,110</u>	<u>\$ 8,449</u>	<u>\$ 9</u>	<u>\$ 200,295</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, 2007

	Special Revenue			
	Local Corrections Fund	Environmental Gross Receipts Tax Fund	EMS Fire Fund	EMS County Fund
<i>Revenues:</i>				
Taxes	\$ -	\$ 7,494	\$ -	\$ -
Federal Sources	-	-	-	-
State Sources	-	-	8,255	-
Charges for Services	-	-	-	107,234
Licenses and Fees	6,140	-	-	-
Investment Income (Loss)	-	-	23	-
Miscellaneous	-	-	988	26,252
<i>Total revenues</i>	<u>6,140</u>	<u>7,494</u>	<u>9,266</u>	<u>133,486</u>
<i>Expenditures:</i>				
Current:				
General Government	-	8,292	-	-
Public Safety	3,900	-	7,660	107,404
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,900</u>	<u>8,292</u>	<u>7,660</u>	<u>107,404</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,240</u>	<u>(798)</u>	<u>1,606</u>	<u>26,082</u>
<i>Other financing sources (uses)</i>				
Bond Proceeds	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	2,240	(798)	1,606	26,082
<i>Fund balances - beginning of year</i>	<u>10,534</u>	<u>6,061</u>	<u>49</u>	<u>6,570</u>
<i>Fund balances - end of year</i>	<u>\$ 12,774</u>	<u>\$ 5,263</u>	<u>\$ 1,655</u>	<u>\$ 32,652</u>

The accompanying notes are an integral part of these financial statements

Special Revenue			
Library Fund	Fire Protection Fund	Beautification Fund	Law Enforcement Protection Fund
\$ -	\$ -	\$ -	\$ -
-	-	-	-
36,318	165,528	-	10,550
-	-	-	-
-	2,124	-	38
-	6,774	-	-
<u>36,318</u>	<u>174,426</u>	<u>-</u>	<u>10,588</u>
-	-	-	-
-	69,078	-	11,163
41,151	-	1,001	-
-	-	-	-
-	-	-	-
<u>41,151</u>	<u>69,078</u>	<u>1,001</u>	<u>11,163</u>
<u>(4,833)</u>	<u>105,348</u>	<u>(1,001)</u>	<u>(575)</u>
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(4,833)	105,348	(1,001)	(575)
<u>9,654</u>	<u>(5,285)</u>	<u>1,713</u>	<u>621</u>
<u>\$ 4,821</u>	<u>\$ 100,063</u>	<u>\$ 712</u>	<u>\$ 46</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, 2007

	Special Revenue			
	Municipal Judge Fund	Recreation Fund	Youth Facility Fund	Police Department Justice Fund
<i>Revenues:</i>				
Taxes	\$ -	\$ 752	\$ 15,063	\$ -
Federal Sources	-	-	-	-
State Sources	-	-	-	-
Charges for Services	-	300	5,233	-
Licenses and Fees	20,409	-	-	-
Investment Income (Loss)	-	-	-	-
Miscellaneous	-	-	2,408	-
<i>Total revenues</i>	<u>20,409</u>	<u>1,052</u>	<u>22,704</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General Government	22,604	-	-	-
Public Safety	-	-	-	326
Public Works	-	-	-	-
Culture and Recreation	-	582	23,645	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>22,604</u>	<u>582</u>	<u>23,645</u>	<u>326</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,195)</u>	<u>470</u>	<u>(941)</u>	<u>(326)</u>
<i>Other financing sources (uses)</i>				
Bond Proceeds	-	-	-	-
Transfers In	-	-	1,307	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>1,307</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>(2,195)</u>	<u>470</u>	<u>366</u>	<u>(326)</u>
<i>Fund balances - beginning of year</i>	<u>2,532</u>	<u>1,272</u>	<u>(1,795)</u>	<u>10,856</u>
<i>Fund balances - end of year</i>	<u>\$ 337</u>	<u>\$ 1,742</u>	<u>\$ (1,429)</u>	<u>\$ 10,530</u>

The accompanying notes are an integral part of these financial statements

Municipal Streets Fund	Capital Projects		Total Nonmajor Governmental Funds
	Sewer System Reserve Fund	C.F.R.P. Grant Fund	
\$ 27,103	\$ -	\$ -	\$ 50,412
-	-	-	-
8,622	20	104,555	297,530
100	-	-	149,185
-	-	-	26,549
-	-	-	2,185
8,001	-	-	44,423
<u>43,826</u>	<u>20</u>	<u>104,555</u>	<u>570,284</u>
-	-	-	30,896
-	-	-	199,531
44,280	11	104,555	148,846
-	-	-	66,379
-	-	-	-
-	-	-	-
-	-	-	-
<u>44,280</u>	<u>11</u>	<u>104,555</u>	<u>445,652</u>
(454)	9	-	124,632
-	-	-	-
-	-	-	1,307
-	-	-	-
-	-	-	1,307
(454)	9	-	125,939
9,195	8,440	9	60,426
<u>\$ 8,741</u>	<u>\$ 8,449</u>	<u>\$ 9</u>	<u>\$ 186,365</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Questa
Local Corrections Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2007

	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	2,000	3,900	6,140	2,240
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,000</u>	<u>3,900</u>	<u>6,140</u>	<u>2,240</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	2,000	3,900	3,900	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,000</u>	<u>3,900</u>	<u>3,900</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>2,240</u>	<u>2,240</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>2,240</u>	<u>2,240</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>10,534</u>	<u>10,534</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,774</u>	<u>\$ 12,774</u>

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, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 8,700	\$ 8,700	\$ 7,494	\$ (1,206)
Intergovernmental Income	-	-	-	-
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	8,700	8,700	7,494	(1,206)
<i>Expenditures:</i>				
Current:				
General Government	8,700	8,700	8,292	408
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	8,700	8,700	8,292	408
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(798)	(798)
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(798)	(798)
<i>Fund Balance - Beginning of Year</i>	-	-	6,061	6,061
<i>Fund Balance - End of Year</i>	\$ -	\$ -	\$ 5,263	\$ 5,263

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Questa
EMS Fire Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	-	-	8,255	8,255
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	23	23
Miscellaneous	-	-	988	988
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>9,266</u>	<u>9,266</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	8,266	8,266	7,660	606
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>8,266</u>	<u>8,266</u>	<u>7,660</u>	<u>606</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(8,266)</u>	<u>(8,266)</u>	<u>1,606</u>	<u>9,872</u>
<i>Other financing sources (uses)</i>				
Designated Cash	8,266	8,266	-	(8,266)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>8,266</u>	<u>8,266</u>	<u>-</u>	<u>(8,266)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	1,606	1,606
<i>Fund Balance - Beginning of Year</i>	-	-	49	49
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,655</u>	<u>\$ 1,655</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Questa
EMS County Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	-	-	-	-
Charges For Services	121,758	121,758	107,234	(14,524)
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	312	312
<i>Total revenues</i>	<u>121,758</u>	<u>121,758</u>	<u>107,546</u>	<u>(14,212)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	121,758	121,758	99,700	22,058
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>121,758</u>	<u>121,758</u>	<u>99,700</u>	<u>22,058</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>7,846</u>	<u>7,846</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>7,846</u>	<u>7,846</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>6,570</u>	<u>6,570</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,416</u>	<u>\$ 14,416</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Questa
Library Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	-	-	-	-
Charges For Services	-	-	36,318	36,318
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>36,318</u>	<u>36,318</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	(71,045)	(71,045)	41,151	(112,196)
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>(71,045)</u>	<u>(71,045)</u>	<u>41,151</u>	<u>(112,196)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>71,045</u>	<u>71,045</u>	<u>(4,833)</u>	<u>(75,878)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(71,045)	(71,045)	-	71,045
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(71,045)</u>	<u>(71,045)</u>	<u>-</u>	<u>71,045</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(4,833)	(4,833)
<i>Fund Balance - Beginning of Year</i>	-	-	9,654	9,654
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,821</u>	<u>\$ 4,821</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Questa
Fire Protection Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	(42,996)	(42,996)	145,063	188,059
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	(2,124)	(2,124)	2,124	4,248
Miscellaneous	(6,371)	(6,371)	6,774	13,145
<i>Total revenues</i>	<u>(51,491)</u>	<u>(51,491)</u>	<u>153,961</u>	<u>205,452</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	-	-	-	-
Public Safety	19,554	19,554	48,613	(29,059)
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>19,554</u>	<u>19,554</u>	<u>48,613</u>	<u>(29,059)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(71,045)</u>	<u>(71,045)</u>	<u>105,348</u>	<u>176,393</u>
<i>Other financing sources (uses)</i>				
Designated Cash	71,045	71,045	-	(71,045)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>71,045</u>	<u>71,045</u>	<u>-</u>	<u>(71,045)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	105,348	105,348
<i>Fund Balance - Beginning of Year</i>	-	-	(5,285)	(5,285)
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,063</u>	<u>\$ 100,063</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Village of Questa
 Beautification Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance
	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)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	4,088	4,088	1,001	3,087
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,088</u>	<u>4,088</u>	<u>1,001</u>	<u>3,087</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,088)</u>	<u>(4,088)</u>	<u>(1,001)</u>	<u>3,087</u>
<i>Other financing sources (uses)</i>				
Designated Cash	4,088	4,088	-	(4,088)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>4,088</u>	<u>4,088</u>	<u>-</u>	<u>(4,088)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(1,001)	(1,001)
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>1,713</u>	<u>1,713</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 712</u>	<u>\$ 712</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Village of Questa
 Law Enforcement Protection Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	20,600	20,600	10,550	(10,050)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	25	25	38	13
Miscellaneous	-	-	-	-
<i>Total revenues</i>	20,625	20,625	10,588	(10,037)
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	10,575	10,575	11,163	(588)
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	10,575	10,575	11,163	(588)
<i>Excess (deficiency) of revenues over expenditures</i>	10,050	10,050	(575)	(10,625)
<i>Other financing sources (uses)</i>				
Designated Cash	(10,050)	(10,050)	-	10,050
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	(10,050)	(10,050)	-	10,050
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(575)	(575)
<i>Fund Balance - Beginning of Year</i>	-	-	621	621
<i>Fund Balance - End of Year</i>	\$ -	\$ -	\$ 46	\$ 46

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Questa
Municipal Judge Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2007

	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	13,950	22,604	20,409	(2,195)
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>13,950</u>	<u>22,604</u>	<u>20,409</u>	<u>(2,195)</u>
<i>Expenditures:</i>				
Current:				
General Government	13,950	22,604	22,604	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>13,950</u>	<u>22,604</u>	<u>22,604</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(2,195)</u>	<u>(2,195)</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>(2,195)</u>	<u>(2,195)</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>2,532</u>	<u>2,532</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337</u>	<u>\$ 337</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Questa
Recreation Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 850	\$ 850	\$ 752	\$ (98)
Intergovernmental Income	-	-	-	-
Charges For Services	500	500	300	(200)
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	1,350	1,350	1,052	(298)
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	1,350	1,350	582	768
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	1,350	1,350	582	768
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	470	470
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	470	470
<i>Fund Balance - Beginning of Year</i>	-	-	1,272	1,272
<i>Fund Balance - End of Year</i>	\$ -	\$ -	\$ 1,742	\$ 1,742

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Village of Questa
 Youth Facility Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 15,063	\$ 15,063	\$ 15,063	\$ -
Intergovernmental Income	-	-	-	-
Charges For Services	5,400	5,400	5,233	(167)
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	120	120	2,408	2,288
<i>Total revenues</i>	<u>20,583</u>	<u>20,583</u>	<u>22,704</u>	<u>2,121</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	20,583	21,788	21,788	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>20,583</u>	<u>21,788</u>	<u>21,788</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(1,205)</u>	<u>916</u>	<u>2,121</u>
<i>Other financing sources (uses)</i>				
Designated Cash	-	1,205	-	(1,205)
Transfers In	-	-	1,307	1,307
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>1,205</u>	<u>1,307</u>	<u>102</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>-</u>	<u>-</u>	<u>2,223</u>	<u>2,223</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>(1,795)</u>	<u>(1,795)</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 428</u>	<u>\$ 428</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Questa
Police Department Justice Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2007

	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)	-	-	-	-
Miscellaneous	2,000	2,000	-	(2,000)
<i>Total revenues</i>	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	328	326	2
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>328</u>	<u>326</u>	<u>2</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,000</u>	<u>1,672</u>	<u>(326)</u>	<u>(1,998)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(2,000)	(1,672)	-	1,672
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(2,000)</u>	<u>(1,672)</u>	<u>-</u>	<u>1,672</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(326)	(326)
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>10,856</u>	<u>10,856</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,530</u>	<u>\$ 10,530</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Questa
Municipal Street Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 32,700	\$ 32,700	\$ 27,103	\$ (5,597)
Intergovernmental Income	67,644	67,644	8,622	(59,022)
Charges For Services	-	-	100	100
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	8,001	8,001	8,001	-
<i>Total revenues</i>	<u>108,345</u>	<u>108,345</u>	<u>43,826</u>	<u>(64,519)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	108,345	108,345	39,911	68,434
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>108,345</u>	<u>108,345</u>	<u>39,911</u>	<u>68,434</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>3,915</u>	<u>3,915</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(3)	(110)	-	110
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(3)</u>	<u>(110)</u>	<u>-</u>	<u>110</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>(3)</u>	<u>(110)</u>	<u>3,915</u>	<u>4,025</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>9,195</u>	<u>9,195</u>
<i>Fund Balance - End of Year</i>	<u>\$ (3)</u>	<u>\$ (110)</u>	<u>\$ 13,110</u>	<u>\$ 13,220</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Questa
Sewer System Replacement Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	-	-	20	20
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>20</u>	<u>20</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	30,000	11	29,989
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>30,000</u>	<u>11</u>	<u>29,989</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(30,000)</u>	<u>9</u>	<u>30,009</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(3)	(110)	-	110
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(3)</u>	<u>(110)</u>	<u>-</u>	<u>110</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>(3)</u>	<u>(30,110)</u>	<u>9</u>	<u>30,119</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>8,440</u>	<u>8,440</u>
<i>Fund Balance - End of Year</i>	<u>\$ (3)</u>	<u>\$ (30,110)</u>	<u>\$ 8,449</u>	<u>\$ 38,559</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Village of Questa
 C.F.R.P. Grant Capital Projects Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Income	105,000	105,000	104,555	(445)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>105,000</u>	<u>105,000</u>	<u>104,555</u>	<u>(445)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	75,000	105,000	104,555	445
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>75,000</u>	<u>105,000</u>	<u>104,555</u>	<u>445</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(3)	(110)	-	110
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(3)</u>	<u>(110)</u>	<u>-</u>	<u>110</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	29,997	(110)	-	110
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>
<i>Fund Balance - End of Year</i>	<u>\$ 29,997</u>	<u>\$ (110)</u>	<u>\$ 9</u>	<u>\$ 119</u>

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
VILLAGE OF QUESTA
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2007

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2007	Name and Location of Safekeeper
Centinel Bank	Estancia NM School Cusip 297326DC1 4.0% Due 10/1/2009	\$ 100,418	Federal Home Loan Bank Dallas, Texas
Centinel Bank	Federal Home Loan Bank Cusip 3133MTQB7 3.5% Due 11/15/2007	\$ 48,117	Federal Home Loan Bank Dallas, Texas
Centinel Bank	Estancia NM School Cusip 297326DC1 4.0% Due 10/1/2009	\$ 30,108	Federal Home Loan Bank Dallas, Texas
Centinel Bank	Texico NM MSD Cusip 883005BQ2 5.25% Due 8/1/2009	\$ 25,302	Federal Home Loan Bank Dallas, Texas
Centinel Bank	Los Alamos Nm School Cusip 544228AQ2 5.15% Due 8/1/2010	\$ 20,508	Federal Home Loan Bank Dallas, Texas
First Community Bank	Federal Home Loan Bank Cusip 3133MTBQ7 3.5% Due 11/15/2007	49,657	Federal Home Loan Bank Dallas, Texas
First Community Bank	Federal Home Loan Bank Cusip 3133MTQB 3.5% Due 11/15/2007	29,794	Federal Home Loan Bank Dallas, Texas
First Community Bank	Federal Home Loan Bank Cusip 3133MY3B1 3.6% Due 4/23/2008	24,669	Federal Home Loan Bank Dallas, Texas
First Community Bank	Federal Home Loan Bank Cusip 3133X8CS9 3.8% Due 8/14/2009	24,357	Federal Home Loan Bank Dallas, Texas
		<u>\$ 352,930</u>	

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

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STATE OF NEW MEXICO
VILLAGE OF QUESTA
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2007

Schedule II

Bank Account Type/Name	Centinel Bank	First Community Bank	Total
Checking - General	92,487	-	92,487
Checking - Water, Sewer, Solid Waste	86,947	-	86,947
Checking - Motor Vehicle Division	26,380	-	26,380
Checking - Payroll Account	2,261	-	2,261
Checking - Municipal Court	3,116	-	3,116
Checking - Water Rights	22,220	-	22,220
Checking - Oversight Accounts	21,326	-	21,326
Checking - 2006 CDBG	2	-	2
Checking - Police Department Justice Fund	10,530	-	10,530
Checking - Sewer System Reserve	8,449	-	8,449
Checking - Fire Protection Fund	-	63	63
Checking - EMS Account	-	17,282	17,282
Checking - EMS Fire Fund	-	2,017	2,017
Checking - Law Enforcement Protection Fund	-	46	46
Checking - Municipal Court	-	337	337
Checking - CFRP Grant	-	9	9
Certificate of Deposit	-	15,000	15,000
Certificate of Deposit	100,000	-	100,000
Total On Deposit	<u>373,717</u>	<u>34,754</u>	<u>408,470</u>
Reconciling Items	<u>120,972</u>	<u>3,228</u>	<u>124,200</u>
Reconciled Balance at June 30, 2007	<u>\$ 252,745</u>	<u>\$ 31,526</u>	<u>\$ 284,270</u>

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

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FIDUCIARY FUNDS

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STATE OF NEW MEXICO
 Village of Questa
 Agency Fund
 Schedule of Changes in Assets and Liabilities
 For The Year Ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>ASSETS</u>				
Cash	\$ <u>171</u>	\$ <u>208,700</u>	\$ <u>166,886</u>	\$ <u>41,985</u>
<u>LIABILITIES</u>				
Deposits held in trust for others	\$ <u>171</u>	\$ <u>208,700</u>	\$ <u>166,886</u>	\$ <u>41,985</u>

The accompanying notes are an integral part of these financial statements

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COMPLIANCE SECTION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
and The Village Council
Village of Questa
Questa, New Mexico

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparison statements of the general fund and major special revenue funds of the Village of Questa (the Village), as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents and have issued our report thereon dated November 25, 2007. We also have audited the financial statements of each of the Village's non-major governmental funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Questa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Questa's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Questa's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Questa's financial statements that is more than inconsequential will not be prevented or detected by the Village of Questa's internal control. We consider the deficiencies described in the accompanying schedule of findings as FS 2007-01 and 2007-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Questa's internal control.

Where Quality & Accuracy Count

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village of Questa's responses to the findings are identified in our audit are described in the accompanying schedule of findings and question costs. We did not audit Village of Questa's responses and accordingly, we do not express an opinion on them.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Office of the State Auditor, New Mexico Legislature, New Mexico Department of Finance and Administration, 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.

Precision Accounting, LLC.

Precision Accounting LLC
Albuquerque, New Mexico
November 25, 2007

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A. FINDINGS-FINANCIAL STATEMENT AUDIT

FS-2007-01 Accrued Vacation

CONDITION: During our test work of accrued vacation, we noted that the Village did not follow its policy for caps on accrued vacation.

CRITERIA: Per the Village Personnel Policy implemented on July 1, 2005, Policy 70 Annual Leave states "Annual leave may be taken after six months of employment with the Village. After that time, the employee can request use of earned vacation time, including that accrued during the first six months of employment. No more than 100 hours of annual leave may be accumulated. Annual leave in excess of 100 hours must be taken within thirty (30) days." "The limit on accrued annual leave and the required use of excess accrued annual leave does not apply to those employees who have already accrued over 100 hours of annual leave as of the effective date of these Personnel Rules. However, those employees cannot accrue more than 40 hours of annual leave over the amount of excess leave they already has as of the effective date of these Personnel Rules. Any additional accrued leave must be used within thirty (30) days."

CAUSE OF CONDITION: The Village maintains that the intention of the policy was not to limit those individuals who were grandfathered in. As such, the Village did not follow the written policy in properly capping accrued vacation. The Village implemented this policy in July 2005 but did not provide the payroll clerk with the accrual caps by individual employee. As such, the individual employees are carrying over accrued time in excess of the maximum allowable.

EFFECT OF CONDITION: The Village has employees who are over the maximum limit and will lose their vacation time at year end. Although we did not specifically identify this in our test work, the possibility exists that employees could have taken more time off than allowable given that their accrual was higher than the maximum.

RECOMMENDATION: The Village should follow its policy and ensure that controls are in place to monitor the vacation accrual and notify the employees and their supervisor of the overage to be used within the 30 days, according to their policy. If the policy was not intended in this manner, the Village should amend their Personnel Policy to accurately reflect the intention.

COSTS AND BENEFITS OF RECOMMENDED ACTION: The cost of the recommended action is minimal and the benefit is that the Village will be in compliance with their Personnel Policy 70 relating to Annual Leave.

CLIENT RESPONSE In December 2007 the Village of Questa will pay our excess of 100 hours of vacation to those employees that have exceeded the maximum limit of vacation time. The Village will amend this section of the personnel policy to increase the maximum limit of lactation accrual time and amend the policy to accurately reflect the intention so that it can be implemented. Once these changes are made the Village will follow it s policy and ensure that controls are in place to monitor the vacation accrual and notify the employees and their supervisor of the overage to be used.

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STATE OF NEW MEXICO
Village of Questa
Schedule of Findings
June 30, 2007

FS-2007-02 Utility Billing

CONDITION: During our Utilities test work we noted that the Village was not billing customers for the water usage over the base amount, although it was irrelevant during the year under audit, it was also discovered that the software used to bill for water usage was billing at the wrong rate for residential and commercial customers who use more water than the base amount and that the usage amount was being pro-rated.

CRITERIA: Per the Village Ordinance, Water should be billed at a set rate for the first 3000 gallons of use, and for each 1000 gallons past the base use a customer should be billed \$2.44. The Ordinance also states that the village rounds to the nearest 1000 gallons of use and does not prorate water usage.

CAUSE OF CONDITION: The Village began to implement a new meter reading system throughout the Village but did not complete the implementation. The Village did not want to bill some customers and not others so they only billed the base amount on all customers until the completion of the implementation of the new meter system. The implementation of the new meters **did not** render the old system inoperable but the Village failed to read the meters manually from July 06 to current. The Village did remit the changes in the ordinance for billing rates to their software company so that the change could be made. The Software Company did not make the correction to the usage rate although they did make the change to the base rates.

EFFECT OF CONDITION: The Village has lost approximately \$24,676 in water revenues over the past sixteen months as a result of the Village not billing the usage to customers.

RECOMMENDATION: The Village should complete its implementation of the meter system immediately or begin to manually read the meters again. In addition, the Village should implement controls to verify that the utility rates are properly input into the billing system.

COSTS AND BENEFITS OF RECOMMENDED ACTION: The cost of the recommended action is minimal and the benefit is that the Village will begin to receive the proper amount of revenue from water billing.

CLIENT RESPONSE: The Village will completes its implementation of the meter system and manually read those meters that are not on the system.

B. PRIOR YEAR AUDIT FINDINGS

FS 06-01: Budget Over-Expenditures

Resolved and not repeated

FS 06-03: Lack of Supporting Documentation

Resolved and not repeated

FS 06-02: Disposition Of Property

Resolved and not repeated

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STATE OF NEW MEXICO
Village of Questa
Schedule of Findings
June 30, 2007

A. AUDITOR PREPARED FINANCIAL STATEMENTS

It would be preferred and desirable for the Village to prepare its own GAAP-basis financial statements; however, the client believes that although they are capable of preparing, reviewing and taking responsibility for the financial statements it was included in the audit contract that the IPA would prepare the financial statements. As such the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

B. EXIT CONFERENCE

The contents of this report were discussed on November 2, 2007. The following individuals were in attendance.

Village of Questa
Brent Jaramillo, Village Administrator
Nadine Varela, Village Clerk/ Treasurer
Malaquais Rael, Mayor

Precision Accounting LLC
Melissa R. Santistevan, CPA

