



STATE OF NEW MEXICO  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2011

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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, 2011

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STATE OF NEW MEXICO  
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ANNUAL FINANCIAL REPORT  
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STATE OF NEW MEXICO  
VILLAGE OF QUESTA

OFFICIAL ROSTER  
June 30, 2011

Village Council

Esther Garcia

Mayor

Louise T. Padilla

Councilor

Lawrence Ortega

Mayor Pro Tem

Mark Gallegos

Councilor

Evelyn Ortega-Coggins

Councilor

Village Officials

Brent Jaramillo

Village Administrator through  
September 6, 2011

Renee Martinez

Village Clerk/ Treasurer

Roberta Duran-Gonzales

Finance Director through 12/31/10

Danielle Lovato

Finance Director from March 2011  
to June 30, 2011

Michael Rael, Sr.

Village Judge

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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 were engaged to audit 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, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. We were also engaged to audit 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, 2011 as listed in the table of contents. These financial statements are the responsibility of Village of Questa's management.

The Village did not maintain sufficient internal controls in the areas of cash control, procurement, disbursements, compliance with rules and regulations for federal awards and capital assets in order for the auditor to plan and conduct the audit in a manner to obtain sufficient evidential matter to form an opinion as to the fairness of presentation of the financial statements in conformity with generally accepted accounting principles. The Village's records do not permit the application of other auditing procedures in the areas of cash control, procurement, disbursements, capital assets, and computer controls. The findings on pages 115-149 address the weaknesses in internal controls we encountered while planning and conducting our audit. In addition, management refused to furnish written representations regarding the Village's Financial Statements.

As the Village did not maintain sufficient internal controls and we were unable to obtain sufficient evidential matter; we were unable to obtain written management representations and we were not able to apply other auditing procedures to satisfy ourselves as to the fairness of the presentation of the financial statements in conformity with generally accepted accounting principles, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2011, and the respective changes in financial position and where applicable cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds, for the year ended in conformity with accounting principles generally accepted in the United States of America. In addition, we do not express an opinion on the respective financial position of each non major governmental fund of the Village, as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparisons for nonmajor governmental funds and proprietary funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2011 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.

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

We were engaged to conduct an audit 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Accompanying financial information listed as supporting Schedules I through III and V 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. For the reasons described above, we were unable to obtain sufficient evidential matter to form an opinion regarding the fair presentation of these schedules in relation to the financial statements taken as a whole and accordingly, we express no opinion on them.

Precision Accounting, LLC  
Albuquerque, New Mexico  
November 3, 2011

## STATE OF NEW MEXICO

Exhibit A-1

Village of Questa  
Statement of Net Assets  
June 30, 2011

|                                | Governmental<br>Activities | Business-type<br>Activities | Total                |
|--------------------------------|----------------------------|-----------------------------|----------------------|
| <b>Assets</b>                  |                            |                             |                      |
| Current Assets                 |                            |                             |                      |
| Cash and cash equivalents      | \$ 433,167                 | \$ 115,755                  | \$ 548,922           |
| Investments                    | 3,862                      | 15,000                      | 18,862               |
| Taxes receivable               | 83,628                     | -                           | 83,628               |
| Accounts receivable            | 274,437                    | 53,335                      | 327,772              |
|                                | <u>795,094</u>             | <u>184,090</u>              | <u>979,184</u>       |
| Total Current Assets           |                            |                             |                      |
| Noncurrent Assets              |                            |                             |                      |
| Capital assets                 | 10,537,944                 | 5,074,942                   | 15,612,886           |
| Less: accumulated depreciation | <u>(1,256,092)</u>         | <u>(2,350,466)</u>          | <u>(3,606,558)</u>   |
|                                | <u>9,281,852</u>           | <u>2,724,476</u>            | <u>12,006,328</u>    |
| Total Noncurrent Assets        |                            |                             |                      |
| Total Assets                   | <u>\$ 10,076,946</u>       | <u>\$ 2,908,566</u>         | <u>\$ 12,985,512</u> |



## STATE OF NEW MEXICO

Exhibit A-1

Village of Questa  
Statement of Net Assets  
June 30, 2011

|   | Governmental<br>Activities | Business-type<br>Activities | Total                |
|---|----------------------------|-----------------------------|----------------------|
| <b>Liabilities</b>                              |                            |                             |                      |
| Current Liabilities                             |                            |                             |                      |
| Accounts payable                                | \$ 1,094,057               | \$ 24,429                   | \$ 1,118,486         |
| Accrued salaries and benefits                   | 7,388                      | 20,216                      | 27,604               |
| Accrued interest                                | 1,521                      | -                           | 1,521                |
| Accrued compensated absences                    | -                          | -                           | -                    |
| Current portion of bonds payable                | -                          | 5,000                       | 5,000                |
| Current portion of loans and notes payable      | -                          | -                           | -                    |
| <b>Total Current Liabilities</b>                | <b>1,102,966</b>           | <b>49,645</b>               | <b>1,152,611</b>     |
| Noncurrent Liabilities                          |                            |                             |                      |
| Accrued Compensated Absences                    | 11,642                     | 4,625                       | 16,267               |
| Loans and notes payable                         | 313,534                    | 68,000                      | 381,534              |
| <b>Total Noncurrent Liabilities</b>             | <b>325,176</b>             | <b>72,625</b>               | <b>397,801</b>       |
| <b>Total Liabilities</b>                        | <b>1,428,142</b>           | <b>122,270</b>              | <b>1,550,412</b>     |
| <b>Net Assets</b>                               |                            |                             |                      |
| Invested in capital assets, net of related debt | 8,968,318                  | 2,651,476                   | 11,619,794           |
| Restricted for:                                 |                            |                             |                      |
| Special Revenue Funds                           | 191,327                    | -                           | 191,327              |
| Capital Projects Funds                          | 3,860,528                  | -                           | 3,860,528            |
| Debt Service Funds                              | -                          | -                           | -                    |
| Unrestricted                                    | (4,371,369)                | 134,820                     | (4,236,549)          |
| <b>Total Net Assets</b>                         | <b>8,648,804</b>           | <b>2,786,296</b>            | <b>11,435,100</b>    |
| <b>Total Net Assets and Liabilities</b>         | <b>\$ 10,076,946</b>       | <b>\$ 2,908,566</b>         | <b>\$ 12,985,512</b> |

**STATE OF NEW MEXICO**  
 Village of Questa  
 Statement of Activities  
 For the Year Ending June 30, 2011

Exhibit A-2

| <u>Functions</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> |
| <b>Primary Government</b>             |                         |                             |   |   |
| General government                    | \$ 1,283,598            | \$ 37,200                   | \$ 535,285                                | \$ 163,039                              |
| Public safety                         | 357,048                 | 43,108                      | 468,829                                   | -                                       |
| Public works                          | 524,279                 | -                           | 466,629                                   | 4,173,827                               |
| Culture and recreation                | 33,726                  | 27,700                      | 40,099                                    | -                                       |
| Health and welfare                    | 393,102                 | -                           | 47,275                                    | -                                       |
| Interest on long-term debt            | (104)                   | -                           | -   | -                                       |
| Capital outlay:                       |                         |                             |   |   |
| Depreciation                          | -                       | -                           | -   | -                                       |
| <i>Total governmental activities</i>  | <u>2,591,649</u>        | <u>108,008</u>              | <u>1,558,117</u>                          | <u>4,336,866</u>                        |
| <b>Business-type Activities:</b>      |                         |                             |   |   |
| Joint Utility                         | 355,622                 | 354,480                     | -   | -                                       |
| Solid Waste                           | 180,747                 | 174,949                     | -   | -                                       |
| <i>Total business type activities</i> | <u>536,369</u>          | <u>529,429</u>              | <u>-</u>                                  | <u>-</u>                                |
| <i>Total</i>                          | <u>\$ 3,128,018</u>     | <u>\$ 637,437</u>           | <u>\$ 1,558,117</u>                       | <u>\$ 4,336,866</u>                     |

**General Revenues:**

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

Gross receipts taxes

Public service taxes

Interest income

Miscellaneous income

Transfers

Total General Revenues and Transfers

Excess (deficiency) of revenues over expenses

Change in net assets

Net assets, beginning

Net assets, ending

**Net (Expense) Revenue and Changes in Net Assets**

**Primary Government**

| Government<br>Activities | Business Type<br>Activities | Total                |
|--------------------------|-----------------------------|----------------------|
| \$ (548,074)             | \$ -                        | \$ (548,074)         |
| 154,889                  | -                           | 154,889              |
| 4,116,177                | -                           | 4,116,177            |
| 34,073                   | -                           | 34,073               |
| (345,827)                | -                           | (345,827)            |
| 104                      | -                           | 104                  |
| -                        | -                           | -                    |
| <u>3,411,342</u>         | <u>-</u>                    | <u>3,411,342</u>     |
| -                        | (1,142)                     | (1,142)              |
| -                        | (5,798)                     | (5,798)              |
| -                        | (6,940)                     | (6,940)              |
| <u>3,411,342</u>         | <u>(6,940)</u>              | <u>3,404,402</u>     |
| 136,055                  | -                           | 136,055              |
| -                        | -                           | -                    |
| 25,618                   | -                           | 25,618               |
| 562,133                  | -                           | 562,133              |
| 41,404                   | -                           | 41,404               |
| (309,651)                | 156                         | (309,495)            |
| 5,056                    | 61                          | 5,117                |
| (7,040)                  | 7,040                       | -                    |
| <u>453,575</u>           | <u>7,257</u>                | <u>460,832</u>       |
| <u>3,864,917</u>         | <u>317</u>                  | <u>3,865,234</u>     |
| 3,864,917                | 317                         | 3,865,234            |
| <u>4,783,887</u>         | <u>2,785,979</u>            | <u>7,569,866</u>     |
| <u>\$ 8,648,804</u>      | <u>\$ 2,786,296</u>         | <u>\$ 11,435,100</u> |

**STATE OF NEW MEXICO**  
 Village of Questa  
 Balance Sheet  
 Governmental Funds  
 June 30, 2011

|  | General Fund      | Economic<br>Development Fund | Water System<br>Improvement<br>Fund | WWTP<br>Improvement<br>Fund | Other<br>Governmental<br>Funds | Total             |
|--|-------------------|------------------------------|-------------------------------------|-----------------------------|--------------------------------|-------------------|
| <i>Assets</i>                              |                   |                              |                                     |                             |                                |                   |
| Cash and cash equivalents                  | \$ 98,056         | \$ -                         | \$ 164,922                          | \$ -                        | \$ 170,189                     | \$ 433,167        |
| Investments                                | -                 | 3,720                        | -                                   | -                           | 142                            | 3,862             |
| Accounts and taxes receivable              | 83,628            | -                            | -                                   | -                           | -                              | 83,628            |
| Other receivables                          | 82,290            | -                            | -                                   | -                           | 87,971                         | 170,261           |
| Due from other governments                 | -                 | 54,761                       | -                                   | -                           | 49,415                         | 104,176           |
| Inventory                                  | -                 | -                            | -                                   | -                           | -                              | -                 |
| Prepaid insurance                          | -                 | -                            | -                                   | -                           | -                              | -                 |
| Due from other funds                       | 73,544            | -                            | -                                   | -                           | -                              | 73,544            |
| <i>Total assets</i>                        | <u>\$ 337,518</u> | <u>\$ 58,481</u>             | <u>\$ 164,922</u>                   | <u>\$ -</u>                 | <u>\$ 307,717</u>              | <u>\$ 868,638</u> |
| <i>Liabilities</i>                         |                   |                              |                                     |                             |                                |                   |
| Negative Cash-Due to other funds           | \$ -              | \$ 54,463                    | \$ -                                | \$ 19,081                   | \$ -                           | \$ 73,544         |
| Accounts payable                           | 15,556            | 296,199                      | 355,914                             | 311,932                     | 114,456                        | 1,094,057         |
| Accrued salaries and benefits              | 2,996             | -                            | -                                   | -                           | 4,392                          | 7,388             |
| Accrued compensated absences               | -                 | -                            | -                                   | -                           | -                              | -                 |
| Deferred revenue                           | 83,628            | -                            | -                                   | -                           | -                              | 83,628            |
| <i>Total liabilities</i>                   | <u>102,180</u>    | <u>350,662</u>               | <u>355,914</u>                      | <u>331,013</u>              | <u>118,848</u>                 | <u>1,258,617</u>  |
| <i>Fund Balances</i>                       |                   |                              |                                     |                             |                                |                   |
| Fund Balance                               |                   |                              |                                     |                             |                                |                   |
| Restricted for:                            |                   |                              |                                     |                             |                                |                   |
| General Fund                               | -                 | -                            | -                                   | -                           | -                              | -                 |
| Special Revenue Funds                      | -                 | -                            | -                                   | -                           | 122,029                        | 122,029           |
| Capital Projects Funds                     | -                 | (292,181)                    | (190,992)                           | (331,013)                   | 66,840                         | (747,346)         |
| Debt Service Funds                         | -                 | -                            | -                                   | -                           | -                              | -                 |
| Committed for:                             |                   |                              |                                     |                             |                                |                   |
| General Fund                               | -                 | -                            | -                                   | -                           | -                              | -                 |
| Special Revenue Funds                      | -                 | -                            | -                                   | -                           | -                              | -                 |
| Capital Projects Funds                     | -                 | -                            | -                                   | -                           | -                              | -                 |
| Assigned for:                              |                   |                              |                                     |                             |                                |                   |
| General Fund                               | -                 | -                            | -                                   | -                           | -                              | -                 |
| Special Revenue Funds                      | -                 | -                            | -                                   | -                           | -                              | -                 |
| Capital Projects Funds                     | -                 | -                            | -                                   | -                           | -                              | -                 |
| Unassigned for:                            |                   |                              |                                     |                             |                                |                   |
| General Fund                               | 235,338           | -                            | -                                   | -                           | -                              | 235,338           |
| <i>Total fund balances</i>                 | <u>235,338</u>    | <u>(292,181)</u>             | <u>(190,992)</u>                    | <u>(331,013)</u>            | <u>188,869</u>                 | <u>(389,979)</u>  |
| <i>Total liabilities and fund balances</i> | <u>\$ 337,518</u> | <u>\$ 58,481</u>             | <u>\$ 164,922</u>                   | <u>\$ -</u>                 | <u>\$ 307,717</u>              | <u>\$ 868,638</u> |

STATE OF NEW MEXICO

Village of Questa

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2011

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  | \$ (389,979)        |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds                    | 9,281,852           |
| Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds:                   |                     |
| Accrued compensated absences  | (11,642)            |
| Deferred property taxes   | 83,628              |
| Accrued interest  | (1,521)             |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds | <u>(313,534)</u>    |
| Net assets of governmental activities   | <u>\$ 8,648,804</u> |

**STATE OF NEW MEXICO**  
 Village of Questa  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ending June 30, 2011

|  | General Fund      | Economic<br>Development<br>Fund | Water System<br>Improvement<br>Fund | WWTP<br>Improvement<br>Fund | Other<br>Governmental<br>Funds | Total               |
|--|-------------------|---------------------------------|-------------------------------------|-----------------------------|--------------------------------|---------------------|
| <i>Revenues:</i>   |                   |                                 |                                     |                             |                                |                     |
| Taxes  |                   |                                 |                                     |                             |                                |                     |
| Property taxes   | \$ 49,755         | \$ -                            | \$ -                                | \$ -                        | \$ 28,024                      | 77,779              |
| Gross receipts taxes                                     | 548,483           | -                               | -                                   | -                           | 13,650                         | 562,133             |
| Public service taxes                                     | 5,101             | -                               | -                                   | -                           | 36,303                         | 41,404              |
| Franchise taxes  | 25,618            | -                               | -                                   | -                           | -                              | 25,618              |
| Federal Sources  | -                 | -                               | 870,366                             | -                           | 61,171                         | 931,537             |
| State Sources  | 177,661           | 109,986                         | -                                   | 3,225,821                   | 804,415                        | 4,317,883           |
| Local Sources  | -                 | -                               | -                                   | -                           | -                              | -                   |
| Charges for Services                                     | 1,232             | -                               | -                                   | -                           | 137,185                        | 138,417             |
| Licenses and Fees  | 34,149            | -                               | -                                   | -                           | 17,666                         | 51,815              |
| Investment Income (Loss)                                 | 679               | -                               | -                                   | -                           | 3,209                          | 3,888               |
| Miscellaneous  | 12,655            | -                               | -                                   | -                           | 537,155                        | 549,810             |
|  | <u>855,333</u>    | <u>109,986</u>                  | <u>870,366</u>                      | <u>3,225,821</u>            | <u>1,638,778</u>               | <u>6,700,284</u>    |
| <i>Expenditures:</i>                                     |                   |                                 |                                     |                             |                                |                     |
| Current:   |                   |                                 |                                     |                             |                                |                     |
| General Government                                       | 671,995           | 402,167                         | -                                   | -                           | 535,988                        | 1,610,150           |
| Public Safety  | 154,774           | -                               | -                                   | -                           | 385,497                        | 540,271             |
| Public Works   | -                 | -                               | -                                   | -                           | 435,181                        | 435,181             |
| Culture and Recreation                                   | -                 | -                               | -                                   | -                           | 34,303                         | 34,303              |
| Health and Welfare                                       | -                 | -                               | -                                   | -                           | -                              | -                   |
| Capital Outlay   | -                 | -                               | 1,051,040                           | 3,556,834                   | 335,431                        | 4,943,305           |
| Debt Service:  |                   |                                 |                                     |                             |                                |                     |
| Principal  | -                 | -                               | -                                   | -                           | -                              | -                   |
| Interest   | -                 | -                               | -                                   | -                           | 13,377                         | 13,377              |
| Total Expenditures                                       | <u>826,769</u>    | <u>402,167</u>                  | <u>1,051,040</u>                    | <u>3,556,834</u>            | <u>1,739,777</u>               | <u>7,576,587</u>    |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>28,564</u>     | <u>(292,181)</u>                | <u>(180,674)</u>                    | <u>(331,013)</u>            | <u>(100,999)</u>               | <u>(876,303)</u>    |
| <i>Other financing sources (uses)</i>                    |                   |                                 |                                     |                             |                                |                     |
| Transfers In   | -                 | -                               | -                                   | -                           | 38,024                         | 38,024              |
| Transfers (Out)  | (36,830)          | -                               | -                                   | -                           | (8,234)                        | (45,064)            |
| <i>Total other financing sources (uses)</i>              | <u>(36,830)</u>   | <u>-</u>                        | <u>-</u>                            | <u>-</u>                    | <u>29,790</u>                  | <u>(7,040)</u>      |
| <i>Net change in fund balance</i>                        | (8,266)           | (292,181)                       | (180,674)                           | (331,013)                   | (71,209)                       | (883,343)           |
| <i>Fund balance - beginning of year</i>                  | 243,604           | -                               | (10,318)                            | -                           | 260,078                        | 493,364             |
| <i>Fund balance - end of year</i>                        | <u>\$ 235,338</u> | <u>\$ (292,181)</u>             | <u>\$ (190,992)</u>                 | <u>\$ (331,013)</u>         | <u>\$ 188,869</u>              | <u>\$ (389,979)</u> |

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, 2011

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

|  |    |           |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | (883,343) |
|--|----|-----------|

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 |  | 4,943,305 |
| Depreciation expense |  | -         |

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

|   |  |        |
|---|--|--------|
| Property taxes recorded as revenue in the Statement of Activities and deferred in the<br>fund financial statements. |  | 76,856 |
|---|--|--------|

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:

|   |  |           |
|---|--|-----------|
| Issuance of new loan  |  | (313,534) |
| Decrease in long term portion of accrued compensated absences |  | (6,305)   |
| Increase in accrued interest                                  |  | 104       |
| Principal payments on notes payable                           |  | 47,834    |
|   |  | 47,834    |

|   |    |           |
|---|----|-----------|
| Change in net assets of governmental activities | \$ | 3,864,917 |
|---|----|-----------|

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## 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, 2011

|   | Budgeted Amounts |                | Actual            | Variances                                  |
|---|------------------|----------------|-------------------|--|
|   | Original         | Final          | (Non-GAAP Basis)  | Favorable (Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |                |                   |  |
| Taxes-Gross receipts  | \$ 403,354       | \$ 403,354     | \$ 544,338        | \$ 140,984                                 |
| Taxes-Franchise   | 44,000           | 44,000         | 33,912            | (10,088)                                   |
| Taxes-other   | 60,108           | 60,108         | 64,029            | 3,921                                      |
| Intergovernmental Income  | 81,965           | 81,965         | 204,871           | 122,906                                    |
| Charges For Services  | 350              | 350            | 1,232             | 882  |
| Licenses and Fees   | 48,550           | 48,550         | 34,149            | (14,401)                                   |
| Investment Income(Loss)   | 50               | 50             | 679               | 629  |
| Miscellaneous   | 37,171           | 37,171         | 12,655            | (24,516)                                   |
| <i>Total revenues</i>   | <u>675,548</u>   | <u>675,548</u> | <u>895,865</u>    | <u>220,317</u>                             |
| <i>Expenditures:</i>  |                  |                |                   |  |
| <i>Current:</i>   |                  |                |                   |  |
| General Government  | 520,193          | 520,193        | 663,290           | (143,097)                                  |
| Public Safety   | 154,213          | 154,213        | 151,277           | 2,936                                      |
| Public Works  | -                | -              | -                 | -  |
| Culture and Recreation  | -                | -              | -                 | -  |
| Health and Welfare  | -                | -              | -                 | -  |
| Capital Outlay  | -                | -              | -                 | -  |
| <i>Debt Service:</i>  |                  |                |                   |  |
| Principal   | -                | -              | -                 | -  |
| Interest  | -                | -              | -                 | -  |
| <i>Total expenditures</i>   | <u>674,406</u>   | <u>674,406</u> | <u>814,567</u>    | <u>(140,161)</u>                           |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>1,142</u>     | <u>1,142</u>   | <u>81,298</u>     | <u>80,156</u>                              |
| <i>Other financing sources (uses)</i>   |                  |                |                   |  |
| Designated Cash   | (10,135)         | (10,135)       | -                 | 10,135                                     |
| Transfers In  | 8,993            | 8,993          | -                 | (8,993)                                    |
| Transfers Out   | -                | -              | (36,830)          | (36,830)                                   |
| <i>Total other financing sources (uses)</i>   | <u>(1,142)</u>   | <u>(1,142)</u> | <u>(36,830)</u>   | <u>(35,688)</u>                            |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -              | 44,468            | 44,468                                     |
| <i>Cash Balance - Beginning of Year</i>   |                  |                | <u>127,132</u>    | <u>127,132</u>                             |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ 171,600</u> | <u>\$ 171,600</u>                          |
| Adjustment to expenditures for payables, taxes, prepaid expenses, and other accruals                            |                  |                | 7,118             |  |
| Adjustment to revenue for receivables, and other deferrals and accruals   |                  |                | (59,852)          |  |
| Excess(deficiency) of revenues over expenditures (GAAP basis)   |                  |                | <u>\$ (8,266)</u> |  |

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## STATE OF NEW MEXICO

Village of Questa  
 Proprietary Funds  
 Statement of Net Assets  
 June 30, 2011

|  | <u>Joint Utility</u> | <u>Solid Waste</u> | <u>Total</u>        |
|--|----------------------|--------------------|---------------------|
| <i>Assets</i>  |                      |                    |                     |
| <i>Current assets</i>  |                      |                    |                     |
| Cash   | \$ 81,165            | \$ 34,590          | \$ 115,755          |
| Investments  | 15,000               | -                  | 15,000              |
| Accounts receivable (less allowance for doubtful<br>accounts of \$32,780 and \$25,594) | 29,950               | 23,385             | 53,335              |
| <i>Total current assets</i>  | <u>126,115</u>       | <u>57,975</u>      | <u>184,090</u>      |
| <i>Noncurrent assets</i>   |                      |                    |                     |
| Capital assets   | 5,074,942            | -                  | 5,074,942           |
| Accumulated depreciation   | (2,350,466)          | -                  | (2,350,466)         |
| <i>Total noncurrent assets</i>   | <u>2,724,476</u>     | <u>-</u>           | <u>2,724,476</u>    |
| <i>Total Assets</i>  | <u>\$ 2,850,591</u>  | <u>\$ 57,975</u>   | <u>\$ 2,908,566</u> |
| <i>Liabilities and Net Assets</i>  |                      |                    |                     |
| <i>Liabilities:</i>  |                      |                    |                     |
| <i>Current liabilities</i>   |                      |                    |                     |
| Accounts payable   | \$ 13,446            | \$ 10,983          | \$ 24,429           |
| Accrued salaries and benefits  | 18,721               | 1,495              | 20,216              |
| Current maturity of bonds payable  | 5,000                | -                  | 5,000               |
| <i>Total current liabilities</i>   | <u>37,167</u>        | <u>12,478</u>      | <u>49,645</u>       |
| <i>Noncurrent liabilities</i>  |                      |                    |                     |
| Accrued Compensated Absences   | 4,625                | -                  | 4,625               |
| Bonds payable  | 68,000               | -                  | 68,000              |
| <i>Total noncurrent liabilities</i>  | <u>72,625</u>        | <u>-</u>           | <u>72,625</u>       |
| <i>Total liabilities</i>   | <u>109,792</u>       | <u>12,478</u>      | <u>122,270</u>      |
| <i>Net Assets:</i>   |                      |                    |                     |
| Net assets invested in capital assets, net of related debt                             | 2,651,476            | -                  | 2,651,476           |
| Net assets unrestricted:   | 89,323               | 45,497             | 134,820             |
| <i>Total net assets</i>  | <u>2,740,799</u>     | <u>45,497</u>      | <u>2,786,296</u>    |
| <i>Total Liabilities and Net Assets</i>  | <u>\$ 2,850,591</u>  | <u>\$ 57,975</u>   | <u>\$ 2,908,566</u> |

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**STATE OF NEW MEXICO**  
 Village of Questa  
 Statement of Revenues, Expenses and Changes in Fund Net Assets  
 Proprietary Funds  
 For the Year Ended June 30, 2011

|  | <u>Joint Utility</u> | <u>Solid Waste</u> | <u>Total</u>        |
|--|----------------------|--------------------|---------------------|
| <i>Operating revenues:</i>                     |                      |                    |                     |
| Charges for services                           | \$ 354,480           | \$ 174,949         | \$ 529,429          |
| <i>Total operating revenues</i>                | <u>354,480</u>       | <u>174,949</u>     | <u>529,429</u>      |
| <i>Operating expenses:</i>                     |                      |                    |                     |
| Depreciation                                   | -                    | -                  | -                   |
| Personal services                              | 223,904              | -                  | 223,904             |
| Contractual services                           | 9,843                | 7,693              | 17,536              |
| Supplies and purchased power                   | 67,801               | 173,054            | 240,855             |
| Maintenance and materials                      | 3,795                | -                  | 3,795               |
| Heat, light and power                          | 48,329               | -                  | 48,329              |
| <i>Total operating expenses</i>                | <u>353,672</u>       | <u>180,747</u>     | <u>534,419</u>      |
| <i>Operating income (loss)</i>                 | <u>808</u>           | <u>(5,798)</u>     | <u>(4,990)</u>      |
| <i>Non-operating revenues (expenses):</i>      |                      |                    |                     |
| Interest expense                               | (1,950)              | -                  | (1,950)             |
| Interest income                                | 156                  | -                  | 156                 |
| Miscellaneous income                           | 61                   | -                  | 61                  |
| Transfers Out                                  | 7,040                | -                  | 7,040               |
| <i>Total non-operating revenues (expenses)</i> | <u>5,307</u>         | <u>-</u>           | <u>5,307</u>        |
| <i>Change in net assets</i>                    | 6,115                | (5,798)            | 317                 |
| <i>Total net assets, beginning of year</i>     | <u>2,734,684</u>     | <u>51,295</u>      | <u>2,785,979</u>    |
| <i>Total net assets, end of year</i>           | <u>\$ 2,740,799</u>  | <u>\$ 45,497</u>   | <u>\$ 2,786,296</u> |

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**STATE OF NEW MEXICO**  
Village of Questa  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended June 30, 2011

|  | <u>Joint Utility</u> | <u>Solid Waste</u> | <u>Total</u>      |
|--|----------------------|--------------------|-------------------|
| <i>Cash flows from operating activities:</i>                                 |                      |                    |                   |
| Cash received from user charges  | \$ 344,425           | \$ 168,808         | \$ 513,233        |
| Cash payments to employees for services                                      | (207,592)            | -                  | (207,592)         |
| Cash payments to suppliers for goods and services                            | (118,199)            | (168,892)          | (287,091)         |
|  | <u>18,634</u>        | <u>(84)</u>        | <u>18,550</u>     |
| <i>Net cash used for operating activities</i>                                |                      |                    |                   |
| <i>Cash flows from noncapital financing activities:</i>                      |                      |                    |                   |
| Accrued Compensated Absences   | 4,363                | -                  | 4,363             |
| Additions to capital assets  | -                    | -                  | -                 |
| Interest paid  | (1,950)              | -                  | (1,950)           |
| Miscellaneous income   | 61                   | -                  | 61                |
| Transfers from other funds   | 7,040                | -                  | 7,040             |
|  | <u>9,514</u>         | <u>-</u>           | <u>9,514</u>      |
| <i>Net cash provided from noncapital financing activities:</i>               |                      |                    |                   |
| <i>Cash flows from capital and related financing activities:</i>             |                      |                    |                   |
| Payment of inter-fund payables   | -                    | -                  | -                 |
| Principal payments on bonds payable  | (5,000)              | -                  | (5,000)           |
|  | <u>(5,000)</u>       | <u>-</u>           | <u>(5,000)</u>    |
| <i>Net cash used by capital and related financing activities:</i>            |                      |                    |                   |
| <i>Cash flows from investing activities:</i>                                 |                      |                    |                   |
| Interest on investments  | 156                  | -                  | 156               |
|  | <u>156</u>           | <u>-</u>           | <u>156</u>        |
| <i>Net cash provided from investing activities:</i>                          |                      |                    |                   |
| <i>Net increase in cash and cash equivalents</i>                             | 23,304               | (84)               | 23,220            |
| <i>Cash and cash equivalents - beginning of year</i>                         | <u>72,861</u>        | <u>34,674</u>      | <u>107,535</u>    |
| <i>Cash and cash equivalents - end of year</i>                               | <u>\$ 96,165</u>     | <u>\$ 34,590</u>   | <u>\$ 130,755</u> |
| <i>Reconciliation of operating income (loss) to net cash provided (used)</i> |                      |                    |                   |
| <i>by operating activities</i>   |                      |                    |                   |
| Operating income (loss)  | \$ 808               | \$ (5,798)         | \$ (4,990)        |
| Adjustments to reconcile operating (loss) to net cash (used)                 |                      |                    |                   |
| by operating activities  |                      |                    |                   |
| Depreciation   | -                    | -                  | -                 |
| Changes in assets and liabilities  |                      |                    |                   |
| Receivables  | (10,055)             | (6,141)            | (16,196)          |
| Accrued expenses   | 16,312               | -                  | 16,312            |
| Accounts payable   | 11,569               | 11,855             | 23,424            |
|  | <u>\$ 18,634</u>     | <u>\$ (84)</u>     | <u>\$ 18,550</u>  |
| <i>Net cash (used) by operating activities</i>                               |                      |                    |                   |

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**STATE OF NEW MEXICO**  
Village of Questa  
Agency Funds  
Statement of Fiduciary Assets and Liabilities-Agency Funds  
June 30, 2011

|                           | <u>Agency Funds</u>    |
|---------------------------|------------------------|
| <i>Assets</i>             |                        |
| Cash                      | <u>\$ 3,688</u>        |
| <i>Total assets</i>       | <u><u>3,688</u></u>    |
| <i>Liabilities</i>        |                        |
| Due to other taxing units | <u>3,688</u>           |
| <i>Total liabilities</i>  | <u><u>\$ 3,688</u></u> |

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STATE OF NEW MEXICO  
Village of Questa  
Notes to Financial Statements  
June 30, 2011

**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.

STATE OF NEW MEXICO  
Village of Questa  
Notes to Financial Statements  
June 30, 2011

**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 current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

STATE OF NEW MEXICO  
Village of Questa  
Notes to Financial Statements  
June 30, 2011

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

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, Economic Development Fund, Water Improvement Fund and WTPP Improvement 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.

STATE OF NEW MEXICO  
Village of Questa  
Notes to Financial Statements  
June 30, 2011

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

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

The *Economic Development Fund* (Special Revenue Fund) is used to account for funds related to the Economic Development of the Village of Questa. .

The *Water System Improvement Fund* is used to account for improvement to the water system. Funding is a ¼ cent sales tax imposed by legislation for such projects.

The *WWTP Improvement Fund* is to account for improvements to the Waste Water Treatment Plant.

The government reports its Joint Utility and Solid Waste enterprise fund as major governmental funds.

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.

STATE OF NEW MEXICO  
Village of Questa  
Notes to Financial Statements  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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. Overview of the financial statements**

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.

STATE OF NEW MEXICO  
Village of Questa  
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June 30, 2011

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

**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.

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.



STATE OF NEW MEXICO  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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

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

| Assets                        | Years |
|-------------------------------|-------|
| 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, depending on their length of service. Employees may accumulate 120 hours of annual leave and carry that leave forward from calendar year to calendar year. Upon termination, employees will be paid for a maximum of 120 hours 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.

Net Asset or 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.

In the government-wide financial statements fund equity is classified as net assets and is displayed as the following components:

Committed fund balance represents amounts that are useable only for specified purposes by formal action of the governments' highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purpose, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high level body or official whom the governing body has delegated

STATE OF NEW MEXICO  
Village of Questa  
Notes to Financial Statements  
June 30, 2011

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

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

Restricted fund balance represents amounts with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unassigned fund balance is the residual classification for the general fund and represents the amount that have not been assigned to other funds, and that have not been restricted, committed or assigned to specific purposes.

Invested in capital assets, net of related debt consists of net assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

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.

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.

STATE OF NEW MEXICO  
Village of Questa  
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**NOTE 2. Stewardship, Compliance, and Accountability (continued)**

**Budgetary Information (continued)**

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, 2011 is presented.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund is recorded on each budgetary statement.

**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, 2011.

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 \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The Dodd Frank Act of 2010 required that all funds in a non-interest bearing bank account be fully insured by the FDIC through December 31, 2012. The Village of Questa has one account that is interest bearing account therefore; that account will not be subject to the Dodd-Frank Act of 2010.

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.

STATE OF NEW MEXICO  
 Village of Questa  
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**NOTE 3. Deposits and Investments (continued)**

|  | Centinel<br>Bank  | US<br>Bank | Questa Credit<br>Union |
|--|-------------------|------------|------------------------|
| Total of deposits in the bank  | \$ 544,721        | \$ 75,910  | \$ 660                 |
| Less FDIC coverage   | (544,721)         | (75,910)   | (660)                  |
|  | -                 | -          |                        |
| Total uninsured public funds   |                   |            |                        |
| Collateral requirement   | -                 |            |                        |
| Pledged collateral held by the pledging<br>Bank's trust department but not in the Village's name | -                 |            |                        |
| <br>Custodial Credit Risk-Deposits   |                   |            |                        |
| Account Balance  | \$ 621,291        |            |                        |
| FDIC Insured   | 621,291           |            |                        |
| Collateral:  |                   |            |                        |
| Collateral held by the pledging bank, not in the<br>Village's name                               | -                 |            |                        |
| Uninsured and uncollateralized   | -                 |            |                        |
| Total Deposits   | <u>\$ 621,291</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, 2011, none of the Village's bank balance of \$621,291 was exposed to custodial credit risk as follows:

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

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, 2011 is:

|   |                   |
|---|-------------------|
| Cash and cash equivalents per Exhibit<br>A-1          | \$567,604         |
| Cash and cash equivalents per Exhibit<br>E-1          | 3,688             |
| Less: State Treasurer Funds                           | (3,822)           |
| Add outstanding checks and other<br>reconciling items | <u>53,861</u>     |
|   | <u>\$ 621,291</u> |

STATE OF NEW MEXICO  
Village of Questa  
Notes to Financial Statements  
June 30, 2011

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

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that in the event of counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village does not have an investment policy for custodial credit risk. The Village’s investments are in certificates of deposits and investment in the State Treasurer’s Local Government Investment Pool (LGIP). The LGIP is not subject to custodial credit risk and the custodial credit risk for the certificates of deposits is contemplated in custodial risk – cash.

Interest Rate Risk and Credit Rating- Investment in State Treasurer’s LGIP

The Village does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates. The Village’s investments at June 30, 2011 include the following:

|                      |      |            |          |
|----------------------|------|------------|----------|
| State Treasurer LGIP | AAAm | 36-day WAM | \$ 3,862 |
|----------------------|------|------------|----------|

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts of the fund were invested. Any unrealized gain or loss on the portfolio is distributed through the investment yield on distributed dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2011. Participation in the Local Government Investment Pool is voluntary.

NM State Statutes require collateral pledged for repurchase agreements in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least 102% of the amount on deposit with the institution. There are no repurchase agreements for the year ended June 30, 2011.

**NOTE 4. Accounts Receivable**

|                   | General<br>Fund | Economic<br>Development<br>Fund | Wastewater<br>System<br>Improvements | Non-Major<br>Projects | Total      |
|-------------------|-----------------|---------------------------------|--------------------------------------|-----------------------|------------|
| Taxes:            |                 |                                 |                                      |                       |            |
| Property Taxes    | \$ 83,628       | \$ -                            | \$ -                                 | \$ -                  | \$ 83,628  |
| Intergovernmental | -               | 54,761                          | -                                    | 137,435               | 192,196    |
| Other             | 82,290          | -                               | -                                    | -                     | 82,290     |
| Net Receivables   | \$ 165,918      | \$ 54,761                       | \$ -                                 | \$ 137,435            | \$ 358,114 |

Enterprise accounts receivable at June 30, 2011 were \$111,709, allowance for uncollectible accounts of \$58,374 for a net accounts receivable of \$53,335.

STATE OF NEW MEXICO  
Village of Questa  
Notes to Financial Statements  
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**NOTE 5. Transfers**

|                                | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------------------|---------------------|----------------------|
| Governmental Activities:       |                     |                      |
| General Fund                   | \$ -                | \$ 36,830            |
| Environmental Gross Receipts   | -                   | 6,950                |
| Oversight Fund                 | -                   | 90                   |
| Youth Facility Fund            | 15,737              | -                    |
| Library Fund                   | 13,660              | -                    |
| CFRP Fund                      | -                   | 1,194                |
| Local Road Projects            | 2,003               | -                    |
| EPA Grant Fund                 | 6,624               | -                    |
| Total Governmental Activities  | <u>38,024</u>       | <u>45,064</u>        |
| Business-like Activities:      |                     |                      |
| Joint Utility                  | <u>7,040</u>        | <u>-</u>             |
| Total Business-like Activities | <u>\$ 45,064</u>    | <u>\$ 45,064</u>     |

The outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The Village Council authorizes transfers between funds to cover the expenditures in the receiving funds. Interfund balances are due within one year. Transfers are a result of the Village transferring money from the general fund and the joint utility fund to cover expenditures in other funds.

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2011 follows. Land and Construction in Progress is not subject to depreciation.

| Governmental Activities:               | <u>Balance<br/>June 30, 2010</u> | <u>Additions</u>    | <u>Deletions</u> | <u>Balance<br/>June 30, 2011</u> |
|--|----------------------------------|---------------------|------------------|----------------------------------|
| Capital Assets, not being depreciated: |                                  |                     |                  |                                  |
| Land                                   | \$ 45,237                        | \$ -                | \$ -             | \$ 45,237                        |
| Construction in Progress               | <u>-</u>                         | <u>4,607,874</u>    | <u>-</u>         | <u>4,607,874</u>                 |
| Capital Assets, being depreciated:     |                                  |                     |                  |                                  |
| Furniture, Fixture, & Equipment        | 376,725                          | 12,500              | -                | 389,225                          |
| Vehicles                               | 1,191,086                        | 322,931             | -                | 1,514,017                        |
| Buildings & Improvements               | <u>3,981,591</u>                 | <u>-</u>            | <u>-</u>         | <u>3,981,591</u>                 |
| Subtotal Capital Assets                | <u>5,594,639</u>                 | <u>4,943,305</u>    | <u>-</u>         | <u>10,537,944</u>                |
| Accumulated Depreciation:              |                                  |                     |                  |                                  |
| Furniture, Fixture, & Equipment        | 315,313                          | -                   | -                | 315,313                          |
| Vehicles                               | 826,948                          | -                   | -                | 826,948                          |
| Buildings & Improvements               | <u>113,831</u>                   | <u>-</u>            | <u>-</u>         | <u>113,831</u>                   |
| Subtotal Accumulated Depreciation      | <u>1,256,092</u>                 | <u>-</u>            | <u>-</u>         | <u>1,256,092</u>                 |
| Net Capital Assets                     | <u>\$ 4,338,547</u>              | <u>\$ 4,943,305</u> | <u>\$ -</u>      | <u>\$ 9,281,852</u>              |

The Village did not record depreciation expense for the year ended June 30, 2011.

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Village of Questa  
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**NOTE 6. Capital Assets (continued)**

Business-like Activities:

|                                    | Balance<br>June 30, 2010 | Additions   | Deletions   | Balance<br>June 30, 2011        |
|------------------------------------|--------------------------|-------------|-------------|---------------------------------|
| Plant in Service                   | \$ 4,209,293             | \$ -        | \$ -        | \$ 4,209,293                    |
| Capital Assets, being depreciated: |                          |             |             |                                 |
| Furniture, Fixture, & Equipment    | 693,392                  | -           | -           | 693,392                         |
| Vehicles                           | 172,257                  | -           | -           | 172,257                         |
| Subtotal Business-like Activities  | <u>5,074,942</u>         | <u>-</u>    | <u>-</u>    | <u>5,074,942</u>                |
| Accumulated Depreciation:          |                          |             |             |                                 |
| Plant in Service                   | 1,959,029                | -           | -           | 1,959,029                       |
| Furniture, Fixture, & Equipment    | 256,979                  | -           | -           | 256,979                         |
| Vehicle                            | 134,458                  | -           | -           | 134,458                         |
| Subtotal Accumulated Depreciation  | <u>2,350,466</u>         | <u>-</u>    | <u>-</u>    | <u>2,350,466</u>                |
| Net Capital Assets                 | <u>\$ 2,724,476</u>      | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u><br><u>2,724,476</u> |

The Village did not record depreciation expense relating to business-like activities for the year ended June 30, 2011.

**NOTE 7. Long-term Debt**

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

Governmental activities:

|   | Balance<br>June 30,<br>2010 | Additions         | Retirements      | Balance<br>June 30,<br>2011 | Amounts Due<br>Within One Year |
|---|-----------------------------|-------------------|------------------|-----------------------------|--------------------------------|
| Loan Payable – NMFA 1.707%, Maturity 5/1/12 | \$ 47,834                   | \$ -              | \$ 47,834        | \$ -                        | \$ -                           |
| NMFA Fire Truck                             | -                           | 313,534           | -                | 313,534                     | -                              |
| Accrued Compensated Absences                | 10,674                      | 11,642            | 10,674           | 11,642                      | -                              |
| Total Long-term Debt                        | <u>\$ 58,508</u>            | <u>\$ 325,176</u> | <u>\$ 58,508</u> | <u>\$ 325,176</u>           | <u>\$ -</u>                    |

STATE OF NEW MEXICO  
Village of Questa  
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**NOTE 7. Long-term Debt (continued)**

The annual requirements to amortize the NMFA Fire Truck as of June 30, 2011, including interest payments are as follows:

| Fiscal<br>Year | Principal         | Interest         | Total             |
|----------------|-------------------|------------------|-------------------|
| 2012           | \$ -              | \$ 14,943        | \$ 14,943         |
| 2013           | 24,784            | 7,911            | 32,695            |
| 2014           | 22,250            | 7,587            | 29,837            |
| 2015           | 22,750            | 7,251            | 30,001            |
| 2016           | 23,250            | 6,832            | 30,082            |
| 2017-<br>2021  | 131,250           | 25,535           | 156,785           |
| 2022-<br>2023  | 89,250            | 5,922            | 95,172            |
|                | <u>\$ 313,534</u> | <u>\$ 75,981</u> | <u>\$ 389,515</u> |

**Propriety Long-term Debt**

The Water and Sewer Fund has incurred various forms of debt, which were used for the purposed 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, 2011.

|   | Balance<br>June 30, 2010 | Additions       | Deletions       | Balance<br>June 30, 2011 | Amounts Due<br>Within One<br>Year |
|---|--------------------------|-----------------|-----------------|--------------------------|-----------------------------------|
| \$140,000 original issue Series 1981 Water and Sewer Revenue Bonds payable in annual installments each June 1st through the year 2022<br>Interest is at 5.0% per annum. | \$ 78,000                | \$ -            | \$ 5,000        | \$ 73,000                | \$ 5,000                          |
| Accrued Compensated Absences  | 2,066                    | 3,592           | 1,033           | 4,625                    | 4,625                             |
| <b>Total</b>  | <u>\$ 80,066</u>         | <u>\$ 3,592</u> | <u>\$ 6,033</u> | <u>\$ 77,625</u>         | <u>\$ 9,625</u>                   |



STATE OF NEW MEXICO  
Village of Questa  
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**NOTE 7. Long-term Debt (continued)**

The annual requirements to amortize the Revenue Bonds as of June 30, 2011, including interest payments are as follows:

| Fiscal<br>Year | Principal        | Interest         | Total            |
|----------------|------------------|------------------|------------------|
| 2012           | 5,000            | 3,525            | 8,525            |
| 2013           | 5,000            | 3,275            | 8,275            |
| 2014           | 6,000            | 3,000            | 9,000            |
| 2015           | 6,000            | 2,700            | 8,700            |
| 2016           | 6,000            | 2,700            | 8,700            |
| 2017-<br>2021  | 35,000           | 7,575            | 42,575           |
| 2022-<br>2023  | 10,000           | 1,800            | 11,800           |
|                | <u>\$ 73,000</u> | <u>\$ 24,575</u> | <u>\$ 97,575</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, 2011 the following schedule shows the maximum reserves and actual reserves held by the Village.

| Series | Payment until<br>Maximum | Required Minimum Reserves |                           |                 | Actual at June 30, 2011 |                           |
|--------|--------------------------|---------------------------|---------------------------|-----------------|-------------------------|---------------------------|
|        |                          | Debt<br>Service           | Repair and<br>Replacement | Total           | Debt<br>Service         | Repair and<br>Replacement |
| 1981   | \$ 232/Month             | \$ 8,537                  | \$ -                      | \$ 8,537        | \$ 8,959                | \$ -                      |
| Total  |                          | <u>\$ 8,537</u>           | <u>\$ -</u>               | <u>\$ 8,537</u> | <u>\$ 8,959</u>         | <u>\$ -</u>               |

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**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, 2011.

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, 2011, 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 lawsuits have been filed against the Village of Questa.

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

**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:

A. Deficit fund balance of individual funds: The funds with deficit fund balances as of June 30, 2011 were as follows:

|                           |    |           |
|---------------------------|----|-----------|
| Economic Development Fund | \$ | (292,181) |
| Water System Improvement  |    | (190,992) |
| WWTP Improvement Fund     |    | (331,013) |
| EMS Fund                  |    | (5,085)   |

Deficit balances are generally covered by collection of grants or transfers from the general Fund.

B. Excess of expenditures over appropriations by fund.

|                           |           |
|---------------------------|-----------|
| General Fund              | (140,161) |
| Economic Development Fund | (105,968) |
| Fire Protection Fund      | (188,628) |
| Municipal Judge Fund      | (2,175)   |
| Recreation Fund           | (13)      |
| Library Grant Fund        | (4,269)   |
| CFRP Fund                 | (24)      |
| Local Road Projects Fund  | (79,643)  |
| EPA Grant Fund            | (6,624)   |
| EMS County Fund           | (22,941)  |

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**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 Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 7% to 8% (ranges from 4.0% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Village of Questa is required to contribute 7% to 11% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the (name of employer) are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Village of Questa contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$40,065, \$38,863 and \$49,425, respectively, which equal the required contributions for each year.

**NOTE 11. Post-Employment Benefits**

*Plan Description.* Village of Questa contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years. The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us). The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

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 Notes to Financial Statements  
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**NOTE 11. Post-Employment Benefits (continued)**

(1) For employees who are not members of an enhanced retirement plan the contribution rates will be:

| Fiscal Year | Employer Contribution Rate | Employee Contribution Rate |
|-------------|----------------------------|----------------------------|
| FY12        | 1.834%                     | .917%                      |
| FY13        | 2.000%                     | 1.000%                     |

(2) For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; an members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 2.084% of each participating employee's annual salary, and each participating employee was required to contribute 1.042% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contributions rates for both employees and employers will rise as follows:

| Fiscal Year Employer | Contribution Rate Employee | Contribution Rate |
|----------------------|----------------------------|-------------------|
| FY12                 | 2.292%                     | 1.146%            |
| FY13                 | 2.500%                     | 1.250%            |

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals. The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. The Village of Questa's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$6,679, \$5,313 and \$5,709, respectively, which equal the required contributions for each year.

**NOTE 12. Contingent Liabilities**

The Village is party to various claims and lawsuits arising in the normal course of business. Management has been notified of a possible claim for wrongful termination. In addition, the Village may be subject to a possible claim arising from the improper use of engineering documents. The Village believes these will be covered by insurance subject to their deductible.

A review of subsequent disbursements revealed an invoice for The Henley Group reflecting a total contract price for engineering services and copyrights of \$99,013.62. The Village has an executed contract for engineering services with The Henley Group for \$49,900. The Village may have an obligation to The Henley Group for an amount in excess of its contract.

**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. Liability for reimbursement, determined by Federal Auditors, which may arise as a result of these audits, may be material to the financial statements taken as a whole.

**NOTE 14. Related Parties**

The Village has entered into various related party transactions in the normal course of business. We are required to review those transactions to ensure that they are considered "arm's length" and are required to disclose those related party transactions that might have a material effect on the financial statements as a whole. The following related parties are deemed to have a material effect on the financial statements.

|                                 |                   |               |
|---------------------------------|-------------------|---------------|
| Robles, Rael and Anaya          | Legal Services    | \$ 280,054.12 |
| Universal Professional Services | Lobbying Services | \$ 40,000.00  |

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**NOTE 15. 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, 2010 to June 30, 2011

Total Estimated Amount of Project and Actual Amount Contributed: Unknown

*Public Information Marquee*

Purpose: Village of Questa agrees to provide the land for a Public School Marquee sign to be used by both the School District and the Village of Questa.

Participants: Questa Independent Schools and the Village of Questa

Responsible Party for Operation and Audit: Questa Independent Schools

Beginning and Ending Date of Agreement: July 1, 2007 to June 30, 2013

Total Estimated Amount of Project and Actual Amount Contributed: Unknown

*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, 2010 to June 30, 2011

Total Estimated Amount of Project and Actual Amount Contributed: Unknown

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Notes to Financial Statements  
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**NOTE 15. Joint Powers Agreements (continued)**

*DWI Roadblocks*

Purpose: To provide cooperation between municipal and county officials to provide additional law enforcement activities to combat DWI offenses.

Participants: Town of Taos, County of Taos, Town of Red River, and Village of Questa

Responsible Party for Operation and Audit: Taos County

Beginning and Ending Date of Agreement: July 1, 2009 to termination of agreement

Total Estimated Amount of Project and Actual Amount Contributed: Unknown

**NOTE 16. Subsequent Review**

The Village of Questa has evaluated subsequent events through November 3, 2011, which is the date the financial statements were dated and had the following to disclose:

On July 25, 2011, the Village Council voted to approve the final budget resolution before sending it to the Department of Finance and Administration for approval. A question as to the validity of the vote has been raised and the issue is being reviewed by DFA legal counsel. On October 19, 2011, a discussion with the budget analyst for the Village of Questa revealed that the budget adjustment had not been approved by DFA.

The Village Administrator was terminated on September 6, 2011 and the Village is currently being administered by the Mayor.

In October 2011, the Village Administrative Offices were found to be infiltrated by mold and had to be evacuated and are unable to be used until remedied. An insurance inspector will determine the extent of the damage and the Village Administration will evaluate future options.

In October 2011, the contractor for the Business Park project was considered to be in breach of the agreement and was given thirty days to complete the project, as such, contact can only occur between the attorneys for both parties. The Village has a lease agreement with Kit Carson Electric for occupancy of the building but due to the timing of the completion of the building and the fact that the building did not pass inspection, Kit Carson has indicated that they may terminate the lease agreement.

In August 2011, a review of subsequent disbursements revealed an invoice for The Hensley Group reflecting a total contract price for engineering services and copyrights of \$99,013.62. The Village has an executed contract for engineering services with The Henley Group for \$49,900. As of June 30, 2011, the Village was obligated to The Hensley Group for services rendered of \$49,653. As of October 1, 2011, the Village had not paid for services in excess of the engineering contract of \$49,900.

In March 2011 it was discovered that an engineer who contracted with the Village in an earlier transaction had questioned the use of his designs, related to a Village project, by another engineer. The original engineer has requested to be indemnified by the Village for the use of his designs by another engineer. As of October 19, 2011, it was determined that the engineer had not received indemnification from the Village.

STATE OF NEW MEXICO  
Village of Questa  
Notes to Financial Statements  
June 30, 2011

**NOTE 17. Subsequent Accounting Standard Pronouncements**

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. That Statement supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Statement 62 is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. The objective of this statement is to provide non-conflicting pronouncements between FASB and GASB. The Village is reviewing the effects of the implementation of this statement.

In June 2011, the GASB issued Statement No. 63, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position* which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Village is reviewing the effects of the implementation of this statement.

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NON-MAJOR GOVERNMENTAL FUNDS

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STATE OF NEW MEXICO  
VILLAGE OF QUESTA  
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 TAX 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 FUND– 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.

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

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

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.

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.

POLICE DEPARTMENT JUSTICE 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 NMSA 29-13-1.

VETERANS MEMORIAL FUND – to account for reserve monies related to the Veterans Memorial.

ECONOMIC DEVELOPMENT-BUSINESS PARK FUND – to account for reserve monies related to the Business Park. .

AIRPORT IMPROVEMENT FUND – to account for reserve monies related to the Airport.

MULTIPURPOSE BUILDING FUND – to account for reserve monies related to the Multipurpose Building.

CWPP FUND – to account for reserve monies related to CWPP.

LOCAL ROAD PROJECT FUND – to account for reserve monies related to local road maintenance.

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.

SEWER REVENUE BOND FUND – to account for reserve monies related to Sewer System. The Fund is being used to maintain a reserve per the loan agreement.

EPA GRANT FUND – to account for reserve monies related to EPA Grant.

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Village of Questa  
Nonmajor Governmental Funds  
Combining Balance Sheet  
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|  | Local Corrections<br>Fund | Environmental<br>Gross Receipts Tax<br>Fund | EMS Fire Fund  | Fire Protection<br>Fund | Beautification<br>Fund | Law Enforcement<br>Protection Fund |
|--|---------------------------|---|----------------|-------------------------|------------------------|------------------------------------|
| <i>Assets</i>                              |                           |   |                |                         |                        |                                    |
| Cash and cash equivalents                  | \$ 17,883                 | \$ 8,007                                    | \$ 400         | \$ 56,622               | \$ 5                   | \$ 499                             |
| Investments                                | -                         | -   | -              | 142                     | -                      | -                                  |
| Accounts and taxes receivable              | -                         | -   | -              | -                       | -                      | -                                  |
| Other receivables                          | -                         | 1,656                                       | -              | 64,171                  | -                      | -                                  |
| Due from other governments                 | -                         | -   | -              | -                       | -                      | -                                  |
| Inventory                                  | -                         | -   | -              | -                       | -                      | -                                  |
| Prepaid insurance                          | -                         | -   | -              | -                       | -                      | -                                  |
| Due from other funds                       | -                         | -   | -              | -                       | -                      | -                                  |
| <i>Total assets</i>                        | <u>\$ 17,883</u>          | <u>\$ 9,663</u>                             | <u>\$ 400</u>  | <u>\$ 120,935</u>       | <u>\$ 5</u>            | <u>\$ 499</u>                      |
| <i>Liabilities</i>                         |                           |   |                |                         |                        |                                    |
| Accounts payable                           | \$ -                      | \$ -  | \$ -           | \$ 69,088               | \$ -                   | \$ -                               |
| Accrued salaries and benefits              | -                         | -   | 4,392          | -                       | -                      | -                                  |
| Accrued compensated absences               | -                         | -   | -              | -                       | -                      | -                                  |
| Deferred revenue                           | -                         | -   | -              | -                       | -                      | -                                  |
| Due to other funds                         | -                         | -   | -              | -                       | -                      | -                                  |
| <i>Total liabilities</i>                   | <u>-</u>                  | <u>-</u>                                    | <u>4,392</u>   | <u>69,088</u>           | <u>-</u>               | <u>-</u>                           |
| <i>Fund Balances</i>                       |                           |   |                |                         |                        |                                    |
| Fund Balance                               |                           |   |                |                         |                        |                                    |
| Restricted for:                            |                           |   |                |                         |                        |                                    |
| General Fund                               | -                         | -   | -              | -                       | -                      | -                                  |
| Special Revenue Funds                      | 17,883                    | 9,663                                       | (3,992)        | 51,847                  | 5                      | 499                                |
| Capital Projects Funds                     | -                         | -   | -              | -                       | -                      | -                                  |
| Debt Service Funds                         | -                         | -   | -              | -                       | -                      | -                                  |
| Committed for:                             |                           |   |                |                         |                        |                                    |
| General Fund                               | -                         | -   | -              | -                       | -                      | -                                  |
| Special Revenue Funds                      | -                         | -   | -              | -                       | -                      | -                                  |
| Capital Projects Funds                     | -                         | -   | -              | -                       | -                      | -                                  |
| Assigned for:                              |                           |   |                |                         |                        |                                    |
| General Fund                               | -                         | -   | -              | -                       | -                      | -                                  |
| Special Revenue Funds                      | -                         | -   | -              | -                       | -                      | -                                  |
| Capital Projects Funds                     | -                         | -   | -              | -                       | -                      | -                                  |
| Unassigned for:                            |                           |   |                |                         |                        |                                    |
| General Fund                               | -                         | -   | -              | -                       | -                      | -                                  |
| <i>Total fund balances</i>                 | <u>17,883</u>             | <u>9,663</u>                                | <u>(3,992)</u> | <u>51,847</u>           | <u>5</u>               | <u>499</u>                         |
| <i>Total liabilities and fund balances</i> | <u>\$ 17,883</u>          | <u>\$ 9,663</u>                             | <u>\$ 400</u>  | <u>\$ 120,935</u>       | <u>\$ 5</u>            | <u>\$ 499</u>                      |

**STATE OF NEW MEXICO**  
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Combining Balance Sheet  
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|  | Oversight Fund   | Municipal<br>Judge Fund | Municipal<br>Street Fund | Recreation Fund | Youth Facility<br>Fund | Library Grant   |
|--|------------------|-------------------------|--------------------------|-----------------|------------------------|-----------------|
| <i>Assets</i>                              |                  |                         |                          |                 |                        |                 |
| Cash and cash equivalents                  | \$ 12,501        | \$ 3,947                | \$ 31,226                | \$ 605          | \$ -                   | \$ -            |
| Investments                                | -                | -                       | -                        | -               | -                      | -               |
| Accounts and taxes receivable              | -                | -                       | -                        | -               | -                      | -               |
| Other receivables                          | 16,700           | -                       | 5,444                    | -               | -                      | -               |
| Due from other governments                 | -                | -                       | -                        | -               | -                      | 4,415           |
| Inventory                                  | -                | -                       | -                        | -               | -                      | -               |
| Prepaid insurance                          | -                | -                       | -                        | -               | -                      | -               |
| Due from other funds                       | -                | -                       | -                        | -               | -                      | -               |
| <i>Total assets</i>                        | <u>\$ 29,201</u> | <u>\$ 3,947</u>         | <u>\$ 36,670</u>         | <u>\$ 605</u>   | <u>\$ -</u>            | <u>\$ 4,415</u> |
| <i>Liabilities</i>                         |                  |                         |                          |                 |                        |                 |
| Accounts payable                           | \$ 27,518        | \$ 1,600                | \$ 1,546                 | \$ -            | \$ -                   | \$ 1,686        |
| Accrued salaries and benefits              | -                | -                       | -                        | -               | -                      | -               |
| Accrued compensated absences               | -                | -                       | -                        | -               | -                      | -               |
| Deferred revenue                           | -                | -                       | -                        | -               | -                      | -               |
| Due to other funds                         | -                | -                       | -                        | -               | -                      | -               |
| <i>Total liabilities</i>                   | <u>27,518</u>    | <u>1,600</u>            | <u>1,546</u>             | <u>-</u>        | <u>-</u>               | <u>1,686</u>    |
| <i>Fund Balances</i>                       |                  |                         |                          |                 |                        |                 |
| Fund Balance                               |                  |                         |                          |                 |                        |                 |
| Restricted for:                            |                  |                         |                          |                 |                        |                 |
| General Fund                               | -                | -                       | -                        | -               | -                      | -               |
| Special Revenue Funds                      | 1,683            | 2,347                   | 35,124                   | 605             | -                      | 2,729           |
| Capital Projects Funds                     | -                | -                       | -                        | -               | -                      | -               |
| Debt Service Funds                         | -                | -                       | -                        | -               | -                      | -               |
| Committed for:                             |                  |                         |                          |                 |                        |                 |
| General Fund                               | -                | -                       | -                        | -               | -                      | -               |
| Special Revenue Funds                      | -                | -                       | -                        | -               | -                      | -               |
| Capital Projects Funds                     | -                | -                       | -                        | -               | -                      | -               |
| Assigned for:                              |                  |                         |                          |                 |                        |                 |
| General Fund                               | -                | -                       | -                        | -               | -                      | -               |
| Special Revenue Funds                      | -                | -                       | -                        | -               | -                      | -               |
| Capital Projects Funds                     | -                | -                       | -                        | -               | -                      | -               |
| Unassigned for:                            |                  |                         |                          |                 |                        |                 |
| General Fund                               | -                | -                       | -                        | -               | -                      | -               |
| <i>Total fund balances</i>                 | <u>1,683</u>     | <u>2,347</u>            | <u>35,124</u>            | <u>605</u>      | <u>-</u>               | <u>2,729</u>    |
| <i>Total liabilities and fund balances</i> | <u>\$ 29,201</u> | <u>\$ 3,947</u>         | <u>\$ 36,670</u>         | <u>\$ 605</u>   | <u>\$ -</u>            | <u>\$ 4,415</u> |

**STATE OF NEW MEXICO**  
 Village of Questa  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2011

Statement A-1  
 3 of 4

|  | CFRP Grant  | Police<br>Department<br>Justice Fund | CDBG Fund        | Airport<br>Improvement<br>Fund | CWPP Fund       | Local Road<br>Project Fund |
|--|-------------|--------------------------------------|------------------|--------------------------------|-----------------|----------------------------|
| <i>Assets</i>                              |             |                                      |                  |                                |                 |                            |
| Cash and cash equivalents                  | \$ -        | \$ -                                 | \$ 22            | \$ 25,658                      | \$ 8,956        | \$ -                       |
| Investments                                | -           | -                                    | -                | -                              | -               | -                          |
| Accounts and taxes receivable              | -           | -                                    | -                | -                              | -               | -                          |
| Other receivables                          | -           | -                                    | -                | -                              | -               | -                          |
| Due from other governments                 | -           | -                                    | 45,000           | -                              | -               | -                          |
| Inventory                                  | -           | -                                    | -                | -                              | -               | -                          |
| Prepaid insurance                          | -           | -                                    | -                | -                              | -               | -                          |
| Due from other funds                       | -           | -                                    | -                | -                              | -               | -                          |
| <i>Total assets</i>                        | <u>\$ -</u> | <u>\$ -</u>                          | <u>\$ 45,022</u> | <u>\$ 25,658</u>               | <u>\$ 8,956</u> | <u>\$ -</u>                |
| <i>Liabilities</i>                         |             |                                      |                  |                                |                 |                            |
| Accounts payable                           | \$ -        | \$ -                                 | \$ -             | \$ 12,796                      | \$ -            | \$ -                       |
| Accrued salaries and benefits              | -           | -                                    | -                | -                              | -               | -                          |
| Accrued compensated absences               | -           | -                                    | -                | -                              | -               | -                          |
| Deferred revenue                           | -           | -                                    | -                | -                              | -               | -                          |
| Due to other funds                         | -           | -                                    | -                | -                              | -               | -                          |
| <i>Total liabilities</i>                   | <u>-</u>    | <u>-</u>                             | <u>-</u>         | <u>12,796</u>                  | <u>-</u>        | <u>-</u>                   |
| <i>Fund Balances</i>                       |             |                                      |                  |                                |                 |                            |
| Fund Balance                               |             |                                      |                  |                                |                 |                            |
| Restricted for:                            |             |                                      |                  |                                |                 |                            |
| General Fund                               | -           | -                                    | -                | -                              | -               | -                          |
| Special Revenue Funds                      | -           | -                                    | -                | -                              | -               | -                          |
| Capital Projects Funds                     | -           | -                                    | 45,022           | 12,862                         | 8,956           | -                          |
| Debt Service Funds                         | -           | -                                    | -                | -                              | -               | -                          |
| Committed for:                             |             |                                      |                  |                                |                 |                            |
| General Fund                               | -           | -                                    | -                | -                              | -               | -                          |
| Special Revenue Funds                      | -           | -                                    | -                | -                              | -               | -                          |
| Capital Projects Funds                     | -           | -                                    | -                | -                              | -               | -                          |
| Assigned for:                              |             |                                      |                  |                                |                 |                            |
| General Fund                               | -           | -                                    | -                | -                              | -               | -                          |
| Special Revenue Funds                      | -           | -                                    | -                | -                              | -               | -                          |
| Capital Projects Funds                     | -           | -                                    | -                | -                              | -               | -                          |
| Unassigned for:                            |             |                                      |                  |                                |                 |                            |
| General Fund                               | -           | -                                    | -                | -                              | -               | -                          |
| <i>Total fund balances</i>                 | <u>-</u>    | <u>-</u>                             | <u>45,022</u>    | <u>12,862</u>                  | <u>8,956</u>    | <u>-</u>                   |
| <i>Total liabilities and fund balances</i> | <u>\$ -</u> | <u>\$ -</u>                          | <u>\$ 45,022</u> | <u>\$ 25,658</u>               | <u>\$ 8,956</u> | <u>\$ -</u>                |

**STATE OF NEW MEXICO**  
Village of Questa  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2011

|  | EPA Grant Fund | EMS County Fund | Total Nonmajor<br>Governmental<br>Funds |
|--|----------------|-----------------|---|
| <i>Assets</i>                              |                |                 |   |
| Cash and cash equivalents                  | \$ -           | \$ 3,858        | \$ 170,189                              |
| Investments                                | -              | -               | 142                                     |
| Accounts and taxes receivable              | -              | -               | -                                       |
| Other receivables                          | -              | -               | 87,971                                  |
| Due from other governments                 | -              | -               | 49,415                                  |
| Inventory                                  | -              | -               | -                                       |
| Prepaid insurance                          | -              | -               | -                                       |
| Due from other funds                       | -              | -               | -                                       |
| <i>Total assets</i>                        | \$ -           | \$ 3,858        | \$ 307,717                              |
| <i>Liabilities</i>                         |                |                 |   |
| Accounts payable                           | \$ -           | \$ 222          | \$ 114,456                              |
| Accrued salaries and benefits              | -              | -               | 4,392                                   |
| Accrued compensated absences               | -              | -               | -                                       |
| Deferred revenue                           | -              | -               | -                                       |
| Due to other funds                         | -              | -               | -                                       |
| <i>Total liabilities</i>                   | -              | 222             | 118,848                                 |
| <i>Fund Balances</i>                       |                |                 |   |
| Fund Balance                               |                |                 |   |
| Restricted for:                            |                |                 |   |
| General Fund                               | -              | -               | -                                       |
| Special Revenue Funds                      | -              | 3,636           | 122,029                                 |
| Capital Projects Funds                     | -              | -               | 66,840                                  |
| Debt Service Funds                         | -              | -               | -                                       |
| Committed for:                             |                |                 |   |
| General Fund                               | -              | -               | -                                       |
| Special Revenue Funds                      | -              | -               | -                                       |
| Capital Projects Funds                     | -              | -               | -                                       |
| Assigned for:                              |                |                 |   |
| General Fund                               | -              | -               | -                                       |
| Special Revenue Funds                      | -              | -               | -                                       |
| Capital Projects Funds                     | -              | -               | -                                       |
| Unassigned for:                            |                |                 |   |
| General Fund                               | -              | -               | -                                       |
| <i>Total fund balances</i>                 | -              | 3,636           | 188,869                                 |
| <i>Total liabilities and fund balances</i> | \$ -           | \$ 3,858        | \$ 307,717                              |

**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, 2011

|  | Local<br>Corrections<br>Fund | Environmental<br>Gross Receipts<br>Tax Fund | EMS Fire Fund     | Fire Protection<br>Fund | Beautification<br>Fund | Law<br>Enforcement<br>Protection Fund |
|--|------------------------------|---|-------------------|-------------------------|------------------------|---------------------------------------|
| <i>Revenues:</i>   |                              |   |                   |                         |                        |                                       |
| Taxes  |                              |   |                   |                         |                        |                                       |
| Property taxes   | \$ -                         | \$ -  | \$ -              | \$ -                    | \$ -                   | \$ -                                  |
| Gross receipts taxes                                     | -                            | 13,650                                      | -                 | -                       | -                      | -                                     |
| Public service taxes                                     | -                            | -   | -                 | -                       | -                      | -                                     |
| Franchise taxes  | -                            | -   | -                 | -                       | -                      | -                                     |
| Federal Sources  | -                            | -   | -                 | 61,171                  | -                      | -                                     |
| State Sources  | -                            | -   | -                 | 24,537                  | -                      | 20,600                                |
| Local Sources  | -                            | -   | -                 | -                       | -                      | -                                     |
| Charges for Services                                     | -                            | -   | 7,741             | -                       | -                      | -                                     |
| Licenses and Fees  | 2,980                        | -   | -                 | -                       | -                      | -                                     |
| Investment Income (Loss)                                 | -                            | -   | 5                 | 3,194                   | -                      | 10                                    |
| Miscellaneous  | -                            | -   | -                 | 310,367                 | -                      | -                                     |
| <i>Total revenues</i>                                    | <u>2,980</u>                 | <u>13,650</u>                               | <u>7,746</u>      | <u>399,269</u>          | <u>-</u>               | <u>20,610</u>                         |
| <i>Expenditures:</i>                                     |                              |   |                   |                         |                        |                                       |
| Current:   |                              |   |                   |                         |                        |                                       |
| General Government                                       | -                            | 1,825                                       | -                 | -                       | -                      | -                                     |
| Public Safety  | -                            | -   | 10,768            | 216,853                 | -                      | 10,705                                |
| Public Works   | -                            | -   | -                 | -                       | -                      | -                                     |
| Culture and Recreation                                   | -                            | -   | -                 | -                       | -                      | -                                     |
| Health and Welfare                                       | -                            | -   | -                 | -                       | -                      | -                                     |
| Capital Outlay   | -                            | -   | -                 | 335,431                 | -                      | -                                     |
| Debt Service:  |                              |   |                   |                         |                        |                                       |
| Principal  | -                            | -   | -                 | -                       | -                      | -                                     |
| Interest   | -                            | -   | -                 | -                       | -                      | 13,377                                |
| <i>Total expenditures</i>                                | <u>-</u>                     | <u>1,825</u>                                | <u>10,768</u>     | <u>552,284</u>          | <u>-</u>               | <u>24,082</u>                         |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>2,980</u>                 | <u>11,825</u>                               | <u>(3,022)</u>    | <u>(153,015)</u>        | <u>-</u>               | <u>(3,472)</u>                        |
| <i>Other financing sources (uses)</i>                    |                              |   |                   |                         |                        |                                       |
| Bond Proceeds  | -                            | -   | -                 | -                       | -                      | -                                     |
| Transfers In   | -                            | -   | -                 | -                       | -                      | -                                     |
| Transfers Out  | -                            | (6,950)                                     | -                 | -                       | -                      | -                                     |
| <i>Total other financing sources (uses)</i>              | <u>-</u>                     | <u>(6,950)</u>                              | <u>-</u>          | <u>-</u>                | <u>-</u>               | <u>-</u>                              |
| <i>Net change in fund balances</i>                       | <u>2,980</u>                 | <u>4,875</u>                                | <u>(3,022)</u>    | <u>(153,015)</u>        | <u>-</u>               | <u>(3,472)</u>                        |
| <i>Fund balances - beginning of year</i>                 | <u>14,903</u>                | <u>4,788</u>                                | <u>(970)</u>      | <u>204,862</u>          | <u>5</u>               | <u>3,971</u>                          |
| <i>Fund balances - end of year</i>                       | <u>\$ 17,883</u>             | <u>\$ 9,663</u>                             | <u>\$ (3,992)</u> | <u>\$ 51,847</u>        | <u>\$ 5</u>            | <u>\$ 499</u>                         |



**STATE OF NEW MEXICO**  
Village of Questa  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2011

|  | <u>Oversight Fund</u> | <u>Municipal Judge Fund</u> | <u>Municipal Streets Fund</u> | <u>Recreation Fund</u> | <u>Youth Facility Fund</u> | <u>Library Grant Fund</u> |
|--|-----------------------|-----------------------------|-------------------------------|------------------------|----------------------------|---------------------------|
| <i>Revenues:</i>   |                       |                             |                               |                        |                            |                           |
| Taxes  |                       |                             |                               |                        |                            |                           |
| Property taxes   | \$ -                  | \$ -                        | \$ -                          | \$ -                   | \$ -                       | \$ 9,444                  |
| Gross receipts taxes                                     | -                     | -                           | -                             | -                      | -                          | -                         |
| Public service taxes                                     | -                     | -                           | 36,381                        | (78)                   | -                          | -                         |
| Franchise taxes  | -                     | -                           | -                             | -                      | -                          | -                         |
| Federal Sources  | -                     | -                           | -                             | -                      | -                          | -                         |
| State Sources  | 43,275                | -                           | (5,824)                       | -                      | -                          | 14,519                    |
| Local Sources  | -                     | -                           | -                             | -                      | -                          | -                         |
| Charges for Services                                     | -                     | -                           | -                             | 200                    | -                          | 11,445                    |
| Licenses and Fees  | -                     | 14,686                      | -                             | -                      | -                          | -                         |
| Investment Income (Loss)                                 | -                     | -                           | -                             | -                      | -                          | -                         |
| Miscellaneous  | 224,321               | -                           | -                             | -                      | -                          | 1,369                     |
| <i>Total revenues</i>                                    | <u>267,596</u>        | <u>14,686</u>               | <u>30,557</u>                 | <u>122</u>             | <u>-</u>                   | <u>36,777</u>             |
| <i>Expenditures:</i>                                     |                       |                             |                               |                        |                            |                           |
| Current:   |                       |                             |                               |                        |                            |                           |
| General Government                                       | 279,571               | 17,175                      | -                             | -                      | -                          | -                         |
| Public Safety  | -                     | -                           | -                             | -                      | -                          | -                         |
| Public Works   | -                     | -                           | 23,479                        | -                      | -                          | -                         |
| Culture and Recreation                                   | -                     | -                           | -                             | 72                     | 832                        | 33,399                    |
| Health and Welfare                                       | -                     | -                           | -                             | -                      | -                          | -                         |
| Capital Outlay   | -                     | -                           | -                             | -                      | -                          | -                         |
| Debt Service:  |                       |                             |                               |                        |                            |                           |
| Principal  | -                     | -                           | -                             | -                      | -                          | -                         |
| Interest   | -                     | -                           | -                             | -                      | -                          | -                         |
| <i>Total expenditures</i>                                | <u>279,571</u>        | <u>17,175</u>               | <u>23,479</u>                 | <u>72</u>              | <u>832</u>                 | <u>33,399</u>             |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(11,975)</u>       | <u>(2,489)</u>              | <u>7,078</u>                  | <u>50</u>              | <u>(832)</u>               | <u>3,378</u>              |
| <i>Other financing sources (uses)</i>                    |                       |                             |                               |                        |                            |                           |
| Bond Proceeds  | -                     | -                           | -                             | -                      | -                          | -                         |
| Transfers In   | -                     | -                           | -                             | -                      | 15,737                     | 13,660                    |
| Transfers Out  | (90)                  | -                           | -                             | -                      | -                          | -                         |
| <i>Total other financing sources (uses)</i>              | <u>(90)</u>           | <u>-</u>                    | <u>-</u>                      | <u>-</u>               | <u>15,737</u>              | <u>13,660</u>             |
| <i>Net change in fund balances</i>                       | <u>(12,065)</u>       | <u>(2,489)</u>              | <u>7,078</u>                  | <u>50</u>              | <u>14,905</u>              | <u>17,038</u>             |
| <i>Fund balances - beginning of year</i>                 | <u>13,748</u>         | <u>4,836</u>                | <u>28,046</u>                 | <u>555</u>             | <u>(14,905)</u>            | <u>(14,309)</u>           |
| <i>Fund balances - end of year</i>                       | <u>\$ 1,683</u>       | <u>\$ 2,347</u>             | <u>\$ 35,124</u>              | <u>\$ 605</u>          | <u>\$ -</u>                | <u>\$ 2,729</u>           |

**STATE OF NEW MEXICO**  
Village of Questa  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2011

|  | CFRP Grant     | Police<br>Department<br>Justice Fund | CDBG<br>Fund     | Airport<br>Improvement<br>Fund | CWPP Fund       | Local Road<br>Project Fund |
|--|----------------|--------------------------------------|------------------|--------------------------------|-----------------|----------------------------|
| <i>Revenues:</i>   |                |                                      |                  |                                |                 |                            |
| Taxes  |                |                                      |                  |                                |                 |                            |
| Property taxes   | \$ -           | \$ -                                 | \$ -             | \$ -                           | \$ -            | \$ -                       |
| Gross receipts taxes                                     | -              | -                                    | -                | -                              | -               | -                          |
| Public service taxes                                     | -              | -                                    | -                | -                              | -               | -                          |
| Franchise taxes  | -              | -                                    | -                | -                              | -               | -                          |
| Federal Sources  | -              | -                                    | -                | -                              | -               | -                          |
| State Sources  | -              | -                                    | 450,100          | 163,039                        | 16,529          | 77,640                     |
| Local Sources  | -              | -                                    | -                | -                              | -               | -                          |
| Charges for Services                                     | -              | -                                    | -                | -                              | -               | -                          |
| Licenses and Fees  | -              | -                                    | -                | -                              | -               | -                          |
| Investment Income (Loss)                                 | -              | -                                    | -                | -                              | -               | -                          |
| Miscellaneous  | -              | -                                    | -                | -                              | -               | -                          |
| <i>Total revenues</i>                                    | <u>-</u>       | <u>-</u>                             | <u>450,100</u>   | <u>163,039</u>                 | <u>16,529</u>   | <u>77,640</u>              |
| <i>Expenditures:</i>                                     |                |                                      |                  |                                |                 |                            |
| Current:   |                |                                      |                  |                                |                 |                            |
| General Government                                       | 24             | -                                    | -                | 150,177                        | 7,573           | 79,643                     |
| Public Safety  | -              | (11)                                 | -                | -                              | -               | -                          |
| Public Works   | -              | -                                    | 405,078          | -                              | -               | -                          |
| Culture and Recreation                                   | -              | -                                    | -                | -                              | -               | -                          |
| Health and Welfare                                       | -              | -                                    | -                | -                              | -               | -                          |
| Capital Outlay   | -              | -                                    | -                | -                              | -               | -                          |
| Debt Service:  |                |                                      |                  |                                |                 |                            |
| Principal  | -              | -                                    | -                | -                              | -               | -                          |
| Interest   | -              | -                                    | -                | -                              | -               | -                          |
| <i>Total expenditures</i>                                | <u>24</u>      | <u>(11)</u>                          | <u>405,078</u>   | <u>150,177</u>                 | <u>7,573</u>    | <u>79,643</u>              |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(24)</u>    | <u>11</u>                            | <u>45,022</u>    | <u>12,862</u>                  | <u>8,956</u>    | <u>(2,003)</u>             |
| <i>Other financing sources (uses)</i>                    |                |                                      |                  |                                |                 |                            |
| Bond Proceeds  | -              | -                                    | -                | -                              | -               | -                          |
| Transfers In   | -              | -                                    | -                | -                              | -               | 2,003                      |
| Transfers Out  | (1,194)        | -                                    | -                | -                              | -               | -                          |
| <i>Total other financing sources (uses)</i>              | <u>(1,194)</u> | <u>-</u>                             | <u>-</u>         | <u>-</u>                       | <u>-</u>        | <u>2,003</u>               |
| <i>Net change in fund balances</i>                       | <u>(1,218)</u> | <u>11</u>                            | <u>45,022</u>    | <u>12,862</u>                  | <u>8,956</u>    | <u>-</u>                   |
| <i>Fund balances - beginning of year</i>                 | <u>1,218</u>   | <u>(11)</u>                          | <u>-</u>         | <u>-</u>                       | <u>-</u>        | <u>-</u>                   |
| <i>Fund balances - end of year</i>                       | <u>\$ -</u>    | <u>\$ -</u>                          | <u>\$ 45,022</u> | <u>\$ 12,862</u>               | <u>\$ 8,956</u> | <u>\$ -</u>                |

**STATE OF NEW MEXICO**  
 Village of Questa  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the Year Ended June 30, 2011

|  | <u>EPA Grant Fund</u> | <u>EMS County Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|-----------------------|------------------------|--|
| <i>Revenues:</i>   |                       |                        |  |
| Taxes  |                       |                        |  |
| Property taxes   | \$ -                  | \$ 18,580              | \$ 28,024                                |
| Gross receipts taxes                                     | -                     | -                      | 13,650                                   |
| Public service taxes                                     | -                     | -                      | 36,303                                   |
| Franchise taxes  | -                     | -                      | -  |
| Federal Sources  | -                     | -                      | 61,171                                   |
| State Sources  | -                     | -                      | 804,415                                  |
| Local Sources  | -                     | -                      | -  |
| Charges for Services                                     | -                     | 117,799                | 137,185                                  |
| Licenses and Fees  | -                     | -                      | 17,666                                   |
| Investment Income (Loss)                                 | -                     | -                      | 3,209                                    |
| Miscellaneous  | -                     | 1,098                  | 537,155                                  |
| <i>Total revenues</i>                                    | <u>-</u>              | <u>137,477</u>         | <u>1,638,778</u>                         |
| <i>Expenditures:</i>                                     |                       |                        |  |
| Current:   |                       |                        |  |
| General Government                                       | -                     | -                      | 535,988                                  |
| Public Safety  | -                     | 147,182                | 385,497                                  |
| Public Works   | 6,624                 | -                      | 435,181                                  |
| Culture and Recreation                                   | -                     | -                      | 34,303                                   |
| Health and Welfare                                       | -                     | -                      | -  |
| Capital Outlay   | -                     | -                      | 335,431                                  |
| Debt Service:  |                       |                        |  |
| Principal  | -                     | -                      | -  |
| Interest   | -                     | -                      | 13,377                                   |
| <i>Total expenditures</i>                                | <u>6,624</u>          | <u>147,182</u>         | <u>1,739,777</u>                         |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(6,624)</u>        | <u>(9,705)</u>         | <u>(100,999)</u>                         |
| <i>Other financing sources (uses)</i>                    |                       |                        |  |
| Bond Proceeds  | -                     | -                      | -  |
| Transfers In   | 6,624                 | -                      | 38,024                                   |
| Transfers Out  | -                     | -                      | (8,234)                                  |
| <i>Total other financing sources (uses)</i>              | <u>6,624</u>          | <u>-</u>               | <u>29,790</u>                            |
| <i>Net change in fund balances</i>                       | -                     | (9,705)                | (71,209)                                 |
| <i>Fund balances - beginning of year</i>                 | <u>-</u>              | <u>13,341</u>          | <u>260,078</u>                           |
| <i>Fund balances - end of year</i>                       | <u>\$ -</u>           | <u>\$ 3,636</u>        | <u>\$ 188,869</u>                        |

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**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, 2011

|   | Budgeted Amounts |              | Actual           | Variances                                  |
|---|------------------|--------------|------------------|--|
|   | Original         | Final        | (Non-GAAP Basis) | Favorable (Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |              |                  |  |
| Taxes   | \$ -             | \$ -         | \$ -             | \$ -                                       |
| Intergovernmental Income  | -                | -            | -                | -  |
| Charges For Services  | -                | -            | -                | -  |
| Licenses and Fees   | 9,000            | 9,000        | 2,980            | (6,020)                                    |
| Interest Income   | -                | -            | -                | -  |
| Investment Income(Loss)   | -                | -            | -                | -  |
| Miscellaneous   | -                | -            | -                | -  |
| <i>Total revenues</i>   | <u>9,000</u>     | <u>9,000</u> | <u>2,980</u>     | <u>(6,020)</u>                             |
| <i>Expenditures:</i>  |                  |              |                  |  |
| Current:  |                  |              |                  |  |
| General Government  | -                | -            | -                | -  |
| Public Safety   | 9,000            | 9,000        | -                | 9,000                                      |
| Public Works  | -                | -            | -                | -  |
| Culture and Recreation  | -                | -            | -                | -  |
| Health and Welfare  | -                | -            | -                | -  |
| Capital Outlay  | -                | -            | -                | -  |
| Debt Service:   |                  |              |                  |  |
| Principal   | -                | -            | -                | -  |
| Interest  | -                | -            | -                | -  |
| <i>Total expenditures</i>   | <u>9,000</u>     | <u>9,000</u> | <u>-</u>         | <u>9,000</u>                               |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>-</u>         | <u>-</u>     | <u>2,980</u>     | <u>2,980</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>2,980</u>     | <u>2,980</u>                               |
| <i>Cash Balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>     | <u>14,903</u>    | <u>14,903</u>                              |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u>  | <u>\$ 17,883</u> | <u>\$ 17,883</u>                           |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |              | -                |  |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |              | -                |  |
| <i>Excess (deficiency) of revenues over expenditures (GAAP basis)</i>   |                  |              | <u>\$ 2,980</u>  |  |

**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, 2011

|   | Budgeted Amounts |              | Actual           | Variances                                  |
|---|------------------|--------------|------------------|--|
|   | Original         | Final        | (Non-GAAP Basis) | Favorable (Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |              |                  |  |
| Taxes   | \$ 8,775         | \$ 8,775     | \$ 11,994        | \$ 3,219                                   |
| Intergovernmental Income  | -                | -            | -                | -  |
| Charges For Services  | -                | -            | -                | -  |
| Licenses and Fees   | -                | -            | -                | -  |
| Interest Income   | -                | -            | -                | -  |
| Investment Income(Loss)   | -                | -            | -                | -  |
| Miscellaneous   | -                | -            | -                | -  |
| <i>Total revenues</i>   | <u>8,775</u>     | <u>8,775</u> | <u>11,994</u>    | <u>3,219</u>                               |
| <i>Expenditures:</i>  |                  |              |                  |  |
| Current:  |                  |              |                  |  |
| General Government  | 8,775            | 8,775        | 8,775            | -  |
| Public Safety   | -                | -            | -                | -  |
| Public Works  | -                | -            | -                | -  |
| Culture and Recreation  | -                | -            | -                | -  |
| Health and Welfare  | -                | -            | -                | -  |
| Capital Outlay  | -                | -            | -                | -  |
| Debt Service:   |                  |              |                  |  |
| Principal   | -                | -            | -                | -  |
| Interest  | -                | -            | -                | -  |
| <i>Total expenditures</i>   | <u>8,775</u>     | <u>8,775</u> | <u>8,775</u>     | <u>-</u>                                   |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>-</u>         | <u>-</u>     | <u>3,219</u>     | <u>3,219</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>3,219</u>     | <u>3,219</u>                               |
| <i>Cash Balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>     | <u>4,788</u>     | <u>4,788</u>                               |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u>  | <u>\$ 8,007</u>  | <u>\$ 8,007</u>                            |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |              | -                |  |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |              | <u>1,656</u>     |  |
| Excess (deficiency) of revenues over expenditures (GAAP basis)  |                  |              | <u>\$ 4,875</u>  |  |

**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, 2011

|   | Budgeted Amounts |              | Actual            | Variances                                  |
|---|------------------|--------------|-------------------|--|
|   | Original         | Final        | (Non-GAAP Basis)  | Favorable (Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |              |                   |  |
| Taxes   | \$ -             | \$ -         | \$ -              | \$ -                                       |
| Intergovernmental Income  | -                | -            | -                 | -  |
| Charges For Services  | 7,477            | 7,477        | 7,741             | 264  |
| Licenses and Fees   | -                | -            | -                 | -  |
| Interest Income   | -                | -            | -                 | -  |
| Investment Income(Loss)   | -                | -            | 5                 | 5  |
| Miscellaneous   | -                | -            | -                 | -  |
| <i>Total revenues</i>   | <u>7,477</u>     | <u>7,477</u> | <u>7,746</u>      | <u>269</u>                                 |
| <i>Expenditures:</i>  |                  |              |                   |  |
| Current:  |                  |              |                   |  |
| General Government  | -                | -            | -                 | -  |
| Public Safety   | 8,080            | 8,080        | 8,044             | 36   |
| Public Works  | -                | -            | -                 | -  |
| Culture and Recreation  | -                | -            | -                 | -  |
| Health and Welfare  | -                | -            | -                 | -  |
| Capital Outlay  | -                | -            | -                 | -  |
| Debt Service:   |                  |              |                   |  |
| Principal   | -                | -            | -                 | -  |
| Interest  | -                | -            | -                 | -  |
| <i>Total expenditures</i>   | <u>8,080</u>     | <u>8,080</u> | <u>8,044</u>      | <u>36</u>                                  |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>(603)</u>     | <u>(603)</u> | <u>(298)</u>      | <u>305</u>                                 |
| <i>Other financing sources (uses)</i>   |                  |              |                   |  |
| Designated Cash   | 603              | 603          | -                 | (603)                                      |
| Transfers In  | -                | -            | -                 | -  |
| Transfers Out   | -                | -            | -                 | -  |
| <i>Total other financing sources (uses)</i>   | <u>603</u>       | <u>603</u>   | <u>-</u>          | <u>(603)</u>                               |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -            | (298)             | (298)                                      |
| <i>Cash Balance - Beginning of Year</i>   | -                | -            | 698               | 698  |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u>  | <u>\$ 400</u>     | <u>\$ 400</u>                              |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |              | -                 |  |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |              | (2,724)           |  |
| Excess (deficiency) of revenues over expenditures (GAAP basis)  |                  |              | <u>\$ (3,022)</u> |  |

**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, 2011

|   | Budgeted Amounts |                | Actual              | Variances                                     |
|---|------------------|----------------|---------------------|---|
|   | Original         | Final          | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |                |                     |   |
| Taxes   | \$ -             | \$ -           | \$ -                | \$ -  |
| Intergovernmental Income  | 96,690           | 96,690         | 121,800             | 25,110  |
| Charges For Services  | -                | -              | -                   | -   |
| Licenses and Fees   | -                | -              | -                   | -   |
| Interest Income   | -                | -              | -                   | -   |
| Investment Income(Loss)   | -                | -              | 194                 | 194   |
| Miscellaneous   | 192,781          | 192,781        | 410,367             | 217,586                                       |
| <i>Total revenues</i>   | <u>289,471</u>   | <u>289,471</u> | <u>532,361</u>      | <u>242,890</u>                                |
| <i>Expenditures:</i>  |                  |                |                     |   |
| <i>Current:</i>   |                  |                |                     |   |
| General Government  | -                | -              | -                   | -   |
| Public Safety   | -                | -              | 106,162             | (106,162)                                     |
| Public Works  | -                | -              | -                   | -   |
| Culture and Recreation  | -                | -              | -                   | -   |
| Health and Welfare  | -                | -              | -                   | -   |
| Capital Outlay  | 295,973          | 295,973        | 378,439             | (82,466)                                      |
| <i>Debt Service:</i>  |                  |                |                     |   |
| Principal   | -                | -              | -                   | -   |
| Interest  | -                | -              | -                   | -   |
| <i>Total expenditures</i>   | <u>295,973</u>   | <u>295,973</u> | <u>484,601</u>      | <u>(188,628)</u>                              |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>(6,502)</u>   | <u>(6,502)</u> | <u>47,760</u>       | <u>54,262</u>                                 |
| <i>Other financing sources (uses)</i>   |                  |                |                     |   |
| Designated Cash   | 6,502            | 6,502          | -                   | (6,502)                                       |
| Transfers In  | -                | -              | -                   | -   |
| Transfers Out   | -                | -              | -                   | -   |
| <i>Total other financing sources (uses)</i>   | <u>6,502</u>     | <u>6,502</u>   | <u>-</u>            | <u>(6,502)</u>                                |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -              | 47,760              | 47,760  |
| <i>Cash Balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>       | <u>9,004</u>        | <u>9,004</u>                                  |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ 56,764</u>    | <u>\$ 56,764</u>                              |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |                | (67,683)            |   |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |                | (133,092)           |   |
| Excess (deficiency) of revenues over expenditures (GAAP basis)  |                  |                | <u>\$ (153,015)</u> |   |



**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, 2011

|   | Budgeted Amounts |             | Actual           | Variances                                  |
|---|------------------|-------------|------------------|--|
|   | Original         | Final       | (Non-GAAP Basis) | Favorable (Unfavorable)<br>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  | -                | -           | -                | -  |
| Health and Welfare  | -                | -           | -                | -  |
| Capital Outlay  | -                | -           | -                | -  |
| Debt Service:   |                  |             |                  |  |
| Principal   | -                | -           | -                | -  |
| Interest  | -                | -           | -                | -  |
| <i>Total expenditures</i>   | <u>-</u>         | <u>-</u>    | <u>-</u>         | <u>-</u>                                   |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>-</u>         | <u>-</u>    | <u>-</u>         | <u>-</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>-</u>         | <u>-</u>                                   |
| <i>Cash Balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>    | <u>5</u>         | <u>5</u>                                   |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u> | <u>\$ 5</u>      | <u>\$ 5</u>                                |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |             | -                |  |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |             | -                |  |
| <i>Excess (deficiency) of revenues over expenditures (GAAP basis)</i>   |                  |             | <u>\$ -</u>      |  |

**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, 2011

|   | Budgeted Amounts |                | Actual            | Variances                                  |
|---|------------------|----------------|-------------------|--|
|   | Original         | Final          | (Non-GAAP Basis)  | Favorable (Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |                |                   |  |
| Taxes   | \$ -             | \$ -           | \$ -              | \$ -                                       |
| Intergovernmental Income  | 20,600           | 20,600         | 20,600            | -  |
| Charges For Services  | -                | -              | -                 | -  |
| Licenses and Fees   | -                | -              | -                 | -  |
| Interest Income   | -                | -              | -                 | -  |
| Investment Income(Loss)   | -                | -              | 10                | 10   |
| Miscellaneous   | -                | -              | -                 | -  |
| <i>Total revenues</i>   | <u>20,600</u>    | <u>20,600</u>  | <u>20,610</u>     | <u>10</u>                                  |
| <i>Expenditures:</i>  |                  |                |                   |  |
| Current:  |                  |                |                   |  |
| General Government  | -                | -              | -                 | -  |
| Public Safety   | 24,571           | 24,571         | 10,705            | 13,866                                     |
| Public Works  | -                | -              | -                 | -  |
| Culture and Recreation  | -                | -              | -                 | -  |
| Health and Welfare  | -                | -              | -                 | -  |
|   | -                | -              | -                 | -  |
| Debt Service:   |                  |                |                   |  |
| Principal   | -                | -              | -                 | -  |
| Interest  | -                | -              | 13,377            | (13,377)                                   |
| <i>Total expenditures</i>   | <u>24,571</u>    | <u>24,571</u>  | <u>24,082</u>     | <u>489</u>                                 |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>(3,971)</u>   | <u>(3,971)</u> | <u>(3,472)</u>    | <u>499</u>                                 |
| <i>Other financing sources (uses)</i>   |                  |                |                   |  |
| Designated Cash   | 3,971            | 3,971          | -                 | (3,971)                                    |
| Transfers In  | -                | -              | -                 | -  |
| Transfers Out   | -                | -              | -                 | -  |
| <i>Total other financing sources (uses)</i>   | <u>3,971</u>     | <u>3,971</u>   | <u>-</u>          | <u>(3,971)</u>                             |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -              | (3,472)           | (3,472)                                    |
| <i>Cash Balance - Beginning of Year</i>   | -                | -              | 3,971             | 3,971                                      |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ 499</u>     | <u>\$ 499</u>                              |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |                | -                 |  |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |                | -                 |  |
| <i>Excess (deficiency) of revenues over expenditures (GAAP basis)</i>   |                  |                | <u>\$ (3,472)</u> |  |

**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, 2011

|   | Budgeted Amounts |                | Actual             | Variances                                  |
|---|------------------|----------------|--------------------|--|
|   | Original         | Final          | (Non-GAAP Basis)   | Favorable (Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |                |                    |  |
| Taxes   | \$ -             | \$ -           | \$ -               | \$ -                                       |
| Federal Sources   | -                | -              | -                  | -  |
| State Sources   | -                | -              | 43,275             | 43,275                                     |
| Charges For Services  | -                | -              | -                  | -  |
| Licenses and Fees   | -                | -              | -                  | -  |
| Investment Income(Loss)   | -                | -              | -                  | -  |
| Miscellaneous   | 712,477          | 712,477        | 207,621            | (504,856)                                  |
| <i>Total revenues</i>   | <u>712,477</u>   | <u>712,477</u> | <u>250,896</u>     | <u>(461,581)</u>                           |
| <i>Expenditures:</i>  |                  |                |                    |  |
| Current:  |                  |                |                    |  |
| General Government  | 712,477          | 712,477        | 252,053            | 460,424                                    |
| Public Safety   | -                | -              | -                  | -  |
| Public Works  | -                | -              | -                  | -  |
| Culture and Recreation  | -                | -              | -                  | -  |
| Health and Welfare  | -                | -              | -                  | -  |
| Capital Outlay  | -                | -              | -                  | -  |
| Debt Service:   |                  |                |                    |  |
| Principal   | -                | -              | -                  | -  |
| Interest  | -                | -              | -                  | -  |
| <i>Total expenditures</i>   | <u>712,477</u>   | <u>712,477</u> | <u>252,053</u>     | <u>460,424</u>                             |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>-</u>         | <u>-</u>       | <u>(1,157)</u>     | <u>(1,157)</u>                             |
| <i>Other financing sources (uses)</i>   |                  |                |                    |  |
| Designated Cash   | -                | -              | -                  | -  |
| Transfers In  | -                | -              | -                  | -  |
| Transfers Out   | -                | -              | (90)               | (90)                                       |
| <i>Total other financing sources (uses)</i>   | <u>-</u>         | <u>-</u>       | <u>(90)</u>        | <u>(90)</u>                                |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | <u>-</u>         | <u>-</u>       | <u>(1,247)</u>     | <u>(1,247)</u>                             |
| <i>Cash Balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>       | <u>13,748</u>      | <u>13,748</u>                              |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ 12,501</u>   | <u>\$ 12,501</u>                           |
| Adjustment to expenditures for payables, taxes, prepaid expenses, and other accruals                            |                  |                | 16,700             |  |
| Adjustment to revenue for receivables, and other deferrals and accruals   |                  |                | (27,518)           |  |
| Excess(deficiency of revenues over expenditures (GAAP basis)  |                  |                | <u>\$ (12,065)</u> |  |

**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, 2011

|   | Budgeted Amounts |               | Actual            | Variances                                  |
|---|------------------|---------------|-------------------|--|
|   | Original         | Final         | (Non-GAAP Basis)  | Favorable (Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |               |                   |  |
| Taxes   | \$ -             | \$ -          | \$ -              | \$ -                                       |
| Intergovernmental Income  | -                | -             | -                 | -  |
| Charges For Services  | -                | -             | -                 | -  |
| Licenses and Fees   | 15,000           | 15,000        | 16,286            | 1,286                                      |
| Interest Income   | -                | -             | -                 | -  |
| Investment Income(Loss)   | -                | -             | -                 | -  |
| Miscellaneous   | -                | -             | -                 | -  |
| <b>Total revenues</b>   | <b>15,000</b>    | <b>15,000</b> | <b>16,286</b>     | <b>1,286</b>                               |
| <i>Expenditures:</i>  |                  |               |                   |  |
| Current:  |                  |               |                   |  |
| General Government  | 15,000           | 15,000        | 17,175            | (2,175)                                    |
| Public Safety   | -                | -             | -                 | -  |
| Public Works  | -                | -             | -                 | -  |
| Culture and Recreation  | -                | -             | -                 | -  |
| Health and Welfare  | -                | -             | -                 | -  |
| Capital Outlay  | -                | -             | -                 | -  |
| Debt Service:   |                  |               |                   |  |
| Principal   | -                | -             | -                 | -  |
| Interest  | -                | -             | -                 | -  |
| <b>Total expenditures</b>   | <b>15,000</b>    | <b>15,000</b> | <b>17,175</b>     | <b>(2,175)</b>                             |
| <i>Excess (deficiency) of revenues over expenditures</i>  | -                | -             | (889)             | (889)                                      |
| <i>Other financing sources (uses)</i>   |                  |               |                   |  |
| Designated Cash   | -                | -             | -                 | -  |
| Transfers In  | -                | -             | -                 | -  |
| Transfers Out   | -                | -             | -                 | -  |
| <b>Total other financing sources (uses)</b>   | <b>-</b>         | <b>-</b>      | <b>-</b>          | <b>-</b>                                   |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -             | (889)             | (889)                                      |
| <i>Cash Balance - Beginning of Year</i>   | -                | -             | 4,836             | 4,836                                      |
| <i>Cash Balance - End of Year</i>   | \$ -             | \$ -          | \$ 3,947          | \$ 3,947                                   |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |               | (1,600)           |  |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |               | -                 |  |
| <b>Excess (deficiency) of revenues over expenditures (GAAP basis)</b>   |                  |               | <b>\$ (2,489)</b> |  |

**STATE OF NEW MEXICO**  
 Village of Questa  
 Municipal Streets Special Revenue Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget (Non-GAAP Basis) and Actual  
 For the Year Ended June 30, 2011

|   | Budgeted Amounts |           | Actual              | Variances                                     |
|---|------------------|-----------|---------------------|---|
|   | Original         | Final     | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |           |                     |   |
| Taxes   | \$ 30,700        | \$ 30,700 | \$ 30,937           | \$ 237  |
| Intergovernmental Income  | -                | -         | -                   | -   |
| Charges For Services  | -                | -         | -                   | -   |
| Licenses and Fees   | -                | -         | -                   | -   |
| Interest Income   | -                | -         | -                   | -   |
| Investment Income(Loss)   | -                | -         | -                   | -   |
| Miscellaneous   | -                | -         | -                   | -   |
| <i>Total revenues</i>   | 30,700           | 30,700    | 30,937              | 237   |
| <i>Expenditures:</i>  |                  |           |                     |   |
| Current:  |                  |           |                     |   |
| General Government  | -                | -         | -                   | -   |
| Public Safety   | -                | -         | -                   | -   |
| Public Works  | 30,700           | 30,700    | 22,739              | 7,961   |
| Culture and Recreation  | -                | -         | -                   | -   |
| Health and Welfare  | -                | -         | -                   | -   |
| Capital Outlay  | -                | -         | -                   | -   |
| Debt Service:   |                  |           |                     |   |
| Principal   | -                | -         | -                   | -   |
| Interest  | -                | -         | -                   | -   |
| <i>Total expenditures</i>   | 30,700           | 30,700    | 22,739              | 7,961   |
| <i>Excess (deficiency) of revenues over expenditures</i>  | -                | -         | 8,198               | 8,198   |
| <i>Other financing sources (uses)</i>   |                  |           |                     |   |
| Designated Cash   | (3)              | -         | -                   | -   |
| Transfers In  | -                | -         | -                   | -   |
| Transfers Out   | -                | -         | -                   | -   |
| <i>Total other financing sources (uses)</i>   | (3)              | -         | -                   | -   |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | (3)              | -         | 8,198               | 8,198   |
| <i>Cash Balance - Beginning of Year</i>   | -                | -         | 23,028              | 23,028  |
| <i>Cash Balance - End of Year</i>   | \$ (3)           | \$ -      | \$ 31,226           | \$ 31,226                                     |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |           | (740)               |   |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |           | (380)               |   |
| Excess (deficiency) of revenues over expenditures (GAAP basis)  |                  |           | \$ 7,078            |   |

**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, 2011

|   | Budgeted Amounts |       | Actual              | Variances                                     |
|---|------------------|-------|---------------------|---|
|   | Original         | Final | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |       |                     |   |
| Taxes   | \$ -             | \$ -  | \$ -                | \$ -  |
| Intergovernmental Income  | -                | -     | -                   | -   |
| Charges For Services  | 150              | 150   | 200                 | 50  |
| Licenses and Fees   | -                | -     | -                   | -   |
| Interest Income   | -                | -     | -                   | -   |
| Investment Income(Loss)   | -                | -     | -                   | -   |
| Miscellaneous   | -                | -     | -                   | -   |
| <i>Total revenues</i>   | 150              | 150   | 200                 | 50  |
| <i>Expenditures:</i>  |                  |       |                     |   |
| Current:  |                  |       |                     |   |
| General Government  | -                | -     | -                   | -   |
| Public Safety   | -                | -     | -                   | -   |
| Public Works  | -                | -     | -                   | -   |
| Culture and Recreation  | 150              | 150   | 163                 | (13)  |
| Health and Welfare  | -                | -     | -                   | -   |
| Capital Outlay  | -                | -     | -                   | -   |
| Debt Service:   |                  |       |                     |   |
| Principal   | -                | -     | -                   | -   |
| Interest  | -                | -     | -                   | -   |
| <i>Total expenditures</i>   | 150              | 150   | 163                 | (13)  |
| <i>Excess (deficiency) of revenues over expenditures</i>  | -                | -     | 37                  | 37  |
| <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> | -                | -     | 37                  | 37  |
| <i>Cash Balance - Beginning of Year</i>   | -                | -     | 568                 | 568   |
| <i>Cash Balance - End of Year</i>   | \$ -             | \$ -  | \$ 605              | \$ 605  |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |       | (78)                |   |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |       | 91                  |   |
| Excess (deficiency) of revenues over expenditures (GAAP basis)  |                  |       | \$ 50               |   |

**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, 2011

|   | Budgeted Amounts |                | Actual              | Variances                                     |
|---|------------------|----------------|---------------------|---|
|   | Original         | Final          | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>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  | 1,806            | 1,806          | 1,806               | -   |
| Health and Welfare  | -                | -              | -                   | -   |
| Capital Outlay  | -                | -              | -                   | -   |
| Debt Service:   |                  |                |                     |   |
| Principal   | -                | -              | -                   | -   |
| Interest  | -                | -              | -                   | -   |
| <i>Total expenditures</i>   | <u>1,806</u>     | <u>1,806</u>   | <u>1,806</u>        | <u>-</u>                                      |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>(1,806)</u>   | <u>(1,806)</u> | <u>(1,806)</u>      | <u>-</u>                                      |
| <i>Other financing sources (uses)</i>   |                  |                |                     |   |
| Designated Cash   | 1,806            | 1,806          | -                   | (1,806)                                       |
| Transfers In  | -                | -              | 15,737              | 15,737  |
| Transfers Out   | -                | -              | -                   | -   |
| <i>Total other financing sources (uses)</i>   | <u>1,806</u>     | <u>1,806</u>   | <u>15,737</u>       | <u>13,931</u>                                 |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -              | 13,931              | 13,931  |
| <i>Cash Balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>       | <u>(13,931)</u>     | <u>(13,931)</u>                               |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ -</u>         | <u>\$ -</u>                                   |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |                | 974                 |   |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |                | <u>-</u>            |   |
| Excess (deficiency) of revenues over expenditures (GAAP basis)  |                  |                | <u>\$ 14,905</u>    |   |

**STATE OF NEW MEXICO**  
Village of Questa  
Library Grant Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2011

|   | Budgeted Amounts |               | Actual           | Variances                                     |
|---|------------------|---------------|------------------|---|
|   | Original         | Final         | (Non-GAAP Basis) | Favorable<br>(Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |               |                  |   |
| Taxes   | \$ -             | \$ -          | \$ 9,444         | \$ 9,444                                      |
| Intergovernmental Income  | 27,444           | 27,444        | 12,519           | (14,925)                                      |
| Charges For Services  | -                | -             | 9,030            | 9,030   |
| Licenses and Fees   | -                | -             | -                | -   |
| Interest Income   | -                | -             | -                | -   |
| Investment Income(Loss)   | -                | -             | -                | -   |
| Miscellaneous   | -                | -             | 1,369            | 1,369   |
| <i>Total revenues</i>   | <u>27,444</u>    | <u>27,444</u> | <u>32,362</u>    | <u>4,918</u>                                  |
| <i>Expenditures:</i>  |                  |               |                  |   |
| Current:  |                  |               |                  |   |
| General Government  | -                | -             | -                | -   |
| Public Safety   | -                | -             | -                | -   |
| Public Works  | -                | -             | -                | -   |
| Culture and Recreation  | 27,444           | 27,444        | 31,713           | (4,269)                                       |
| Health and Welfare  | -                | -             | -                | -   |
| Capital Outlay  | -                | -             | -                | -   |
| Debt Service:   |                  |               |                  |   |
| Principal   | -                | -             | -                | -   |
| Interest  | -                | -             | -                | -   |
| <i>Total expenditures</i>   | <u>27,444</u>    | <u>27,444</u> | <u>31,713</u>    | <u>(4,269)</u>                                |
| <i>Excess (deficiency) of revenues over expenditures</i>  | -                | -             | 649              | 649   |
| <i>Other financing sources (uses)</i>   |                  |               |                  |   |
| Designated Cash   | -                | -             | -                | -   |
| Transfers In  | -                | -             | 13,660           | 13,660  |
| Transfers Out   | -                | -             | -                | -   |
| <i>Total other financing sources (uses)</i>   | -                | -             | <u>13,660</u>    | <u>13,660</u>                                 |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -             | 14,309           | 14,309  |
| <i>Cash Balance - Beginning of Year</i>   | -                | -             | (14,309)         | (14,309)                                      |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u>   | <u>\$ -</u>      | <u>\$ -</u>                                   |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |               | (1,686)          |   |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |               | <u>4,415</u>     |   |
| Excess (deficiency) of revenues over expenditures (GAAP basis)  |                  |               | <u>\$ 17,038</u> |   |



**STATE OF NEW MEXICO**  
 Village of Questa  
 CFRP Special Revenue Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget (Non-GAAP Basis) and Actual  
 For the Year Ended June 30, 2011

|   | Budgeted Amounts |             | Actual            | Variations                                 |
|---|------------------|-------------|-------------------|--|
|   | Original         | Final       | (Non-GAAP Basis)  | Favorable (Unfavorable)<br>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  | -                | -           | 24                | (24)                                       |
| Public Safety   | -                | -           | -                 | -  |
| Public Works  | -                | -           | -                 | -  |
| Culture and Recreation  | -                | -           | -                 | -  |
| Health and Welfare  | -                | -           | -                 | -  |
| Capital Outlay  | -                | -           | -                 | -  |
| Debt Service:   |                  |             |                   |  |
| Principal   | -                | -           | -                 | -  |
| Interest  | -                | -           | -                 | -  |
| <i>Total expenditures</i>   | <u>-</u>         | <u>-</u>    | <u>24</u>         | <u>(24)</u>                                |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>-</u>         | <u>-</u>    | <u>(24)</u>       | <u>(24)</u>                                |
| <i>Other financing sources (uses)</i>   |                  |             |                   |  |
| Designated Cash   | 1,218            | 1,218       | -                 | (1,218)                                    |
| Transfers In  | -                | -           | -                 | -  |
| Transfers Out   | (1,218)          | (1,218)     | (1,194)           | 24   |
| <i>Total other financing sources (uses)</i>   | <u>-</u>         | <u>-</u>    | <u>(1,194)</u>    | <u>(1,194)</u>                             |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | <u>-</u>         | <u>-</u>    | <u>(1,218)</u>    | <u>(1,218)</u>                             |
| <i>Cash Balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>    | <u>1,218</u>      | <u>1,218</u>                               |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u> | <u>\$ -</u>       | <u>\$ -</u>                                |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |             | -                 |  |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |             | -                 |  |
| Excess (deficiency) of revenues over expenditures (GAAP basis)  |                  |             | <u>\$ (1,218)</u> |  |

**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, 2011

|   | Budgeted Amounts |             | Actual              | Variances                                     |
|---|------------------|-------------|---------------------|---|
|   | Original         | Final       | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>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   | -                | -           | (11)                | 11  |
| Public Works  | -                | -           | -                   | -   |
| Culture and Recreation  | -                | -           | -                   | -   |
| Health and Welfare  | -                | -           | -                   | -   |
| Capital Outlay  | -                | -           | -                   | -   |
| Debt Service:   |                  |             |                     |   |
| Principal   | -                | -           | -                   | -   |
| Interest  | -                | -           | -                   | -   |
| <i>Total expenditures</i>   | <u>-</u>         | <u>-</u>    | <u>(11)</u>         | <u>11</u>                                     |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>-</u>         | <u>-</u>    | <u>11</u>           | <u>11</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>11</u>           | <u>11</u>                                     |
| <i>Cash Balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>    | <u>(11)</u>         | <u>(11)</u>                                   |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u> | <u>\$ -</u>         | <u>\$ -</u>                                   |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |             | -                   |   |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |             | <u>-</u>            |   |
| Excess (deficiency) of revenues over expenditures (GAAP basis)  |                  |             | <u>\$ 11</u>        |   |

**STATE OF NEW MEXICO**  
Village of Questa  
CDBG Capital Projects Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2011

|   | Budgeted Amounts |                | Actual           | Variances                                  |
|---|------------------|----------------|------------------|--|
|   | Original         | Final          | (Non-GAAP Basis) | Favorable (Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |                |                  |  |
| Taxes   | \$ -             | \$ -           | \$ -             | \$ -                                       |
| Intergovernmental Income  | 450,000          | 450,000        | 405,100          | (44,900)                                   |
| Charges For Services  | -                | -              | -                | -  |
| Licenses and Fees   | -                | -              | -                | -  |
| Interest Income   | -                | -              | -                | -  |
| Investment Income(Loss)   | -                | -              | -                | -  |
| Miscellaneous   | -                | -              | -                | -  |
| <i>Total revenues</i>   | <u>450,000</u>   | <u>450,000</u> | <u>405,100</u>   | <u>(44,900)</u>                            |
| <i>Expenditures:</i>  |                  |                |                  |  |
| Current:  |                  |                |                  |  |
| General Government  | -                | -              | -                | -  |
| Public Safety   | -                | -              | -                | -  |
| Public Works  | 450,000          | 450,000        | 405,078          | 44,922                                     |
| Culture and Recreation  | -                | -              | -                | -  |
| Health and Welfare  | -                | -              | -                | -  |
| Capital Outlay  | -                | -              | -                | -  |
| Debt Service:   |                  |                |                  |  |
| Principal   | -                | -              | -                | -  |
| Interest  | -                | -              | -                | -  |
| <i>Total expenditures</i>   | <u>450,000</u>   | <u>450,000</u> | <u>405,078</u>   | <u>44,922</u>                              |
| <i>Excess (deficiency) of revenues over expenditures</i>  | -                | -              | 22               | 22   |
| <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> | -                | -              | 22               | 22   |
| <i>Cash Balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>       | <u>-</u>         | <u>-</u>                                   |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ 22</u>     | <u>\$ 22</u>                               |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |                | -                |  |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |                | 45,000           |  |
| Excess (deficiency) of revenues over expenditures (GAAP basis)  |                  |                | <u>\$ 45,022</u> |  |

**STATE OF NEW MEXICO**  
Village of Questa  
Economic Development Capital Projects Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ending June 30, 2011

|   | Budgeted Amounts |             | Actual              | Variances                                     |
|---|------------------|-------------|---------------------|---|
|   | Original         | Final       | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |             |                     |   |
| Taxes   | \$ -             | \$ -        | \$ -                | \$ -  |
| Federal Sources   | -                | -           | -                   | -   |
| State Sources   | -                | -           | 55,225              | 55,225  |
| Charges For Services  | -                | -           | -                   | -   |
| Licenses and Fees   | -                | -           | -                   | -   |
| Investment Income(Loss)   | -                | -           | -                   | -   |
| Miscellaneous   | -                | -           | -                   | -   |
| <i>Total revenues</i>   | <u>-</u>         | <u>-</u>    | <u>55,225</u>       | <u>55,225</u>                                 |
| <i>Expenditures:</i>  |                  |             |                     |   |
| Current:  |                  |             |                     |   |
| General Government  | -                | -           | 105,968             | (105,968)                                     |
| Public Safety   | -                | -           | -                   | -   |
| Public Works  | -                | -           | -                   | -   |
| Culture and Recreation  | -                | -           | -                   | -   |
| Health and Welfare  | -                | -           | -                   | -   |
| Capital Outlay  | -                | -           | -                   | -   |
| Debt Service:   |                  |             |                     |   |
| Principal   | -                | -           | -                   | -   |
| Interest  | -                | -           | -                   | -   |
| <i>Total expenditures</i>   | <u>-</u>         | <u>-</u>    | <u>105,968</u>      | <u>(105,968)</u>                              |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>-</u>         | <u>-</u>    | <u>(50,743)</u>     | <u>(50,743)</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>(50,743)</u>     | <u>(50,743)</u>                               |
| <i>Cash Balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>    | <u>-</u>            | <u>-</u>                                      |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u> | <u>\$ (50,743)</u>  | <u>\$ (50,743)</u>                            |
| Adjustment to expenditures for payables, taxes, prepaid expenses, and other accruals                            |                  |             | 54,761              |   |
| Adjustment to revenue for receivables, and other deferrals and accruals   |                  |             | (296,199)           |   |
| Excess(deficiency of revenues over expenditures (GAAP basis)  |                  |             | <u>\$ (292,181)</u> |   |

**STATE OF NEW MEXICO**  
 Village of Questa  
 Water System Improvements Fund Capital Projects Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget (Non-GAAP Basis) and Actual  
 For the Year Ending June 30, 2011

|   | Budgeted Amounts |                  | Actual              | Variances                                     |
|---|------------------|------------------|---------------------|---|
|   | Original         | Final            | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |                  |                     |   |
| Taxes   | \$ -             | \$ -             | \$ -                | \$ -  |
| Federal Sources   | -                | -                | -                   | -   |
| State Sources   | 1,270,883        | 1,270,883        | 1,145,937           | (124,946)                                     |
| Charges For Services  | -                | -                | -                   | -   |
| Licenses and Fees   | -                | -                | -                   | -   |
| Investment Income(Loss)   | -                | -                | -                   | -   |
| Miscellaneous   | -                | -                | -                   | -   |
| <i>Total revenues</i>   | <u>1,270,883</u> | <u>1,270,883</u> | <u>1,145,937</u>    | <u>(124,946)</u>                              |
| <i>Expenditures:</i>  |                  |                  |                     |   |
| Current:  |                  |                  |                     |   |
| General Government  | 1,270,883        | 1,270,883        | 994,937             | 275,946                                       |
| Public Safety   | -                | -                | -                   | -   |
| Public Works  | -                | -                | -                   | -   |
| Culture and Recreation  | -                | -                | -                   | -   |
| Health and Welfare  | -                | -                | -                   | -   |
| Capital Outlay  | -                | -                | -                   | -   |
| Debt Service:   |                  |                  |                     |   |
| Principal   | -                | -                | -                   | -   |
| Interest  | -                | -                | -                   | -   |
| <i>Total expenditures</i>   | <u>1,270,883</u> | <u>1,270,883</u> | <u>994,937</u>      | <u>275,946</u>                                |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>-</u>         | <u>-</u>         | <u>151,000</u>      | <u>151,000</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>151,000</u>      | <u>151,000</u>                                |
| <i>Cash Balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>         | <u>13,922</u>       | <u>13,922</u>                                 |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 164,922</u>   | <u>\$ 164,922</u>                             |
| Adjustment to expenditures for payables, taxes, prepaid expenses, and other accruals                            |                  |                  | (275,571)           |   |
| Adjustment to revenue for receivables, and other deferrals and accruals   |                  |                  | (56,103)            |   |
| Excess(deficiency of revenues over expenditures (GAAP basis)  |                  |                  | <u>\$ (180,674)</u> |   |

**STATE OF NEW MEXICO**  
 Village of Questa  
 WWTP Improvements Capital Projects Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget (Non-GAAP Basis) and Actual  
 For the Year Ending June 30, 2011

|   | Budgeted Amounts |                  | Actual              | Variations                                 |
|---|------------------|------------------|---------------------|--|
|   | Original         | Final            | (Non-GAAP Basis)    | Favorable (Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |                  |                     |  |
| Taxes   | \$ -             | \$ -             | \$ -                | \$ -                                       |
| Federal Sources   | -                | -                | -                   | -  |
| State Sources   | 4,417,964        | 4,417,964        | 3,225,821           | (1,192,143)                                |
| Charges For Services  | -                | -                | -                   | -  |
| Licenses and Fees   | -                | -                | -                   | -  |
| Investment Income(Loss)   | -                | -                | -                   | -  |
| Miscellaneous   | -                | -                | -                   | -  |
| <i>Total revenues</i>   | <u>4,417,964</u> | <u>4,417,964</u> | <u>3,225,821</u>    | <u>(1,192,143)</u>                         |
| <i>Expenditures:</i>  |                  |                  |                     |  |
| Current:  |                  |                  |                     |  |
| General Government  | 4,417,964        | 4,417,964        | 3,244,902           | 1,173,062                                  |
| Public Safety   | -                | -                | -                   | -  |
| Public Works  | -                | -                | -                   | -  |
| Culture and Recreation  | -                | -                | -                   | -  |
| Health and Welfare  | -                | -                | -                   | -  |
| Capital Outlay  | -                | -                | -                   | -  |
| Debt Service:   |                  |                  |                     |  |
| Principal   | -                | -                | -                   | -  |
| Interest  | -                | -                | -                   | -  |
| <i>Total expenditures</i>   | <u>4,417,964</u> | <u>4,417,964</u> | <u>3,244,902</u>    | <u>1,173,062</u>                           |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>-</u>         | <u>-</u>         | <u>(19,081)</u>     | <u>(19,081)</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>(19,081)</u>     | <u>(19,081)</u>                            |
| <i>Cash Balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>         | <u>-</u>            | <u>-</u>                                   |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ (19,081)</u>  | <u>\$ (19,081)</u>                         |
| Adjustment to expenditures for payables, taxes, prepaid expenses, and other accruals                            |                  |                  | -                   |  |
| Adjustment to revenue for receivables, and other deferrals and accruals   |                  |                  | (311,932)           |  |
| Excess(deficiency of revenues over expenditures (GAAP basis)  |                  |                  | <u>\$ (331,013)</u> |  |

**STATE OF NEW MEXICO**  
Village of Questa  
Airport Improvements Capital Projects Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2011

|   | Budgeted Amounts |         | Actual              | Variances                                     |
|---|------------------|---------|---------------------|---|
|   | Original         | Final   | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |         |                     |   |
| Taxes   | \$ -             | \$ -    | \$ -                | \$ -  |
| Intergovernmental Income  | 522,735          | 522,735 | 163,039             | (359,696)                                     |
| Charges For Services  | -                | -       | -                   | -   |
| Licenses and Fees   | -                | -       | -                   | -   |
| Interest Income   | -                | -       | -                   | -   |
| Investment Income(Loss)   | -                | -       | -                   | -   |
| Miscellaneous   | -                | -       | -                   | -   |
| <i>Total revenues</i>   | 522,735          | 522,735 | 163,039             | (359,696)                                     |
| <i>Expenditures:</i>  |                  |         |                     |   |
| Current:  |                  |         |                     |   |
| General Government  | 522,735          | 522,735 | 137,381             | 385,354                                       |
| Public Safety   | -                | -       | -                   | -   |
| Public Works  | -                | -       | -                   | -   |
| Culture and Recreation  | -                | -       | -                   | -   |
| Health and Welfare  | -                | -       | -                   | -   |
| Capital Outlay  | -                | -       | -                   | -   |
| Debt Service:   |                  |         |                     |   |
| Principal   | -                | -       | -                   | -   |
| Interest  | -                | -       | -                   | -   |
| <i>Total expenditures</i>   | 522,735          | 522,735 | 137,381             | 385,354                                       |
| <i>Excess (deficiency) of revenues over expenditures</i>  | -                | -       | 25,658              | 25,658  |
| <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> | -                | -       | 25,658              | 25,658  |
| <i>Cash Balance - Beginning of Year</i>   | -                | -       | -                   | -   |
| <i>Cash Balance - End of Year</i>   | \$ -             | \$ -    | \$ 25,658           | \$ 25,658                                     |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |         | (12,796)            |   |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |         | -                   |   |
| Excess (deficiency) of revenues over expenditures (GAAP basis)  |                  |         | \$ 12,862           |   |

**STATE OF NEW MEXICO**  
Village of Questa  
CWPP Capital Projects Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2011

|   | Budgeted Amounts |        | Actual              | Variances                                     |
|---|------------------|--------|---------------------|---|
|   | Original         | Final  | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |        |                     |   |
| Taxes   | \$ -             | \$ -   | \$ -                | \$ -  |
| Intergovernmental Income  | 27,404           | 27,404 | 16,529              | (10,875)                                      |
| Charges For Services  | -                | -      | -                   | -   |
| Licenses and Fees   | -                | -      | -                   | -   |
| Interest Income   | -                | -      | -                   | -   |
| Investment Income(Loss)   | -                | -      | -                   | -   |
| Miscellaneous   | -                | -      | -                   | -   |
| <i>Total revenues</i>   | 27,404           | 27,404 | 16,529              | (10,875)                                      |
| <i>Expenditures:</i>  |                  |        |                     |   |
| Current:  |                  |        |                     |   |
| General Government  | 27,404           | 27,404 | 7,573               | 19,831  |
| Public Safety   | -                | -      | -                   | -   |
| Public Works  | -                | -      | -                   | -   |
| Culture and Recreation  | -                | -      | -                   | -   |
| Health and Welfare  | -                | -      | -                   | -   |
| Capital Outlay  | -                | -      | -                   | -   |
| Debt Service:   |                  |        |                     |   |
| Principal   | -                | -      | -                   | -   |
| Interest  | -                | -      | -                   | -   |
| <i>Total expenditures</i>   | 27,404           | 27,404 | 7,573               | 19,831  |
| <i>Excess (deficiency) of revenues over expenditures</i>  | -                | -      | 8,956               | 8,956   |
| <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> | -                | -      | 8,956               | 8,956   |
| <i>Cash Balance - Beginning of Year</i>   | -                | -      | -                   | -   |
| <i>Cash Balance - End of Year</i>   | \$ -             | \$ -   | \$ 8,956            | \$ 8,956                                      |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |        | -                   |   |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |        | -                   |   |
| <i>Excess (deficiency) of revenues over expenditures (GAAP basis)</i>   |                  |        | \$ 8,956            |   |



**STATE OF NEW MEXICO**  
 Village of Questa  
 Local Road Project Capital Projects Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget (Non-GAAP Basis) and Actual  
 For the Year Ended June 30, 2011

|   | Budgeted Amounts |             | Actual              | Variances                                     |
|---|------------------|-------------|---------------------|---|
|   | Original         | Final       | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |             |                     |   |
| Taxes   | \$ -             | \$ -        | \$ -                | \$ -  |
| Intergovernmental Income  | -                | -           | 77,640              | 77,640  |
| Charges For Services  | -                | -           | -                   | -   |
| Licenses and Fees   | -                | -           | -                   | -   |
| Interest Income   | -                | -           | -                   | -   |
| Investment Income(Loss)   | -                | -           | -                   | -   |
| Miscellaneous   | -                | -           | -                   | -   |
| <i>Total revenues</i>   | <u>-</u>         | <u>-</u>    | <u>77,640</u>       | <u>77,640</u>                                 |
| <i>Expenditures:</i>  |                  |             |                     |   |
| Current:  |                  |             |                     |   |
| General Government  | -                | -           | 79,643              | (79,643)                                      |
| Public Safety   | -                | -           | -                   | -   |
| Public Works  | -                | -           | -                   | -   |
| Culture and Recreation  | -                | -           | -                   | -   |
| Health and Welfare  | -                | -           | -                   | -   |
| Capital Outlay  | -                | -           | -                   | -   |
| Debt Service:   |                  |             |                     |   |
| Principal   | -                | -           | -                   | -   |
| Interest  | -                | -           | -                   | -   |
| <i>Total expenditures</i>   | <u>-</u>         | <u>-</u>    | <u>79,643</u>       | <u>(79,643)</u>                               |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>-</u>         | <u>-</u>    | <u>(2,003)</u>      | <u>(2,003)</u>                                |
| <i>Other financing sources (uses)</i>   |                  |             |                     |   |
| Designated Cash   | -                | -           | -                   | -   |
| Transfers In  | -                | -           | 2,003               | 2,003   |
| Transfers Out   | -                | -           | -                   | -   |
| <i>Total other financing sources (uses)</i>   | <u>-</u>         | <u>-</u>    | <u>2,003</u>        | <u>2,003</u>                                  |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | <u>-</u>         | <u>-</u>    | <u>-</u>            | <u>-</u>                                      |
| <i>Cash Balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>    | <u>-</u>            | <u>-</u>                                      |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u> | <u>\$ -</u>         | <u>\$ -</u>                                   |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |             | -                   |   |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |             | -                   |   |
| Excess (deficiency) of revenues over expenditures (GAAP basis)  |                  |             | <u>\$ -</u>         |   |

**STATE OF NEW MEXICO**  
Village of Questa  
EPA 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, 2011

|   | Budgeted Amounts |             | Actual              | Variances                                     |
|---|------------------|-------------|---------------------|---|
|   | Original         | Final       | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>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  | -                | -           | 6,624               | (6,624)                                       |
| Culture and Recreation  | -                | -           | -                   | -   |
| Health and Welfare  | -                | -           | -                   | -   |
| Capital Outlay  | -                | -           | -                   | -   |
| Debt Service:   |                  |             |                     |   |
| Principal   | -                | -           | -                   | -   |
| Interest  | -                | -           | -                   | -   |
| <i>Total expenditures</i>   | <u>-</u>         | <u>-</u>    | <u>6,624</u>        | <u>(6,624)</u>                                |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>-</u>         | <u>-</u>    | <u>(6,624)</u>      | <u>(6,624)</u>                                |
| <i>Other financing sources (uses)</i>   |                  |             |                     |   |
| Designated Cash   | -                | -           | -                   | -   |
| Transfers In  | -                | -           | 6,624               | 6,624   |
| Transfers Out   | -                | -           | -                   | -   |
| <i>Total other financing sources (uses)</i>   | <u>-</u>         | <u>-</u>    | <u>6,624</u>        | <u>6,624</u>                                  |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | <u>-</u>         | <u>-</u>    | <u>-</u>            | <u>-</u>                                      |
| <i>Cash Balance - Beginning of Year</i>   | <u>-</u>         | <u>-</u>    | <u>-</u>            | <u>-</u>                                      |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u> | <u>\$ -</u>         | <u>\$ -</u>                                   |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |             | -                   |   |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |             | -                   |   |
| Excess (deficiency) of revenues over expenditures (GAAP basis)  |                  |             | <u>\$ -</u>         |   |

**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, 2011

|   | Budgeted Amounts |                | Actual            | Variances                                  |
|---|------------------|----------------|-------------------|--|
|   | Original         | Final          | (Non-GAAP Basis)  | Favorable (Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |                |                   |  |
| Taxes   | \$ -             | \$ -           | \$ 18,580         | \$ 18,580                                  |
| Intergovernmental Income  | -                | -              | -                 | -  |
| Charges For Services  | 123,680          | 123,680        | 117,799           | (5,881)                                    |
| Licenses and Fees   | -                | -              | -                 | -  |
| Interest Income   | -                | -              | -                 | -  |
| Investment Income(Loss)   | -                | -              | -                 | -  |
| Miscellaneous   | -                | -              | 1,098             | 1,098                                      |
| <i>Total revenues</i>   | <u>123,680</u>   | <u>123,680</u> | <u>137,477</u>    | <u>13,797</u>                              |
| <i>Expenditures:</i>  |                  |                |                   |  |
| Current:  |                  |                |                   |  |
| General Government  | -                | -              | -                 | -  |
| Public Safety   | 124,019          | 124,019        | 146,960           | (22,941)                                   |
| Public Works  | -                | -              | -                 | -  |
| Culture and Recreation  | -                | -              | -                 | -  |
| Health and Welfare  | -                | -              | -                 | -  |
| Capital Outlay  | -                | -              | -                 | -  |
| Debt Service:   |                  |                |                   |  |
| Principal   | -                | -              | -                 | -  |
| Interest  | -                | -              | -                 | -  |
| <i>Total expenditures</i>   | <u>124,019</u>   | <u>124,019</u> | <u>146,960</u>    | <u>(22,941)</u>                            |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <u>(339)</u>     | <u>(339)</u>   | <u>(9,483)</u>    | <u>(9,144)</u>                             |
| <i>Other financing sources (uses)</i>   |                  |                |                   |  |
| Designated Cash   | 339              | 339            | -                 | (339)                                      |
| Transfers In  | -                | -              | -                 | -  |
| Transfers Out   | -                | -              | -                 | -  |
| <i>Total other financing sources (uses)</i>   | <u>339</u>       | <u>339</u>     | <u>-</u>          | <u>(339)</u>                               |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -              | (9,483)           | (9,483)                                    |
| <i>Cash Balance - Beginning of Year</i>   | -                | -              | 13,341            | 13,341                                     |
| <i>Cash Balance - End of Year</i>   | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ 3,858</u>   | <u>\$ 3,858</u>                            |
| Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals                     |                  |                | (222)             |  |
| Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals              |                  |                | -                 |  |
| <i>Excess (deficiency) of revenues over expenditures (GAAP basis)</i>   |                  |                | <u>\$ (9,705)</u> |  |

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## SUPPORTING SCHEDULES

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**STATE OF NEW MEXICO**  
**VILLAGE OF QUESTA**  
**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY**  
**FOR PUBLIC FUNDS**  
**JUNE 30, 2011**

Schedule I

| Name of<br>Depository | Description<br>of Pledged<br>Collateral | Par<br>Value<br>June 30, 2011 | Name and<br>Location of<br>Safekeeper |
|-----------------------|---|-------------------------------|---------------------------------------|
|-----------------------|---|-------------------------------|---------------------------------------|

The Village of Questa has fourteen (14) non-interest bearing accounts which are covered by the Dodd-Frank Act of 2010 that exempts pledged collateral requirements until December 2012. The only interest bearing account has a balance of \$660 which is under the FDIC threshold of \$250,000, therefore, pledged collateral is not required for any of the Village's bank accounts at June 30, 2011.

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**STATE OF NEW MEXICO**  
**VILLAGE OF QUESTA**  
**SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS**  
**JUNE 30, 2011**

Schedule II

| Bank Account Type/Name                      | Centinel Bank     | First Community<br>Bank | Questa Credit<br>Union | Total             |
|---|-------------------|-------------------------|------------------------|-------------------|
| Savings-General                             | \$ -              | \$ -                    | \$ 660                 | \$ 660            |
| Checking - General                          | 389,019           | -                       | -                      | 389,019           |
| Checking - Water, Sewer, Solid Waste        | 100,249           | -                       | -                      | 100,249           |
| Checking - Motor Vehicle Division           | 3,688             | -                       | -                      | 3,688             |
| Checking - Payroll Account                  | 14,290            | -                       | -                      | 14,290            |
| Checking - Municipal Court                  | 3,947             | -                       | -                      | 3,947             |
| Checking - Water Rights                     | 6,901             | -                       | -                      | 6,901             |
| Checking - Oversight Accounts               | 12,501            | -                       | -                      | 12,501            |
| Checking - CDBG                             | 22                | -                       | -                      | 22                |
| Checking - Sewer System Reserve             | 9,015             | -                       | -                      | 9,015             |
| Checking - EMS Account                      | 5,089             | -                       | -                      | 5,089             |
| Checking - Fire Protection Fund             | -                 | 56,842                  | -                      | 56,842            |
| Checking - EMS Fire Fund                    | -                 | 1,426                   | -                      | 1,426             |
| Checking - Law Enforcement Protection Fund  | -                 | 2,642                   | -                      | 2,642             |
| Certificate of Deposit                      | -                 | 15,000                  | -                      | 15,000            |
| Total On Deposit                            | <u>544,722</u>    | <u>75,910</u>           | <u>660</u>             | <u>621,291</u>    |
| Reconciling Items                           | <u>(50,291)</u>   | <u>(3,390)</u>          | <u>-</u>               | <u>(53,681)</u>   |
| Reconciled Balance at June 30, 2011         | <u>\$ 494,431</u> | <u>\$ 72,520</u>        | <u>\$ 660</u>          | <u>\$ 567,610</u> |
| State Treasurers Pool                       |                   |                         |                        | <u>3,862</u>      |
| Total Cash and Investments at June 30, 2011 |                   |                         |                        | <u>\$ 571,472</u> |

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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, 2011

|                                   | <u>Balance</u><br><u>July 1, 2010</u> | <u>Increases</u>  | <u>Decreases</u>  | <u>Balance</u><br><u>June 30, 2011</u> |
|-----------------------------------|---------------------------------------|-------------------|-------------------|--|
| <b><u>ASSETS</u></b>              |                                       |                   |                   |  |
| Cash                              | \$ <u>9,344</u>                       | \$ <u>103,337</u> | \$ <u>108,993</u> | \$ <u>3,688</u>                        |
| <br><b><u>LIABILITIES</u></b>     |                                       |                   |                   |  |
| Deposits held in trust for others | \$ <u>9,344</u>                       | \$ <u>103,337</u> | \$ <u>108,993</u> | \$ <u>3,688</u>                        |

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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 were engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparison statement of the General fund activities of the Village of Questa as of and for the year ended June 30, 2011, and have issued our report thereon dated November 3, 2011. We were also engaged to audit the financial statements of each of the Village of Questa's nonmajor governmental funds and the budgetary comparison schedules of each of the Village of Questa's nonmajor special revenue funds, capital project funds and debt service funds presented as supplementary information in the accompanying combining and individual fund financial statements and the budgetary comparison statements as of and for the year ended June 30, 2011 as listed in the table of contents.

The Village did not maintain sufficient internal controls in the areas of cash control, procurement, disbursements, capital assets, and computer controls in order for the auditor to plan and conduct the audit in a sufficient manner to obtain sufficient evidential matter to form an opinion as to the fairness of presentation of the financial statements in conformity with generally accepted accounting principles. The Villages records do not permit the application of other auditing procedures in the areas of cash control, procurement, disbursements, capital assets and computer controls. The findings on 115-149 address the weaknesses in internal controls we encountered while planning and conducting our audit. In addition, management refused to furnish written representations regarding the Village's financial statements.

Internal Control Over Financial Reporting

Management of the Village of Questa is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Village of Questa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village 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 of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant or material weaknesses have been identified. However as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we considered to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned function, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described as FA-2011-01, FA-2011-02, FA-2011-03, FA-2011-04, FA-2011-05, FS-2009-01, FS-2009-02, FS-2010-06, FS-2011-02, FS-2011-04, FS-2011-06, FS-2011-07, FS-2011-08, FS-2011-09, FS-2011-11, FS-2011-12, FS-2011-16, FS-2011-17, FS-2011-18, and FS-2011-21 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as items FS-2009-03/FS-2010-08, FS-2010-04, FS-2010-05, FS-2010-01, FS-2010-03, FS-2010-07, FS-2011-01, FS-2011-03, FS-2011-05, FS-2011-10, FS-2011-13, FS-2011-15, FS-2011-19, and FS-2011-20 in the Schedule of Findings and Questioned Costs to be significant deficiencies.

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## 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items as FA-2011-01, FA-2011-02, FA-2011-03, FA-2011-04, FA-2011-05, FS-2009-01, FS-2009-03/FS-2010-08, FS-2010-03, FS-2010-04, FS-2010-06, FS-2011-03, FS-2011-04, FS-2011-07, FS-2011-10, FS-2011-12, FS-2011-13, FS-2011-19, and FS-2011-20.

Village of Questa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit their responses and, accordingly, we express no 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, the New Mexico Legislature, the 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  
Albuquerque, New Mexico  
November 3, 2011

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**FEDERAL FINANCIAL ASSISTANCE**

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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We were engaged to audit the compliance of the Village of Questa with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The Village of Questa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village of Questa's management.

The Village did not maintain sufficient internal controls in the areas of cash control, procurement, disbursements, capital assets, and computer controls in order for the auditor to plan and conduct the audit in a sufficient manner to obtain sufficient evidential matter to form an opinion as to the fairness of presentation of the financial statements in conformity with generally accepted accounting principles. The Villages records do not permit the application of other auditing procedures in the areas of cash control, procurement, disbursements, capital assets and computer controls. The findings on pages 115-149 address the weaknesses in internal controls we encountered while planning and conducting our audit. In addition, management refused to furnish written representations regarding the Village's financial statements.

As the Village of Questa did not maintain sufficient internal controls and we were unable to obtain sufficient evidential matter; we were unable to obtain written management representations and we were not able to apply other auditing procedures to satisfy ourselves as to the compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. Therefore, we do not express an opinion on the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2011. However the results of our auditing procedures disclosed instances of noncompliance with those requirements that were required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items FA-2011-01, FA-2011-02, FA-2011-03, FA-2011-04, and FA-2011-05.

Internal Control Over Compliance

The management of the Village of Questa is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Questa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Questa's internal control over compliance.

*Where Quality & Accuracy Count*

6565 Americas Parkway NE, Ste 670  
Albuquerque, NM 87110

Office: 505-563-5525  
Fax: 505-563-5524

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Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected, and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items FA-2011-01, FA-2011-02, FA-2011-03, FA-2011-04, FA-2011-05, FS-2009-01, FS-2009-02, FS-2010-06, FS-2011-02, FS-2011-04, FS-2011-06, FS-2011-07, FS-2011-08, FS-2011-09, FS-2011-11, FS-2011-12, FS-2011-16, FS-2011-17, FS-2011-18, and FS-2011-21 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items FS-2009-03/FS-2010-08, FS-2010-04, FS-2010-05, FS-2010-01, FS-2010-03, FS-2010-07, FS-2011-01, FS-2011-03, FS-2011-05, FS-2011-10, FS-2011-13, FS-2011-15, FS-2011-19, and FS-2011-20 to be significant deficiencies.

The Village of Questa's responses to the findings identified in our audit are described in the accompanying schedule of Findings and Questioned Costs. We did not audit the Village of Questa's responses and accordingly, we express no 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, the New Mexico Legislature, the 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  
Albuquerque, New Mexico  
November 3, 2011

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**A. SUMMARY OF AUDIT RESULTS**

**Financial Statements**

The auditor's report expresses a disclaimer of opinion on the basic financial statements of the Village of Questa.

**Internal control over financial reporting:**

Twenty one (21) material weaknesses were disclosed during the audit of the financial statements.

Nine (9) significant deficiencies were disclosed during the audit of the financial statements.

Eighteen (18) instances of noncompliance material to the financial statements of the Village of Questa were disclosed during the audit.

***Federal Awards***

**Internal control over major programs**

Twenty six (26) material weaknesses were disclosed during the audit of the financial statements.

Nine (9) significant deficiencies were disclosed during the audit of the financial statements.

The auditor's report on compliance for major federal award programs for the Village of Questa expresses a disclaimer opinion.

There were five (5) audit findings required to be reported under A-133.510(a).

The program tested as major were the CWSRF (ARRA) Grant, CFDA No. 66.458, Community Development Block Grant, CFDA No. 14.218 and Water Resource Development (ARRA) Grant, CFDA No. 12.121

The threshold for distinguishing Types A and B programs was \$300,000.

The Village of Questa did not qualify as a low risk auditee.

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**STATE OF NEW MEXICO**  
**VILLAGE OF QUESTA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2011

Schedule V

| Federal Grantor/Pass-Through Grantor<br>Program Title   | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Program<br>or Award<br>Amount | Disbursements/<br>Expenditures |
|---|---------------------------|--|-------------------------------|--------------------------------|
| <i>Pass-through Programs:</i>   |                           |  |                               |                                |
| Department of Housing and Urban Development<br>passed through the State of New Mexico<br>Community Development Block Grants/Entitlement Grants                    | 14.218                    | CDBG   | \$ 450,000                    | \$ 450,000                     |
| Department of Homeland Security<br>passed through the NM Department of Homeland Security<br>Emergency Management-Disaster Grants                                  | 97.036                    | FEMA-1962-DR-NM                              | 23,045                        | 23,045                         |
| Department of Education<br>passed through the NM Department of Education<br>ARRA -State Fiscal Stabilization Fund, Government<br>Services                         | 84.397                    | S397A090032A                                 | 270,000                       | 270,000                        |
| Department of Defense<br>passed through the US Army Corp of Engineers<br>ARRA-Montana, Nevada, New Mexico, Utah, Idaho, &<br>Wyoming Environmental Infrastructure | 12.121                    | Section 595                                  | 1,702,500                     | 1,702,500                      |
| US Environmental Protection Agency<br>passed through the Stat of New Mexico<br>ARRA-Clean Water State Revolving Fund  | 66.458                    | ARRA-10                                      | 3,707,171                     | 3,060,235                      |
| Total Pass-through Programs   |                           |  | <u>6,152,716</u>              | <u>5,505,780</u>               |
| Department of Transportation Direct Award<br>Airport Improvement Program  | 20.106                    | 3-35-0063-006-2009                           | 180,515                       | 180,515                        |
| Total Direct Programs   |                           |  | <u>180,515</u>                | <u>180,515</u>                 |
| Total Federal Financial Assistance  |                           |  | <u>\$ 6,333,231</u>           | <u>\$ 5,686,295</u>            |

**Notes to Schedule of Expenditures of Federal Awards**

1. Basis of Presentation

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

2. Subrecipients

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

3. Non-Cash Federal Assistance

**Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:**

|  |                  |
|--|------------------|
| Total federal awards expended per Schedule of Expenditures of Federal Awards | \$ 5,686,295     |
| Total expenditures funded by other sources                                   | <u>1,890,292</u> |
| Total expenditures   | <u>7,576,587</u> |

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STATE OF NEW MEXICO  
Village of Questa  
Schedule of Findings and Questioned Costs  
June 30, 2011

A. FINDINGS-FINANCIAL STATEMENT AUDIT

**FS-2009-01 Excess Expenditures over budget**

CONDITION: During our audit testing of budgeted and actual expenditures, we noted budget overspending in the following fund as noted below:

|                           |           |
|---------------------------|-----------|
| General Fund              | (140,161) |
| Economic Development Fund | (105,968) |
| Fire Protection Fund      | (188,628) |
| Municipal Judge Fund      | (2,175)   |
| Recreation Fund           | (13)      |
| Library Grant Fund        | (4,269)   |
| CFRP Fund                 | (24)      |
| Local Road Projects Fund  | (79,643)  |
| EPA Grant Fund            | (6,624)   |
| EMS County Fund           | (22,941)  |

CRITERIA: Section 6-6-6, NMSA 1978 states that actual expenditures cannot exceed approved budgeted amounts.

CAUSE OF THE CONDITION: Although the Village Council appears to have approved the final budget resolution, the voting was called into question under the Open Meetings Act and the New Mexico Department of Finance and Administration has sent the matter to their legal counsel for determination before approving the budget adjustment. As of October 19, 2011, The Village of Questa's budget analyst stated that the adjustment was not approved and therefore expenditures over budget would require an audit finding.

EFFECT OF THE CONDITION: The Village appears to have violated State Statutes and DFA regulations related to budgetary process and could potentially over spend a fund.

RECOMMENDATION: We recommend that the Village implement controls to monitor spending in conjunction with approved budgets and that they ensure proper adherence to the laws and regulations of the State of New Mexico to mitigate questionable acts with regard to budget adjustments.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), " the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

STATE OF NEW MEXICO  
Village of Questa  
Schedule of Findings and Questioned Costs  
June 30, 2011

**FS-2009-02 Lack of Supporting documentation**

CONDITION: During our test work of cash disbursements out of 272 disbursements tested, we noted that 8 instances where the PO was not included in the documentation and one vendor did not have a contract with the Village. There was one instance where there were no supporting documents for the expenditure.

CRITERIA: Section 13-1-28 to 13-1-199, NMSA 1978 states that expenditures should be properly authorized, processed and recorded and should have adequate supporting documentation for the disbursement.

CAUSE OF CONDITION: The state procurement code and the Village's procurement policy are not being followed.

EFFECT OF CONDITION: The Village appears to have violated the procurement code and thus could potentially make a payment without proper documentation or authorization.

RECOMMENDATION: We recommend that the Village comply with their Policy and the State Procurement code.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.



STATE OF NEW MEXICO  
Village of Questa  
Schedule of Findings and Questioned Costs  
June 30, 2011

**FS-2009-03 and FS-2010-08 Travel and Per Diem/State Auditor Compliance**

CONDITION: Numerous errors in preparing travel and per diem vouchers such as charges including beer, no detail printout for meals, meals were exceeding \$30.00 per day, meals for multiple persons with no explanation, no approval signature on the form, no employee signature on form, no business purpose of the expenditures and payment of mileage rate in excess of allowable amount. In addition, gas charges do not indicate which Village auto is being filled.

CRITERIA: New Mexico Per Diem Act, Section 10-8-1 requires proper accounting for travel and per diem as does the Internal Revenue Code.

CAUSE OF CONDITION: The Finance Director does not have the authority to hold employees accountable for the travel vouchers. Any attempt is often met with management override.

EFFECT OF CONDITION: Travel and per diem could be paid incorrectly or unallowed purchases may be made.

RECOMMENDATION: We recommend that the Village grant the Finance Director the authority, without management override, to review and approve and reject expenditures that do not meet the travel and per diem rules and regulations.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), “ the agency shall respond in writing to the IPA audit findings within five (5) business days”. All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

STATE OF NEW MEXICO  
Village of Questa  
Schedule of Findings and Questioned Costs  
June 30, 2011

**FS-2010-01 Contracts**

CONDITION: During our review of the Village's leases, we noted that one (1) of the leases indicates that the Village is not receiving anything in return for the building lease.

CRITERIA: Government Agencies are required to renew contracts annually. The Anti-donation clause section 14 state that "Neither the state nor any county, school district or municipality, except otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person, association or public or private corporation or in aid of any private enterprise".

CAUSE OF CONDITION: The Village feels that its elderly constituents are benefiting by this organization being in Questa so they agreed to provide a building for operation at no cost.

EFFECT OF CONDITION: The Village appears to be in violation of the State's anti-donation clause.

RECOMMENDATION: We recommend the Village amend the lease to include some consideration for the building so as not to violate the anti-donation clause.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

STATE OF NEW MEXICO  
Village of Questa  
Schedule of Findings and Questioned Costs  
June 30, 2011

**FS-2010-03 Late of 941's**

CONDITION: During our review of the required payroll reports, we noted one (1) out of four (4) where the 941 payroll reports were filed late resulting in penalties and interest.

CRITERIA: The Internal Revenue Service requires employers to file their quarterly 941 payroll reports by the end of the month following the quarter.

CAUSE OF CONDITION: Late filing was an oversight on the part of the Village due to a change in personnel.

EFFECT OF CONDITION: The Village appears to not be compliance with federal reporting requirements which resulted in penalties and interest on the taxes due.

RECOMMENDATION: We recommend the Village set up a system to remind them of the due dates of the reports so that each report is filed timely in accordance with laws and regulations. Cross training may be considered in order to avoid disruptions due to personnel changes.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), “ the agency shall respond in writing to the IPA audit findings within five (5) business days”. All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

STATE OF NEW MEXICO  
Village of Questa  
Schedule of Findings and Questioned Costs  
June 30, 2011

**FS-2010-04 Bank Reconciliations**

CONDITION: The bank reconciliation reconciles to a “register balance” but does not reconcile to the general ledger.

CRITERIA: Good accounting practice and general accepted accounting practices require the bank account to be reconciled monthly to the general ledger.

CAUSE OF CONDITION: Unknown

EFFECT OF CONDITION: Bank reconciliations did not balance to the general ledger.

RECOMMENDATION: We recommend that the bank reconciliation be prepared after all transactions for the month have been entered and that the reconciled balance be compared to the general ledger.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), “ the agency shall respond in writing to the IPA audit findings within five (5) business days”. All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2010-05 Utilities Ordinance**

CONDITION: During our Utilities test work we noted that the Village's has been manually reading meters that are not able to be read by the hand held electronic reading device. The replacement meters were available for installation but the replacement process started in June and has resulted in the Village replacing 108 out of 158 old meters as of the audit date. The meters were manually read and manually keyed into the system. This method is not efficient and should be completed as soon as possible. Also, the Village is not rounding water usage to the nearest 1000 gallons when preparing the bill, the system rounds to the nearest 100. The combination of these deficiencies results in the loss of revenue to the Village. It was also noted that some water bills using the rate table 101 were not calculated correctly.

CRITERIA: Per the Village Ordinance, water should be billed by rounding water usage to the nearest 1000 gallons of use. The Ordinance also states that the Village does not prorate water usage. The Village should manually read all meters that are not read with the electronic hand held device. The Village should review rate tables every year to insure that they are correct.

CAUSE OF CONDITION: The Village has not corrected their billing program to round to the nearest 1000 gallons as is written in the Village Ordinance. Rate table 1 bills for July 2010 were not calculated in agreement with the Utility billing ordinance; this appears to have been corrected by the August 2010 billing cycle.

EFFECT OF CONDITION: The Village is not in compliance with their own Ordinance billing procedures, the program rounds to the nearest 100 gallons when the ordinance says to round to the nearest 1000 gallons when calculating the bill. Because of the rate table 1 issue, the Village under billed 4 persons out of 20 selected for a total of \$28.50.

RECOMMENDATION: The Village should complete its implementation of the meter system as soon as possible, so that manual reads will only occur with a re-read. This will help to expedite the billing procedure. The Village should contact the software manufacturer to verify that the software is billing in accordance with the Village Ordinance #2006-128. In addition, the Village should implement internal controls to verify that the utility rates are properly input into the billing system and implement a monitoring system to ensure that the Village is capturing and billing all accounts.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2010-06 Utilities-Discontinuance of service and liens**

CONDITION: During our Utilities testing, we noted that the Village's failure to follow their Ordinance #2006-128, Water, Sewer and Solid Waste with regard to collection procedures. The combination of these deficiencies results in the loss of revenue to the Village.

CRITERIA: Ordinance #2006-128 – Section VI – Billing, Payment and Collection Procedures **bullet 5 Discontinuance of service** states a \$15.00 disconnect fee will be imposed at time of discontinuance of service.

Ordinance #2006-128 – Section VI – Billing, Payment and Collection Procedures **bullet 7 LEIN** states *If any bill remains unpaid for 90 days, a lien may be filed on the delinquent property receiving service by the Village, as provided in NMSA (19780, Section 3-23-6 and NMSA (1978) section 3-36-1 and shall be released only upon payment of all outstanding charges.*

CAUSE OF CONDITION: Customers who are shut off have not been charged the \$15.00 disconnect fee when the service is disconnected. There was no evidence that this was charged and Utility Clerk said she did not charge it.

Customers who are delinquent for 90 days or more have not had a lien placed on the property nor have they been disconnected and there were no record of any liens.

EFFECT OF CONDITION: The Village has suffered a revenue loss of revenue as a result of the Village not preparing billing using the approved additional fees to customers.

RECOMMENDATION: The Village should follow their own Ordinance. In addition, the Village should implement internal controls to verify that the utility billing, payment and collection procedures are being followed. The Village administrator should monitor the billing process to ensure that the Village is capturing and billing all fines and fees and placing liens when applicable.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), “ the agency shall respond in writing to the IPA audit findings within five (5) business days”. All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2010-07 Payroll**

CONDITION: Weak Internal controls over certain payroll procedures could allow for the misappropriation of gross pay or tax and benefits expenses. Payroll is prepared by one individual and there is no review of the payroll transactions before submission. The payroll officer can add, change rates and pay employees to the system.

CRITERIA: Good Internal Control procedures for payroll and related accounts require segregation of duties and a system of double checks to verify data entry and liability payments.

CAUSE OF CONDITION: Limited personnel to complete the payroll duties.

EFFECT OF CONDITION: Without segregation of duties or review before submission, it would be possible for time, wage rates or benefits to be paid or not paid correctly.

RECOMMENDATION: We recommend that the payroll process be segregated between payroll entry and employee setup and that payroll be reviewed and approved prior to submission by someone other than the payroll clerk. We recommended that any payroll changes be reviewed before submission to ensure that changes have been recorded correctly especially with new hires and at the beginning of the year. Any manual calculations and rate changes should be double checked or reviewed by another party.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), “ the agency shall respond in writing to the IPA audit findings within five (5) business days”. All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-01 Computer Backup and Disaster Recovery Plan**

CONDITION: While reviewing the Village's Computer policy and procedures, we noted that the procedures are not being followed by the Village personnel. A previous interview with the Village Administrator indicated that the Village's disaster recovery plan was that a back-up of the computer was done nightly and the tape was taken off-site. We found that a backup of the system had not been done and tapes were never taken offsite and in fact do not exist. Passwords are not changed regularly as recommended and there is no written procedure in place. In addition, the Administrator was terminated in September and as of the audit report date; his access had not be changed or revoked. Currently, it is believed by Village personnel that the Village Administrator could gain remote access to the system.

CRITERIA: Good internal controls recommend such procedures to ensure the safety and integrity of the Village's computer data and assets.

CAUSE OF CONDITION: The Village's policy regarding computer procedures is vague with regard to passwords and is non-existent regarding a backup and disaster recovery plan.

EFFECT OF CONDITION: The lack of a policy puts the Village at risk of potential breach of data. In addition, without a backup system, the Village's ability to convene normal business operations would not be possible in the event of a disaster affecting the building structure or the computer system.

RECOMMENDATION: We recommend that the Village perform an immediate backup and continue this procedure to avoid data loss. In addition, the Village should revise its policies related to computer security to mitigate potential breach and misappropriation of data.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.



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**FS-2011-02 SAS 115 Preparation and Responsibility for Financial Statements**

CONDITION: During the course of our audit procedures we inquired as to whether any Village staff had an understanding of GAAP or if anyone was capable of preparing, understanding and accepting responsibility for the Village's audit report for fiscal year ended June 30, 2011. All Village staff and the Mayor indicated that there was no-one capable of doing so at this time.

CRITERIA: Statement of Auditing Standards 115 states that it is a material weakness over financial reporting if the entity is not capable of preparing, understanding and accepting responsibility for their financial statements in accordance with GAAP (Generally Accepted Accounting Principles).

CAUSE OF CONDITION: The termination of the Administrator has left the Village with no-one capable of preparing, understanding or accepting responsibility for the financial statements of the Village.

EFFECT OF CONDITION: The Village is unable to prepare, understand or accept responsibility for their financial statements and appears to have a material weakness related to financial reporting.

RECOMMENDATION: We recommend that Village Management obtain the necessary skills to be able to prepare, understand and accept responsibility for their financial reporting.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-03 Open Meeting Act with regards to minutes**

CONDITION: While reviewing the Council Minutes for the Village of Questa, we became aware that a draft of the minutes from each Council Meeting was not completed within 10 working days nor were the minutes approved, amended or disapproved at the next meeting where a quorum is present.

CRITERIA: The State of New Mexico's Open Meetings Act, NMSA 1978, Chapter 10, Article 15 states "The board, commission or other policymaking body shall keep written minutes of all its meetings. The minutes shall include at a minimum the date, time and place of the meeting, the names of members in attendance and those absent, the substance of the proposals considered and to record of any decisions and votes taken that show how each member voted. All minutes are open to public inspection. Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present. Minutes shall not become official until approved by the policy-making body."

CAUSE OF CONDITION: It appears that changes in personnel throughout the year may have contributed to the delay in preparation of the minutes. It is unknown as to why the prepared minutes were not acted upon in the next meeting where a quorum was present.

EFFECT OF CONDITION: The Village violated the State of New Mexico's Open Meeting Act, NMSA 1978, Chapter 10, Article 15 with regard to the minutes.

RECOMMENDATION: We recommend that the Clerk review the Open Meetings Act for understanding and that the minutes are prepared in accordance with the requirements of the act.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-04 Open Meeting Act with regards to approval of resolutions**

CONDITION: While reviewing the Council Minutes for the Village of Questa, we noted that Council approval for resolutions was noted for items voted on by less than a majority of the council. This occurred when an abstention by a councilor was treated as a “no”, thereby allowing the mayor to cast a tiebreaking vote.

CRITERIA: The State of New Mexico’s Open Meetings Act, NMSA 1978, Chapter 10, Article 15 states “No resolution, rule, regulation, ordinance or action of any board, commission, committee or other policymaking body shall be valid unless taken or made at a meeting held in accordance with the requirements of NMSA 1978, Section 10-15-1.” In addition, the act states “Unintentional failure to comply with the provisions of the Act may render the actions taken invalid, but will not necessarily lead to prosecution.”

CAUSE OF CONDITION: Unknown cause but it appears that there is a lack of knowledge of the requirements of the Open Meetings Act.

EFFECT OF CONDITION: The Village appears to have violated the State of New Mexico’s Open Meeting Act, NMSA 1978, Chapter 10, Article 15 by approving resolutions without proper council approval which may result in the “actions taken being invalid.”

RECOMMENDATION: We recommend that the Council review the Open Meetings Act for understanding and that the act be adhered to.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), “ the agency shall respond in writing to the IPA audit findings within five (5) business days”. All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-05 Village Training Policies**

CONDITION: While reviewing the Village's training policy and the expenditures, we noted that the procedures are not being followed by the Village personnel. A Village representative registered for Municipal League training and the Village paid for the training but it was later noted that the course was not attended.

CRITERIA: The Village's policy regarding training procedures states that the Village will pay for training that is required upon satisfactory completion of the course.

CAUSE OF CONDITION: The Village personnel appear to not be following their policy with regard to payment of only successful completion of a training course.

EFFECT OF CONDITION: The Village paid for an expenditure that this not in compliance with its policies and is at risk of potential abuse by employees.

RECOMMENDATION: We recommend that the Village follow its policies with regards to training so as to mitigate potential abuse and avoidable expenditures by employees.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-06 Trial Balance**

CONDITION: The trial balance from QuickBooks does not agree to the final DFA report for the year.

CRITERIA: The State of New Mexico requires that all governmental entities be audited annually. Records and documents must be accurate and auditable.

CAUSE OF CONDITION: It appears that changes in personnel throughout the year may have contributed to the inaccuracies.

EFFECT OF CONDITION: The Village's trial balance was not accurate and had to be adjusted for the audit.

RECOMMENDATION: We recommend that Village Administration provide training to personnel and also do some cross training of the finance area in order to maintain consistency within the books to be able to generate, create and save reports and ensure the accuracy of the financial information.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-07 Procurement Code**

CONDITION: Several instances occurred during the year where the Village of Questa appears to have not been in compliance with the State Purchasing Act. There was no evidence to support that written quotes were obtained to determine the best price for services of a lobbyist for the Village. The contract was under the \$50,000 threshold. There was no evidence of a bid for attorney fees for the year even though the total attorney fees for the year exceeded \$280,000. An award of bid was sent to a construction company for \$705,297 but there was no bids documents on file at the Village nor was there any evaluations documented of the bid process. A request for qualifications was published in the newspaper but there were neither further evaluations of the firms nor any documentation of the evaluation process and the reasons for awarding the project to a particular firm.

CRITERIA: The State Procurement Code, Section 13-1-1 to 13-1-199 NMSA 1978, and the State Purchasing Regulations 1.4.1 NMAC contain various requirements for the expenditure of public monies. Proper documentation of commercial considerations in awarding bids and contracts should be available for the auditor and the public to inspect.

CAUSE OF CONDITION: The person or persons responsible for the Village's procurement did not know nor did they understand the state statutes. An alternative cause was that they chose to ignore the law.

EFFECT OF CONDITION: Substantial amounts of money appear to be being expended by the Village of Questa without the proper compliance with the procurement laws and regulations. This could affect the Village's ability to collect grant monies and awards in the future.

RECOMMENDATION: We recommend that the Village train employees and contractors on the state procurement law and regulation. We further recommend that people responsible for those laws be granted the authority to make sure the Village complies with the statutes and regulations.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-08 Capital Asset Depreciation Schedule**

CONDITION: The Village of Questa did not maintain their depreciation schedule detailing all of the capital assets and the related depreciation expense of the Village.

CRITERIA: A depreciation schedule with corresponding depreciation expense accrual is required by Generally Accepted Accounting Principles. In addition, control over the Village's capital assets is exercised thru the maintenance of a detail capital asset schedule.

CAUSE OF CONDITION: The Village Administrator was terminated and the remaining personnel did not know how to maintain the schedule.

EFFECT OF CONDITION: The financial statements of the Village do not appear to reflect the annual depreciation expense and the balance sheet does not appear to reflect an accurate capital asset costs and related accumulated depreciation amounts.

RECOMMENDATION: We recommend that the Village update the depreciation schedule the Village does have to reflect all current capital assets and accumulated depreciation. In addition, we recommend that the Village implement procedures to maintain the schedules as the Village moves forward.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-09 SAS 115 Accounts Receivable**

CONDITION: It is the Village's responsibility to supply the auditors with the accounts receivable schedule so they can verify if amounts were posted in the correct period. The Village could not supply a schedule of accounts receivable.

CRITERIA: SAS 115 states "Management is responsible for the financial statements. Management is responsible for providing schedules and other documents to support the adequacy of the financial statements. "

CAUSE OF CONDITION: Invoices are entered into QuickBooks when payment is received only and there are no records to document the accounts receivable owed to the Village. Thus there is no reliable way of accurately estimating the amount of accounts receivable. The only way to capture accounts receivable was to analyze the deposits for two months after the fiscal year and determine if they were owed to the Village prior to the close of the fiscal year. This does not address any receivable amounts that were not deposited in the bank in the two months after the end of the fiscal year.

EFFECT OF CONDITION: The financial statements may not be fairly stated because there is no way of knowing what would be considered accounts receivable.

RECOMMENDATION: The Village needs to maintain and record amounts due to the Village.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), " the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.



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**FS-2011-10 Municipal court reporting**

CONDITION: There were 3 instances when the Municipal court report did not match the bank deposit. One instance was solely due to not recording a bond. One instance involved two bonds and a \$20 difference between the court report and the bank. There was also an instance where there was a difference of \$100. All difference were where the court report was reporting less money than was deposited in the bank and subsequently recorded in QuickBooks.

CRITERIA: Each municipal judge shall make monthly written reports to the governing body of all money collected by him; provided he shall account separately for costs collected pursuant to [Section 35-14-11 NMSA 1978](#). The reports shall be filed and the money collected shall be paid to the municipality not later than the tenth day of the month following collection. Accounting practices require that monies held on behalf of others need to be recorded in a liability account until the case is resolved.

CAUSE OF CONDITION: The Village is depositing the bonds without keeping track of the amount or the resolution of the court case. The Village is also not reconciling the court reports to the bank deposit to make sure that all deposits are being recorded as fines or bonds.

EFFECT OF CONDITION: The Municipal Court revenues are overstated and there is no liability account for bonds payable for the cases that involve the bonds. In the other cases the reports are not reflecting the fines collected.

RECOMMENDATION: We recommend that the Village implement a system to keep track of the bonds collected and the status of the court case associated with each bond. Other municipalities keep a spreadsheet that contains the bond amounts with case number. The bonds are tracked throughout the resolution of the case. A separate bank account is established to hold the bond money.

We also recommend that monthly reconciliations be made to make sure that all deposits are recorded as fines or bonds.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), “ the agency shall respond in writing to the IPA audit findings within five (5) business days”. All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-11 Economic Development Grant**

CONDITION: During our review of the grant from the Economic Development Board established by Chevron Mines, we noted that a fund was set up to aid the Village with training. We reviewed several requests for reimbursements from the Village to the Economic Development Board, noting no support for the request for reimbursement. The training line item in the GL only shows a total of \$10,186 spent during the fiscal year but the reimbursements were for \$25,000. In addition, the Village does not have a separate means of tracking these funds; they are co-mingled with the general fund.

CRITERIA: The Economic Development Board agreement set aside \$25,000 for training only of Village personnel.

CAUSE OF CONDITION: The Village feels that these funds are at the Mayor's discretion and can be used for any purpose.

EFFECT OF CONDITION: The Village is in violation of the Economic Development Board agreement and has spent funds for purposes other than that allowed by the agreement.

RECOMMENDATION: We recommend the Village review the agreement and follow the agreement as stated.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-12 Legal Services passed through Village**

CONDITION: During a review of legal bills, we noted that every month there was a bill for \$16,700 paid to the Village attorney in addition to bills for legal services rendered to the Village. We requested to see supporting documentation regarding these payments and were told that none existed as this was an agreement set up during a previous administration between Chevron Mines, the Village of Questa and the Attorney. It appears that Chevron Mines makes a contribution to the Village of \$16,700 each month that is then passed on to the Attorney without a contract.

CRITERIA: All funds that are contributed to the Village are considered public monies and must be spent in accordance with the laws and regulations of the State of New Mexico. The Procurement code requires that expenditures have supporting documentation as to the validity of the expense.

CAUSE OF CONDITION: The Village considers themselves a conduit only for these funds and has never considered the effect to the Village.

EFFECT OF CONDITION: The Village appears to be in violation of the State's Procurement Act and the Public Monies Act.

RECOMMENDATION: We recommend the Village look into this matter to determine the validity and obtain documentation as to why it is occurring and follow the State laws and regulations with regards to the monies being received and expended.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-13 Comp Time in excess**

CONDITION: During our test of account balances for accrued compensating absences, it was noted that one employee had accumulated more than 240 hours in compensatory time which is in violation of Section 553.21 of the Fair Labor Standard Act (FLSA) and Section 47, part E of the Village of Questa Personnel Rules adopted March 22, 2005.

CRITERIA: Per Code of Federal Regulations (CFR) Title 29 – Labor Chapter V – Wage and Hours Division, Department of Labor, Part 553.21 “Statutory Provisions” Section (3)(A), ...the employee may accrue not more than 240 hours of compensatory time for hours worked after April 15, 1986. Any such employee who, after April 15, 1986, has accrued 240 hours of compensatory time off shall, for additional overtime hours of work, be paid overtime compensation.

Per the Village Personal Rules, Section 47, part (E) Overtime, if compensatory time cannot be taken within 360 days of accrual, the employee shall be paid overtime.

CAUSE OF CONDITION: The Village has allowed one employee to accumulate 600 hours of compensatory time.

EFFECT OF CONDITION: The Village is neither in compliance with the FLSA nor their own Personnel rules. The Village has allowed an employee to accumulate 360 hours more than the maximum allowed by statute; therefore, the Village owes that employee \$5,760 for excess compensatory time wages and the Village is not reviewing compensatory time as it accumulates so that compensatory time will be paid if it has not been taken within 360 days of accumulation. The Village could lose federal funding if they are found not to be compliant with Federal Law.

RECOMMENDATION: The Village should review the Fair Labor Standards Act Part 553 that pertains to state and local government labor regulations and their own Village personnel rules in order to insure compliance with the FLSA and Village of Questa personnel rules. The Village should pay the employee the excess compensatory time wages that he is due \$5,760 and make sure that no employee accrues more than 240 hours (police and fire can accumulate 480 hours) or longer than 360 days.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), “ the agency shall respond in writing to the IPA audit findings within five (5) business days”. All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-14 Revenue Reporting**

CONDITION: During our Utilities Receivable test work on C-02 we noted that the Village has not been recording the Utility revenue when billed which distorts the income of the Village. The Finance Director was recording revenues when received (i.e. on payments collected) not amounts billed.

CRITERIA: Governmental Accounting Standards Board (GASB) section 1600.106 on Revenue Recognition requires that revenues be recorded when the revenue is earned.

CAUSE OF CONDITION: The Finance Director is not trained in revenue recognition requirements for GASB.

EFFECT OF CONDITION: The Village understated their revenues by the difference between the amount collected and the amount billed for a total of \$111,893 by year end.

RECOMMENDATION: The Village should insure that their Finance Director receives adequate training in Governmental Accounting procedures and that all transactions be recording in compliance with GASB regulations and GAAP (Generally Accepting Accounting Procedures).

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), “ the agency shall respond in writing to the IPA audit findings within five (5) business days”. All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-15 Time Sheets**

CONDITION: During our test work, it was noted that on two separate occasions that one employee was paid without his time sheets being authorized by the supervisor. It was also noted that there were six instances where there were no time sheets on file.

CRITERIA: Good internal control should include procedures to insure that payroll disbursements are made only for authorized hours.

CAUSE OF CONDITION: Unknown

EFFECT OF CONDITION: Unauthorized or falsified hours could be paid if time sheets are not approved by the supervisor or if employees are paid without time sheets.

RECOMMENDATION: Supervisors should review all employee time sheets to verify the employee time worked. No employee should be paid without a signed and authorized time sheet.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), “ the agency shall respond in writing to the IPA audit findings within five (5) business days”. All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-16 Compensated absences not properly recorded**

CONDITION: It was noted that on three different time sheets that comp time was not accrued correctly on their time sheets due to mathematical errors made by the employees and the errors not being found and corrected by the payroll clerk. Employees compensating time was not recorded correctly when earned.

CRITERIA: The Fair Standards Labor Act, 553.21 7 (o)(1) allows non-exempt employees of a political subdivision of a state, to receive compensatory time off in lieu of overtime at a rate not less than one and one-half hours for each hour of employment for which overtime compensation is required. The Village personnel rule 47(A) states that an employee shall be compensated for hours worked in excess of 40 hours in a week by compensatory time off with pay. Compensatory time shall accrue at the rate of one and one-half hours for each hour of employment for which overtime is earned.

CAUSE OF CONDITION: It appears that a thorough review of time sheets related to comp time is not being performed.

EFFECT OF CONDITION: Employee comp-time balances are understated by 11.38 hours.

RECOMMENDATION: We recommend that the Village should review all employee time sheets to verify that comp-time is accrued and recorded when used correctly. If corrections need to be made to time sheet hours, employee should initial all changes. Village should have a training class with staff on how to complete time sheets correctly.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), “ the agency shall respond in writing to the IPA audit findings within five (5) business days”. All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-17 Misappropriated assets from Business Park project**

CONDITION: During the course of our audit fieldwork, we became aware that approximately 50 cubic yards of top soil removed from the Business Park project (a village asset) was given to a subcontractor. The Village minutes indicate that the top soil was to be returned to the Village and as of October 19, 2011, it was still in the possession of the subcontractor. The subcontractor is a related party.

CRITERIA: Good internal controls recommend such procedures to ensure the safety and integrity of the Village's assets. In addition, the Anti-donation laws prohibit the use of village assets for the benefit of others.

CAUSE OF CONDITION: The cause of this is unclear.

EFFECT OF CONDITION: Village assets appear to be misappropriated. In addition, due to the nature of the asset, amounts subsequently returned may not be accurate and may generate a loss for the Village.

RECOMMENDATION: We recommend that the Village immediately try to rectify this situation by demanding the return of the top soil immediately or by picking it up themselves and charging the responsible entity for the return.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.



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**FS-2011-18 Proper delegation of authority**

CONDITION: During our review of the minutes for the Village of Questa we noted that it appears that the Attorney entered into a settlement agreement with a Construction Contractor. It does not appear that the Village delegated their management duties to the Attorney in order to enter into an agreement. The minutes indicate that councilors were notified that a payment was made to the contractor after it had been done. There does not appear to be approval by the council for this matter and in fact it appears that there is much concern by councilors regarding the amount paid and for what reasons. The Councilors did request substantiation for the amounts paid and the attorney stated that the amount of \$54,000 was paid to cover the cost of the design of a fabricated building for approximately \$43,000 and the remaining \$11,000 was for expenditures that the contractor stated he incurred but could not substantiate.

CRITERIA: The Village's Procurement Policy in effect at the time of the settlement states in Section C (4) Contract. "The Village shall enter into a written contract with the business selected setting forth, among other things, the maximum compensation, the basis of compensation, term of the contract, delivery schedule, and scope of work. For purchases over \$20,000, the written contract must be approved by the Governing Body. "

CAUSE OF CONDITION: The cause is unknown.

EFFECT OF CONDITION: The Village appears to have violated its procurement policy by not obtaining proper authorization for the contract expenditure and the Village appears to have subrogated management authority without proper documentation.

RECOMMENDATION: We recommend that the Village adhere to their policies and that when necessary document any subrogation of authority to others outside the entity.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), " the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS-2011-19 Improper use of proprietary information**

CONDITION: During the course of our audit fieldwork, we inspected correspondence from a previously employed engineer who was requesting that the Village of Questa indemnify his firm for the improper use of his designs and drawings. As of October 19, 2011, we did obtain evidence that the Village did not sign the letter of indemnification.

CRITERIA: The Contract indicates that the designs and drawings are the property of the engineer who designed it, making it proprietary in nature.

CAUSE OF CONDITION: The Village's Attorney states that he was instructed by the Village Council to find a new engineering firm for the Business Park project. The Attorney sought out firms and negotiated with the new engineer an amount to complete the project and to find a new construction company. During this process, the previous engineering designs and drawings were provided to the new engineer and were used in solicitation of a new construction contractor.

EFFECT OF CONDITION: Through the Villages delegation of authority, proprietary engineering documents were improperly disseminated and used by others which could result in a potential contingent liability for the Village as indicated by the request for indemnification.

RECOMMENDATION: We recommend that the Village or its delegated representatives take the appropriate measures to ensure the proper administration or use of others proprietary information in order to mitigate potential liabilities.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS 2011-20 Disposition of Village Assets-State Auditor Compliance**

**CONDITION:** During the course of our testing for State Auditor Compliance, we noted that there was no letter to support the requirement for notification of the disposition of an asset to the State Auditor's Office.

**CRITERIA:** State Audit Rule, NMAC 2.2.2 states that prior notification of the intent to dispose of assets must be provided to the State Auditor. Upon no response from the State Auditor, the entity may dispose of the asset within 30 days of the notification being sent.

**CAUSE OF CONDITION:** Unknown, the Village staff believes that the previous Village Administrator may have sent the letter but no evidence could be found.

**EFFECT OF CONDITION:** It appears that the Village is not in compliance with the State Auditor Rule regarding the disposition of assets.

**RECOMMENDATION:** We recommend that the Village staff attend trainings or familiarize themselves with the requirements of the State Audit Rule to ensure compliance.

**CLIENT RESPONSE:** As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

**AUDITOR RESPONSE:** Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FS 2011-21 Reconciliation of General Ledger**

CONDITION: Gross wages per the general ledger are not reconciled to the employer payroll reports.

CRITERIA: Payroll procedures should exist to ensure that payroll is prepared correctly and is reconciled to the General ledger for completeness.

CAUSE OF CONDITION: The reports provided by the payroll company are sent to the payroll clerk but the journal entry for payroll is a downloaded entry from the payroll company. The reports are not reconciled to the journal entry to ensure completeness.

EFFECT OF CONDITION: Payroll reports do not agree to the general ledger.

RECOMMENDATION: We recommend that the payroll reports be reconciled to the general ledger after each payroll to ensure proper recording and completeness.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), “ the agency shall respond in writing to the IPA audit findings within five (5) business days”. All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FEDERAL AWARD FINDINGS**

**FA-2011-01 Supporting Documents for CDBG Grant**

CONDITION: While performing a review of the CDBG Grant under the Single Audit Act, we noted that supporting evidence of the following compliance requirements could not be provided to the auditors for review:

Citizen Participation Plan

Reporting Documentation

Environmental Review Documents

CRITERIA: The Single Audit Act of 1986, A-133 Compliance Supplement for CDBG requires a review of the supporting documents to ensure proper compliance with the program requirements.

CAUSE OF CONDITION: The Village was unable to provide the required documents as audit evidence. The previous Administrator was overseeing this project and may have known where these items were maintained however, the Village administration could not locate them at the time of audit. The Auditors also assisted in reviewing files and documents in an attempt to locate the missing documents.

EFFECT OF CONDITION: The compliance requirements related to these items for the CDBG grant could not be tested and therefore result in noncompliance of federal awards. It is important to note that noncompliance of federal awards may result in a determination of the Federal awarding agency to recall the funding previously provided or it may impact the Village's ability to obtain future federal funding.

QUESTIONED COSTS: Unknown

RECOMMENDATION: We recommend that the Village become familiar with the grant requirements and maintain records in accordance with those requirements.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FA-2011-02 Supporting Documents for CWSRF (ARRA) Grant**

CONDITION: While performing a review of the EPA Clean Water State Revolving Fund Grant (ARRA) under the Single Audit Act, we noted that supporting evidence of the following compliance requirements could not be provided to the auditors for review:

Grant Award Letter-we did locate an amendment of the amount

Citizen Participation Plan

Reporting Documentation

Environmental Review Documents

CRITERIA: The Single Audit Act of 1986, A-133 Compliance Supplement for the EPA Clean Water State Revolving Fund Grant (ARRA) requires a review of the supporting documents to ensure proper compliance with the program requirements and transparency as set forth under the American Recovery and Reinvestment Act.

CAUSE OF CONDITION: The Village was unable to provide the required documents as audit evidence. The previous Administrator was overseeing this project and may have known where these items were maintained however, the Village administration could not locate them at the time of audit. The Auditors also assisted in reviewing files and documents in an attempt to locate the missing documents.

EFFECT OF CONDITION: The compliance requirements related to these items for the EPA Clean Water State Revolving Fund grant could not be tested and therefore result in noncompliance of federal awards. It is important to note that noncompliance of federal awards may result in a determination of the Federal awarding agency to recall the funding previously provided or it may impact the Village's ability to obtain future federal funding.

QUESTIONED COSTS: Unknown

RECOMMENDATION: We recommend that the Village become familiar with the grant requirements and maintain records in accordance with those requirements.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FA-2011-03 Compliance with Davis Bacon Act- CDBG Grant**

CONDITION: While conducting our audit of the CDBG Grant under the Single Audit Act, we noted that although there was evidence of certified payroll, the Department of Labor conducted an audit and found that a subcontractor of the primary contractor was not in compliance with the Davis Bacon Act. The Department of Labor has directed the Village to withhold future payment until this issue has been resolved.

CRITERIA: The Single Audit Act of 1986, A-133 Compliance Supplement for CDBG requires a review of the supporting documents to ensure proper compliance with the program requirements.

CAUSE OF CONDITION: The certified payroll sent to the Village was incorrect.

EFFECT OF CONDITION: The Village is considered to be noncompliant with the Davis Bacon Act requirement under the compliance supplement for CDBG and the Single Audit Act. It is important to note that noncompliance of federal awards may result in a determination by the federal awarding agency to recall the funding previously provided or it may impact the Village's ability to obtain future federal funding.

QUESTIONED COSTS: All Payroll costs, however, the exact amount is undetermined.

RECOMMENDATION: We recommend that the Village review the certified payroll to ensure compliance with the Davis Bacon Act.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**FA-2011-04 Compliance with Davis Bacon Act- EPA CWSRF Grant**

**CONDITION:** While conducting our audit of the EPA Clean Water State Revolving Fund Grant under the Single Audit Act, we noted that although there was evidence of certified payroll, the Department of Labor conducted an audit and found that a subcontractor of the primary contractor was not in compliance with the Davis Bacon Act. The Department of Labor has directed the Village to withhold future payment until this issue has been resolved.

**CRITERIA:** The Single Audit Act of 1986, A-133 Compliance Supplement for the EPA Clean Water State Revolving Fund requires a review of the supporting documents to ensure proper compliance with the program requirements.

**CAUSE OF CONDITION:** The certified payroll sent to the Village was incorrect.

**EFFECT OF CONDITION:** The Village is considered to be noncompliant with the Davis Bacon Act requirement under the compliance supplement for the EPA Clean Water State Revolving Fund and the Single Audit Act. . It is important to note that noncompliance of federal awards may result in a determination by the federal awarding agency to recall the funding previously provided or it may impact the Village's ability to obtain future federal funding.

**QUESTIONED COSTS:** All payroll costs, however, the amount is undetermined.

**RECOMMENDATION:** We recommend that the Village review the certified payroll to ensure compliance with the Davis Bacon Act.

**CLIENT RESPONSE:** As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

**AUDITOR RESPONSE:** Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), " the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.



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**FA-2011-05 Compliance ARRA Reporting (Water Resource Development Grant)**

CONDITION: While performing a review of the Water Resource Development Grant (ARRA) under the Single Audit Act, we noted that supporting evidence of the following compliance requirements could not be provided to the auditors for review:

1512 Reporting Documentation

CRITERIA: The Single Audit Act of 1986, A-133 Compliance Supplement for the Water Resource Development Grant (ARRA) requires a review of the supporting documents to ensure proper compliance with the program requirements and transparency as set forth under the American Recovery and Reinvestment Act.

CAUSE OF CONDITION: The Village was unable to provide the required documents as audit evidence. The previous Administrator was overseeing this project and may have known where these items were maintained however, the Village administration could not locate them at the time of audit. The Auditors also assisted in reviewing files and documents in an attempt to locate the missing documents.

EFFECT OF CONDITION: The compliance requirements for 1512 reporting for the Water Resource Development grant could not be tested and therefore result in noncompliance of federal awards. It is important to note that noncompliance of federal awards may result in a determination of the Federal awarding agency to recall the funding previously provided or it may impact the Village's ability to obtain future federal funding.

QUESTIONED COSTS: Unknown

RECOMMENDATION: We recommend that the Village become familiar with the grant requirements and maintain records in accordance with those requirements.

CLIENT RESPONSE: As of November 2, 2011, Management of the Village of Questa had not provided written responses to the individual findings; however, a general response provided by the Village Attorney is presented on page 152.

AUDITOR RESPONSE: Management of the Village was presented with all findings on October 19<sup>th</sup>, and a written draft of the audit report with the findings on October 24, 2011. In accordance with NMAC 2.2.2.10.I (3)(b), "the agency shall respond in writing to the IPA audit findings within five (5) business days". All of the reasons for not providing a response existed prior to commencement of the audit fieldwork yet we were able to gain access to the records.

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**B. PRIOR YEAR AUDIT FINDINGS**

- FS-2007-02 Utility Billing (repeated and revised)
- FS-2009-01 Excess Expenditures over Budget (repeated and revised)
- FS-2009-02 Lack of Supporting documentation for Expenditures (repeated and revised)
- FS-2009-03 Travel and Per Diem Act (repeated and revised)
- FS-2010-01 Contracts (repeated and revised)
- FS-2010-03 Late Tax Report (repeated and revised)
- FS-2010-04 Bank Reconciliations (repeated and revised)
- FS-2010-05 Utility Billing (repeated and revised)
- FS-2010-06 Compliance with Utility Ordinance (repeated and revised)
- FS-2010-07 Payroll (repeated and revised)
- FS-2010-08 State Auditor Compliance (repeated and revised)

STATE OF NEW MEXICO  
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Other Disclosures  
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A. AUDITOR PREPARED FINANCIAL STATEMENTS

It would be preferred and desirable for the Village to prepare its own GAAP-basis financial statements however, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report as management indicated that they were not able to prepare, understand or accept responsibility for the GAAP-basis financial statements.

B. EXIT CONFERENCE

The contents of this report were discussed on October 19, 2011. The following individuals were in attendance.

Village of Questa  
Esther Garcia, Mayor  
Leonard Ortega, Mayor Pro Tem  
Evelyn Ortega-Coggins, Councilor  
Louise Padilla, Councilor  
Mark Gallegos, Councilor  
Renee Martinez, Village Clerk  
Danielle Lovato, Finance Director

Precision Accounting LLC  
Melissa R. Santistevan, CPA  
Joy S. Emmons, Staff Accountant

## Melissa Santistevan

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**From:** Robert Gorman <rgorman@nm.net>  
**Sent:** Thursday, November 03, 2011 9:45 AM  
**To:** melissa@countonprecision.com; cjack@countonprecision.com  
**Subject:** FW: Village of Questa Audit

Dear Melissa and Jack:

Marcus Rael called and emailed me about the Village's response to your audit findings. His request is below. They want an extension to November 11 to respond to the findings.

Please call me and let me know how you want to respond. Also, let me know if you have received the signed management representation letter. I don't know what your deadlines are with the State Auditor, but maybe we can condition the extension on receipt of the representation letter if you have not already received that.

I am in the office this morning.

Sincerely,

*Robert D. Gorman*

[www.rdgormanlaw.com](http://www.rdgormanlaw.com)



SAVE PAPER - Only print this e-mail if necessary

CONFIDENTIALITY MESSAGE: This electronic message contains information from the Law Office of ROBERT D. GORMAN, P.A., and is confidential or privileged. The information is intended for the use of the individual or entity named above. If you are not the intended recipient, disclosure, copying distribution or use of the contents of this message is prohibited. If you have received this message in error, please delete the message and notify us by telephone at (505) 243-5442 immediately.

INTERNAL REVENUE SERVICE REGULATIONS PROVIDE THAT, FOR PURPOSES OF AVOIDING FEDERAL TAX PENALTIES, A TAXPAYER MAY RELY ONLY ON FORMAL WRITTEN ADVICE THAT MEETS SPECIFIC REQUIREMENTS. THIS EMAIL MESSAGE IS NOT INTENDED TO MEET THOSE REQUIREMENTS AND IS NOT INTENDED TO BE USED, AND SHOULD NOT BE RELIED UPON FOR THE PURPOSE OF AVOIDING FEDERAL TAX PENALTIES.

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**From:** Marcus Rael [mailto:Marcus@roblesrael.com]  
**Sent:** Thursday, November 03, 2011 9:09 AM  
**To:** Robert Gorman  
**Cc:** mayorgarcia@villageofquesta.org; lao@TaosNet.com  
**Subject:** RE: Village of Questa Audit

Mr. Gorman,

The purpose of this correspondence is to request a brief extension of time in which to submit the responses to the findings contained in the audit report. I left you a message at your office yesterday and another today, along with an email requesting that you call me yesterday to discuss this issue. For the reasons discussed below, the Village respectfully requests an extension until November 11, 2011 in which to submit our responses.

The Village of Questa intends on submitting responses to each of the findings contained in the draft audit report prepared by Precision Accounting for the 2010/2011 fiscal year. The Village respectfully asks for a short extension of time in which to prepare the responses. The Village has experienced several circumstances that have prevented the Village from being able to timely prepare its response and which it also believes led to many of the findings contained in the audit report. The Village has experienced several personnel changes over the last few months in key positions. We recently hired a new finance director and she has been training and becoming familiar with our systems. In addition, the Village Administrator was recently terminated as well. The Administrator was in charge of all Village business and did not leave on good terms and nothing was preserved in a detailed organized manner. The Village is currently trying to find and organize its files and correspondence. This lack of institutional knowledge has left the Village in a difficult position. Finally, the Village discovered a mold issue that is pervasive throughout the Village offices. The Village was ordered out of its offices and is currently being housed in the village fire station after first moving to the municipal court building. The Village does not have access to its documents or computer system that were all located in the Village offices. The Village does not even have access to its phone system and fax lines. They are in the process of being located to the fire station but are not scheduled to be installed until November 4, 2011. All Village business is currently being conducted out of a single cell phone number and the Village has no fax capability. Also, the Village is having a computer system pieced together at the fire station but has no real functionality other than basic tasks until then.

The Village feels that these mitigating factors should be taken into account in considering the Village's request for a brief extension in which to complete their responses to the audit findings. Based on the foregoing information, I hope that Precision will provide the Village with the courtesy of granting its reasonable request. Please let me know as soon as possible if our request will be granted. If Precision will not grant the request, I ask that this correspondence be attached as a part of the audit report in its entirety.

Sincerely,

Marcus

Marcus J. Rael, Jr.  
Managing Partner  
*Robles, Rael & Anaya, P.C.*  
(505) 242-2228 Phone  
[marcus@roblesrael.com](mailto:marcus@roblesrael.com)



ROBLES | RAEL | ANAYA

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## Melissa Santistevan

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**From:** Robert Gorman <rgorman@nm.net>  
**Sent:** Friday, October 28, 2011 3:36 PM  
**To:** marcus@roblesrael.com  
**Cc:** cjack@countonprecision.com; melissa@countonprecision.com  
**Subject:** Village of Questa Audit

Dear Mr. Rael:

This email is a follow up to our conversations this afternoon regarding the Village of Questa audit for fiscal year ended June 30, 2011, which is being performed by my client, Precision Accounting, LLC.

In order to avoid confusion or misunderstanding, I will summarize what has been discussed and provide you with a written response to your requests on behalf of the Village.

1. Precision Accounting has completed its field work and conducted an exit conference with Village officials on October 19. My client provided the Village with more than adequate time to assemble and produce audit evidence and records requested by the auditors. They are not willing to extend the audit. They have completed the report and are prepared to deliver the report to the State Auditor. They will oppose any request for an extension of time. Although my client has expended far more time on this audit than was anticipated when the audit contract was entered into, Precision has not requested an amendment to the contract because it does not intend to perform any further field work. The audit is complete and only your client's response, discussed below, remains.
2. The Village was provided with interim reports of audit findings throughout the time that Precision was performing its field work. At the exit conference on October 19, the Mayor and councilors in attendance, as well as two village employees, were provided with a summary of the audit findings. The written findings and draft report were provided to the Village on October 24. State Auditor Rule 2011, requires that the auditors provide your client with 10 days to respond to the findings. The response is due not later than November 3. You said that the Village Council will be meeting on Tuesday, November 1, and that you would have a response on Wednesday November 2. That schedule fits within the time period allowed by the State Auditor's Rule and is acceptable to my client.
3. The letter that Melissa requested that the mayor sign by Monday October 31, 2011, is the representation letter. This is a standard audit document required by generally accepted auditing standards, in which the Village acknowledges that it is responsible for the accuracy of the financial statements and financial records, and the Village makes disclosure of certain matters that the auditors will rely upon in preparing their report. If the representation letter is delivered to my client with your response on November 2, 2011, that should not be a problem. However, if the letter is altered, or if it is not signed and delivered, the auditors will be required to disclose an additional scope limitation in the conduct of the audit. This requirement is established by generally accepted auditing standards and State Auditor Rule. The auditors do not have any discretion in this area.

If you have any questions or need anything further, please contact me.

Sincerely,

*Robert D. Gorman*

[www.rdgormanlaw.com](http://www.rdgormanlaw.com)



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## Melissa Santistevan

---

**From:** Robert Gorman <rgorman@nm.net>  
**Sent:** Thursday, November 03, 2011 4:15 PM  
**To:** 'Marcus Rael'

Dear Mr. Rael:

I discussed your request for an extension with Precision Accounting. They advised me that the State Auditor rule has been amended and that the allowed time to respond is only 5 days. Under the rule, the time for your client to respond has already expired. They are unwilling to delay turning in the audit. They have not received the signed representation letter that was mentioned in my prior email, which will require additional disclosure in the audit report. Most of the conditions that you mentioned in your letter existed during the audit and are not recent developments.

My client intends to submit the audit report. Your letter will be inserted as the client response as you requested. However, because federal funds are involved, and the federal government will require a detailed response to the audit findings, your client should still compile a response to the findings.

I want to emphasize that Precision Accounting is not trying to be difficult. However, auditors are responsible for reporting on the effect of subsequent events (events occurring after the audit period), with respect to the fair presentation of the financial statements. Extending submission of the audit has the effect of extending my client's audit responsibilities with regard to subsequent events. They are not willing to extend the audit period and their responsibilities.

If you have any questions, please contact me.

Sincerely,

*Robert D. Gorman*

[www.rdgormanlaw.com](http://www.rdgormanlaw.com)



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# APPENDIX A

Village responses to findings provided by Village Attorney November 28, 2011

## VILLAGE OF QUESTA'S MANAGEMENT RESPONSES TO FINDINGS IN THE FISCAL YEAR 2010/2011 AUDIT

The Village of Questa appreciates the opportunity to submit these management responses to the findings contained in the 2010/2011 fiscal year audit. This was a difficult year for the Village for several reasons. The Village experienced turnover in several key positions this year. The long time Village Administrator was terminated prior to the audit being conducted. The Village Finance Director was also terminated prior to the audit being conducted. We also lost our Utilities Clerk just prior to the audit being conducted. This has had a devastating effect on our remaining staff's ability to absorb all the responsibilities that these former employees had as well as provide the level of services our resident deserved. The institutional memory lost when the Administrator left was substantial as well as his knowledge of his files and their locations. The knowledge lost from the Finance Director and Utilities Clerk was also substantial. The Village has hired a new Finance Director and is in the process of training her. The Village is interviewing for the Administrator and Utilities Clerk positions.

To further exacerbate the situation, mold was discovered in the Village Administrative Offices just prior to the audit being conducted. OSHA inspectors immediately prohibited access to the Village Administrative Offices and the Village was forced to move its entire administrative staff and the Mayor's office to our municipal court building. We were in this building with little or no access to our files when this audit was conducted. The Village believes that the issues relayed above contributed significantly to the numerous findings contained in this audit report. With this said, the Village responds to each audit finding as follows:

**Response to FS-2009-01 Excess Expenditures Over Budget**—The Village of Questa's Governing Body did pass a final budget resolution. The resolution is awaiting approval from the New Mexico Department of Finance and Administration. There has been no determination by any agency that the Village violated the Open Meetings Act and the Village does not think that one occurred. The Village expects approval from DFA. It is important to note that the Village did not overspend its budget for the 2010/2011 fiscal year and that this finding only deals with moving funds from one budget line item to another.

**Response to FS-2009-02 Lack of Supporting Documentation**—Prior to this audit taking place, the Village of Questa replaced its Finance Director. The new Finance Director is requiring purchase orders for all purchases. This issue has been remedied. Regarding the issue of a contractor with no contract, the Village did not violate the requirements of the State Procurement Code. The procurement code allows for work under \$5,000.00 to be performed without a contract. However, the Village procurement policy was not yet in place at the time of this contract and the Village has since revised its procurement policy to mirror the state procurement code. The Village considers this problem solved with the resolution of this difference in procedures.

**Response to FS-2009-03 and FS-2010-08 Travel and Per Diem/State Auditor Compliance**—the Village of Questa has since granted the Finance Director the authority to review and approve or reject expenditures that do not meet the travel and per diem rules and regulations. It is the Village's position that this issue has been resolved with these modifications.

**Response to FS-2010-01 Contracts**—The Village of Questa made a finding during the awarding of this lease that the entities provide much needed services to the Village’s seniors and youth. The Village does not agree that it has violated the anti-donation clause and does not agree with this finding. The lease in question is with a non-profit organization.

**Response to FS-2010-03 Late of 941’s**—The Village did an investigation into this finding and it appears that the Village’s payroll company filed the 941 payroll report in question late. The Village has since remedied this issue by hiring a new Finance Director. The payroll company has also reassured the Village that it will not allow the late filing to happen again in the future. The Village will ensure that the 941 payroll reports are filed timely in the future.

**Response to FS-2010-04 Bank Reconciliations**—This is another issue related to the old Finance Director who has since been replaced. The new Finance Director is now balancing the bank reconciliation to the general ledger. The Village considers this issue resolved with these modifications.

**Response to FS-2010-05 Utilities Ordinance**—The Village is continuing to replace its old meters as fast as is practicable with its public works employees. The Village has also contacted the software manufacturer to ensure that it is now billing in accordance with its ordinance.

**Response to FS-2010-06 Utilities-discontinuation of service and liens**—the Village is in the process of hiring a utilities billing clerk. The clerk will be trained to follow and implement the Village’s ordinance, including shutting off service for overdue accounts and filing liens on overdue accounts. The Village is also in the process of hiring a new village administrator and will ensure that the new administrator oversees the billing process and makes sure that the Village is capturing all revenue, fees and fines and placing liens on property when applicable.

**Response to FS-2010-07 Payroll**—The Village is changing its procedures to ensure that the Finance Director is overseeing the payroll clerk and the payroll company to ensure that the payroll is entered correctly.

**Response to FS-2011-01 Computer Backup and Disaster Recovery Plan**—The Village of Questa is in the process of hiring an IT consultant to perform the recommendations contained in this finding. The Village was led to believe that these items were being performed by the prior Village Administrator and was disappointed to find out that they were not being done according to IT policy. The new Village Administrator and IT consultant will resolve this issue.

**Response to FS-2011-02 Preparation and Responsibility for Financial Statements**—The auditor is aware that the Village recently hired a new Finance Director and is in the process of hiring a new Village Administrator. These individuals will receive training regarding GAAP so they are able to prepare, understand and accept responsibility for the Village’s financial statements, including the Village’s audit report.

**Response to FS-2011-03 Open Meeting Act with regards to minutes**—The Village Clerk has been undertaking the roles of various employees who were either terminated or resigned. She is aware of

the requirements of the Open Meetings Act regarding minutes and now that the Village is getting its staff back up to full levels, she will ensure that the minutes are once again prepared and passed in a timely manner.

**Response to FS-2011-04 Open Meetings Act with regards to approval of resolutions**—The Village does not agree with the auditor’s lay opinion that the Open Meetings Act was violated. The Village passed a policy for dealing with situations in which a councilor wrongly abstains in order to prevent the Mayor from being able to pass the deciding majority vote. The auditor is aware of and was given a copy of this policy. The Village does not feel that there has been a violation of the Open Meetings Act and there has not been a finding by any agency that the Village violated the Open Meetings Act.

**Response to FS-2011-05 Village Training Policies**—The Village agrees that one of its representatives did not attend a training that the Village paid for. The Village has had a discussion with this individual and will do all that it can to prevent this from happening in the future.

**Response to FS-2011-06 Trial Balance**—The Village agrees that it has had a lot of personnel changes over the past year and that these changes contributed to this finding. The Village is hoping that more stability with regards to its employees in the coming year will remedy this issue. The Village will also train and cross train its personnel to avoid this happening in the future when turnover does occur.

**Response to FS-2011-07 Procurement Code**—The Village terminated its Village Administrator who was in charge of keeping the necessary documentation for the issues brought up in this finding. However, to respond in greater detail, the administrator is on record in the minutes of a meeting stating that he attempted to get three quotes for lobbying services but was only able to get two responses despite making several attempts. The attorney contract was put out for RFP and was responded to by and awarded to the current village attorney. This is all contained in the minutes and in the Taos News advertisement which the Village sent out requesting responses to the RFP. The contract was properly awarded. Regarding the bid documents for the business park, the bid documents for the construction of the building referred to in the finding were properly done and are in the possession of the engineer who is handling the contract. It is part of the scope of work for the engineer to perform all bid document preparation, bid tabulation, bid award and construction oversight and management. The Village offered to procure a copy of these documents for the auditor but was told it was too late to do so. Also, the Village offered to contact the engineer and have him contact the auditor and provide the documents to her in Albuquerque but was also told that it was too late.

**Response to FS-2011-08 Capital Asset Depreciation Schedule**—The Village agrees with this finding and will update its depreciation schedule to reflect all current capital assets and accumulated depreciation. The Village will also ensure that it implements procedures for the new administrator to perform this annually.

**Response to FS-2011-09 SAS 115 Accounts Receivable**—The Village agrees with this finding. As stated earlier, the Village recently hired a new Finance Director and will ensure that the records regarding what is owed and paid to the Village are properly maintained.

**Response to FS-2011-10 Municipal Court Reporting**—The Village agrees with this finding and will work with the municipal judge to implement a system to keep track of the bonds collected and the status of the case associated with each bond.

**Response to FS-2011-11 Economic Development Grant**—The Economic Development Fund Board as part of the trust document creating the Fund, has a trust protector who is a retired state court judge, review the Fund Boards expenditures and the purposes therefore. the Village is of the opinion that it has not violated the terms of the agreement with the Board under which it receives the funding and to the Village's knowledge, the trust protector has never made a determination that it has either. However, the Village will request that the Economic Development Board review the grants and the expenditures therefrom and determine if it feels that the Village is in violation of the funding agreement. It is important to note that the Fund Board funded the Village again this year.

**Response to FS-2011-12 Legal Services Passed Through Village**—The Chevron Mining Questa Mine Site Molybdenum Mine is currently on the National Priorities List of the CERCLA Act. EPA Region 6 calls this the most complex mine site in the country. The Village is located directly between the mine site and the tailing ponds which border the Village. This mine site is undergoing all of the steps of a CERCLA remediation and has been since 2001. In 2002, the Village put out an RFP looking for legal and technical help with dealing with this issue. The Village awarded the legal contract to the current village attorney and the technical contract to Miller Geotechnical Services of Fort Collins, Colorado. This issue has been ongoing on a continuous basis then. In 2003, the Village and Chevron Mining entered into a written agreement in which Chevron Mining agreed to offset the Village's expenses to its legal and technical consultants. This documentation is on file at the Village of Questa Administration offices. Chevron Mining then paid the outstanding bills for legal and technical oversight. In the agreement, Chevron Mining determined that, although it agrees that much more work is being done, it would pay a flat fee of \$16,700.00 a month for the oversight funding. New Mexico law allows a private individual or company who is donating money to a public entity to determine how that money will be spent. This agreement with Chevron Mining is still in effect and is renewed on an ongoing annual basis.

**Response to FS-2011-13 Comp Time in excess**—The Village will review the Fair Labor Standards Act Part 553 and also will have the new administrator perform a review of our policy and determine what changes need to be put into place to remedy this finding. Also, the Village Human Resources Director will perform an audit of employee compensation files to make sure that comp time totals are accrued correctly and that the total allowed under the policy is not exceeded.

**Response to FS-2011-14 Revenue Reporting**—The Village will send the Finance Director to training regarding GAAP and GASB regulations to ensure that it is in compliance with this finding. The Village will also ensure that the Finance Director records all transactions in compliance with GASB regulations and GAAP.

**Response to FS-2011-15 Time Sheets**—The Village agrees will require that all employee time sheets be reviewed and signed off on by their supervisor before being paid and that the time sheets be saved in a

file. In addition, the Village will give its employees a training on filling out their timesheets as suggested in the audit finding.

**Response to FS-2011-16 Compensated absences not properly recorded**—The Village will implement procedures to properly verify that comp-time is accrued and recorded correctly. The Village will also train its employees on how to complete time sheets correctly per the auditor’s recommendation.

**Response to FS-2011-17 Misappropriated assets from business park project**—At its meeting of November 22, 2011, the Village Governing Body met with the contractor regarding this issue. The contractor explained that he felt that the material at issue was “trash dirt” and that he told the subcontractor to haul the material off the property. At the Village’s request, the Contractor stated that he would have the material moved back to the village owned property.

**Response to FS-2011-18 Proper delegation of authority**—The Village terminated a contract with a contractor after approximately five years on a project. The contractor threatened to file a claim for money he expended on the project. The Village’s Governing Body and the attorney met in closed session under the exception in the Open Meetings Act for pending or threatened litigation. After hearing the attorney’s opinion regarding the strengths and weaknesses of the contractors claim as well as hearing that the contractor did indeed expend funds on the project, the Governing Body gave the attorney permission to settle the claim for \$54,000.00. The Village agreed to pay this settlement amount in order to avoid the expense and uncertainty that accompanies litigation. The contractor signed and entered into a settlement agreement and release in exchange for the amount. There was no management authority delegated to the attorney. It is very common for an attorney to be given authority to settle a case on behalf of a client.

**Response to FS-2011-19 Improper use of proprietary information**—The Village does not understand the reasons for this finding. The Village would ask that the auditor point to any regulation that required the Village to provide indemnification to a party who asks for it. Further, the Village takes the position that governmental entities cannot indemnify any parties. This finding should be removed from the report.

**Response to FS-2011-20 Disposition of Village Assets-State Auditor Compliance**—As stated in the finding, the Village believes that its old administrator sent the letter to the office of the State Auditor. The administrator is no longer with the Village and the Village did not have access to all of its files at the time of the audit as mold was found at the Village offices and the OSHA health inspector prohibited access to the Village offices until the issue is remediated. The Village was conducting business at the time of the audit from the municipal court and is still displaced at this time and is using the volunteer fire department as its offices.

**Response to FS-2011-21 Reconciliation of General Ledger**—The Village agrees with this finding and will have the payroll clerk reconcile the payroll reports to the general ledger with the oversight of the Finance Director after each payroll cycle.



**Response to FA-2011-01 Supporting Documents for CDBG Grant**—As stated above, the Village was displaced from its offices during this audit and is still currently displaced. The former Administrator was contacted by the Village and he stated that this documentation is in his old office. He also said that he informed the auditor of this. The Village feels that it is in compliance with this issue and that once it has access to its files that the required documentation will be located.

**Response to FA-2011-02 Supporting Documents for CWSRF (ARRA) Grant**—As stated above, the Village was displaced from its offices during this audit and is still currently displaced. The former Administrator was contacted by the Village and he stated that this documentation is in his old office. He also said that he informed the auditor of this. The Village feels that it is compliance with this issue and that once it has access to its files that the required documentation will be located.

**Response to FA-2011-03 Compliance with Davis Bacon Act-CDBG Grant**—The Village will comply with the recommendations contained in this finding. The former Administrator was contacted by the Village and he stated that this documentation is in his old office. He also said that he informed the auditor of this. The Village feels that it is compliance with this issue and that once it has access to its files that the required documentation will be located.

**Response to FA-2011-04 Compliance with Davis Bacon Act-EPA CWSRF Grant**—The Village will comply with the recommendations contained in this finding. The former Administrator was contacted by the Village and he stated that this documentation is in his old office. He also said that he informed the auditor of this. The Village feels that it is compliance with this issue and that once it has access to its files that the required documentation will be located.

**Response to FA-2011-05 Compliance ARRA Reporting (Water Resource Development Grant)**—The Village will comply with the recommendations contained in this finding. The former Administrator was contacted by the Village and he stated that this documentation is in his old office. He also said that he informed the auditor of this. The Village feels that it is compliance with this issue and that once it has access to its files that the required documentation will be located.

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# APPENDIX B

Responses to Village Attorney responses provided by Village Councilor Ortega

FS 2009-01 The governing body will direct the Village Administrator to ensure that expenditures do not exceed approved budget amounts. I also believe that moving funds from one budget line item to another requires Council approval except in very isolated cases. I don't agree that the budget resolution was passed in accordance with the Open Meetings Act (see letter from the DFA dated 11/23/11). The proper action should be taken to correct this finding.

FS 2009-02 There was a procurement policy in place but it was later revised.

FS 2009-03 & FS 2010-08 Management override in this instance is not acceptable to me. I agree with counsel's response.

FS 2010-01 I am in favor of the Village complying with the anti-donation clause and needs to do what is necessary to ensure that.

FS 2010-03 I agree with counsel's response.

FS 2010-04 I agree with counsel's response.

FS 2010-05 I agree with counsel's response and with auditor's recommendations regarding this finding.

FS 2010-06 I agree with counsel's response.

FS 2010-07 I agree with counsel's response.

FS 2011-01 I have no knowledge of the Village being in the process of hiring an IT consultant nor have I seen the IT policy, otherwise I agree with counsel's response.

FS 2011-02 I agree with counsel's response and the auditor's recommendation.

FS 2011-03 I believe that there is no excuse for not complying with the open meetings act. The clerk needs to be allowed to put in what ever time is necessary to get this done without management not allowing her to.

FS 2011-04 I don't agree that a councilor abstained in order to prevent the mayor from voting. The policy referred to was in itself voted on by this same questionable vote for the adoption of said policy. I disagree with counsel's response and opinion on this matter but I stand to be corrected.

FS 2011-05 I agree with counsel's response.

FS 2011-06 I agree with counsel's response.

FS 2011-07 Regardless of what the previous Administrator says he may or may not have done, the documentation has to be at the village offices. There should be absolutely no excuses for violation of the procurement code and State Purchasing regulations, and no excuse should be made. There appears to be some disagreement on what the auditor saw and what the Village says

is in the files. I am not convinced that the bid and contract documents are in the possession of the engineer. If they are, he has refused to turn them over to the Village. I agree with the auditor's "CAUSE OF CONDITION" alternative cause.

FS 2011-08 I agree with counsel's response.

FS 2011-09 I agree with counsel's response.

FS 2011-10 I agree with counsel's response.

FS 2011-11 I agree with counsel's response.

FS 2011-12 I agree with counsel's response but I believe a simple agreement between the Village and the attorney's firm would resolve this finding.

FS 2011-13 I agree with counsel's response.

FS 2011-14 I agree with counsel's response.

FS 2011-15 I agree with counsel's response.

FS 2011-16 I agree with counsel's response.

FS 2011-17 I agree with counsel's response but that all the dirt be moved back.

FS 2011-18 The governing body did give the attorney authority to negotiate a settlement with the contractor. The Village governing body did not take action to pay \$54,000 to the contractor by official Council action. I believe complete documentation to justify the \$54,000 payment was not presented to the governing body.

FS 2011-19 No comment.

FS 2011-20 I agree with the auditor's recommendation.

FS 2011-21 I agree with counsel's response.

FA 2011-01 I agree with the auditor's recommendation.

FA 2011-02 I agree with the auditor's recommendation.

FA 2011-03 I agree with the auditor's recommendation.

FA 2011-04 I agree with the auditor's recommendation.

FA 2011-05 I agree with the auditor's recommendation.

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# APPENDIX C

Auditors responses to Village responses to findings

### **Auditors Responses to finding responses**

FS 2009-01 We respectfully disagree with the finding response that the Village passed a final budget resolution and that the Village did not overspend its budget. The vote on the final budget resolution has been called into question and the NM Department of Finance and Administration had not approved it as of October 19, 2011. NM Department of Finance and Administration requires that municipalities budget by fund and not exceed each of those budgets without proper approval; the Village did not provide proper evidential matter to authorize amendments for those budgets which had exceeded budgeted authority. Councilor Ortega's response makes reference to a letter from DFA dated November 23, 2011, and appears to support the finding. Because the letter was received after the completion of our audit, we have not reviewed the referenced DFA letter.

FS 2009-02 We respectfully disagree with the finding response that the Village did not have a procurement code in place at the time of the contract and that this finding was a violation of the Village's policy. We do acknowledge that the Village's Procurement Policy was later revised by the Village Council.

FS 2010-01 We respectfully disagree with the finding response that the lease between the Village and the Not-For-Profit Organization does not violate the anti-donation clause as the Village is providing aid/donation to a Not-for-Profit Organization. We are unaware of any legal authority that exempts not for profit entities from the operation of the Anti-Donation Clause of the New Mexico Constitution, and no such authority was provided to us by the Village.

FS 2011-04 We respectfully disagree with the finding response that the Village has not violated the Open Meetings Act. We contacted the NM Attorney General's Office, the NM Municipal League's Legal Council and the NM Office of the State Auditor's Legal Counsel for assistance with regard to the legality of the procedures occurring and we relied upon their legal expertise in preparing our audit report. We are unaware of any legal authority that supports the Village attorney's claim that a councilor can "wrongly abstain." We were not provided with any support for this contention by the Village or its attorney, and we were not provided with any judicial or administrative finding by a court or agency with jurisdiction that supports the claim that a councilor wrongly abstained.

FS 2011-07 We respectfully disagree with the finding response that the Procurement Code was not violated. The Village could not produce sufficient evidential matter for the bids in question despite the auditor's attempts to contact the bidding agencies to obtain the proper documentation. Furthermore, as noted in Councilor Ortega's response, it is the Village's obligation to maintain supporting documents, not the obligation of its contractor.



FS 2011-11 We respectfully disagree with the finding response that the Village is in compliance with the Economic Development Grant as it was written. Our review of the grant documents indicated that funds were to be used for training. A request for \$25,000 was made to the Board and granted based on a letter from the Mayor and Village Administrator that these funds were previously spent for training, however, the financial statements and supporting documents do not support the claim that the funds were used for training as stated by the Mayor and Village Administrator.

FS 2011-12 We respectfully disagree with the finding response that the a contract for the Chevron Legal Fees is on file at the Village of Questa Administration Offices. The 2003 contract referred to by the Village Attorney was never provided for review, although it was requested. We were not provided with any documentation to show that Chevron was making, and continues to make, a “donation” that is restricted in any way. Moreover, the claim that the payment is a donation is refuted by that portion of the response that states that the payment is intended to be reimbursement or “offset” of the Village’s expenses to its legal and technical consultants. We were not provided with any evidence that the Village’s attorneys provided any legal services related to the Chevron matter referred to, nor is there any documentation to show that such services, if in fact provided, were secured in compliance with the Procurement Code.

FS 2011-18 We respectfully disagree with the finding response that the Village Council approved payment of \$54,000 to a contractor. There was no supporting evidence in the minutes that an approval had occurred.

FS 2011-19 We respectfully disagree with the finding response that we asked the Village to indemnify any parties. The response misconstrues the finding. The finding relates to the Village’s apparent misuse, or aiding in the possible misappropriation, of the previous engineer’s copyrighted material, thereby exposing the Village to liability. The previous engineer has demanded indemnification for the alleged wrongful use of his property. Only a court can determine whether there is any merit to the engineer’s claim of wrongful use and demand for indemnification. Nevertheless, it is our obligation as auditors to identify a potential liability and a poor management practice.

FS 2011-20 We respectfully disagree with the finding response that the Village did not have access to records of the old administrator. We were in Questa on two different occasions for a week at a time and had full access to the Administrative Offices and all files that could be located. To our knowledge, the offices had not been inspected by OSHA while we were conducting our fieldwork. The Village was not able to provide us with sufficient evidential matter for us to conclude that this State Audit Rule was not violated.

FA 2011-01 We respectfully disagree with the finding response that the Village is in compliance with the requirements of the CDBG Grant. We were in Questa on two different occasions for a week at a time and had full access to the Administrative Offices and all files that could be located. We contacted the granting agencies for supporting documentation but were unable to obtain sufficient evidential matter to support the Village’s compliance with federal awarding agencies.

FA 2011-02 We respectfully disagree with the finding response that the Village is in compliance with the requirements of the EPA CWSRF Grant. We were in Questa on two different occasions for a week at a time and had full access to the Administrative Offices and all files that could be located. We contacted the granting agencies for supporting documentation but were unable to obtain sufficient evidential matter to support the Village's compliance with federal awarding agencies.

FA 2011-03 We respectfully disagree with the finding response that the Village is in compliance with the Davis Bacon requirement of the CDBG Grant. We were in Questa on two different occasions for a week at a time and had full access to the Administrative Offices and all files that could be located. We contacted the granting agencies for supporting documentation but were unable to obtain sufficient evidential matter to support the Village's compliance with federal awarding agencies. In addition, we did obtain documentation from the Department of Labor that stated that a contractor was found to be in violation of the Davis Bacon Act and that payment should be withheld until further notice.

FA 2011-04 We respectfully disagree with the finding response that the Village is in compliance with the Davis Bacon requirement of the EPA CWSRF Grant. We were in Questa on two different occasions for a week at a time and had full access to the Administrative Offices and all files that could be located. We contacted the granting agencies for supporting documentation but were unable to obtain sufficient evidential matter to support the Village's compliance with federal awarding agencies. In addition, we did obtain documentation from the Department of Labor that stated that a contractor was found to be in violation of the Davis Bacon Act and that payment should be withheld until further notice.

FA 2011-05 We respectfully disagree with the finding response that the Village is in compliance with the requirements of the Water Resource Development Grant. We were in Questa on two different occasions for a week at a time and had full access to the Administrative Offices and all files that could be located. We contacted the granting agencies for supporting documentation but were unable to obtain sufficient evidential matter to support the Village's compliance with federal awarding agencies. It should be noted that the remaining Village Management was unaware that this grant was federal funding.