



STATE OF NEW MEXICO
ANNUAL FINANCIAL REPORT
June 30, 2012

Harshwal & Company LLP
Certified Public Accountants
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INTRODUCTORY SECTION

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VILLAGE OF QUESTA
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For the Fiscal Year Ended June 30, 2012**

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VILLAGE OF QUESTA
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**STATE OF NEW MEXICO
VILLAGE OF QUESTA
OFFICIAL ROSTER
June 30, 2012**

Village Council

Esther Garcia
Louise T. Padilla
Lawrence A. Ortega
Mark L. Gallegos
Evelyn Ortega-Coggins

Mayor
Councillor
Councillor
Councillor
Councillor

Village Officials

Jim Fambro
Brent Jaramillo
Renee Martinez
Danielle Lovato
Michael G. Rael

Village Administrator (current)
Village Administrator through September 06, 2011
Village Clerk/ Treasurer
Finance Director
Village Judge

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
To the Honorable Mayor 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, the aggregate remaining fund information and the budgetary comparisons 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, 2012, 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 of each of the Village's non-major governmental funds, nonmajor enterprise, internal service funds and the budgetary comparisons for the major capital project funds, and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of 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. Management could not, without considerable effort, provide the auditors with the dollar amount of the expenditures by federal program necessary to determine if a single audit was required. The findings on pages 91-112 address the weaknesses in internal controls we encountered while planning and conducting our audit.

As the Village did not maintain sufficient internal controls and we were unable to obtain sufficient evidential matter 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, 2012, 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, 2012, 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 May 30, 2013 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.

Management has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

We were engaged for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. 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 additional schedules listed as supporting Schedules I through III and V in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements of Village of Questa. Because of the significance of the matters 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, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
May 30, 2013

STATE OF NEW MEXICO
Village of Questa
Statement of Net Assets
June 30, 2012

Exhibit A-1

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 583,184	\$ 45,009	\$ 628,193
Investments		297,084	297,084
Taxes receivable	142,906		142,906
Accounts receivable	113,057	151,671	264,728
Total Current Assets	839,147	493,764	1,332,911
Noncurrent Assets			
Capital assets	12,067,438	5,074,942	17,142,380
Less: accumulated depreciation	(1,256,092)	(2,350,466)	(3,606,558)
Total Noncurrent Assets	10,811,346	2,724,476	13,535,822
Total Assets	\$ 11,650,493	\$ 3,218,240	\$ 14,868,733
Liabilities			
Current Liabilities			
Accounts payable	\$ 362,903	\$ 19,172	\$ 382,075
Accrued salaries and benefits	10,038	2,809	12,847
Accrued interest	9,432		9,432
Accrued compensated absences	21,273	17,620	38,893
Current portion of bonds payable		10,510	10,510
Current portion of loans and notes payable	24,784		24,784
Total Current Liabilities	428,430	50,111	478,541
Noncurrent Liabilities:			
Loans and notes payable	288,750	170,324	459,074
Total Noncurrent Liabilities	288,750	170,324	459,074
Total Liabilities	717,180	220,435	937,615
Net Assets			
Invested in capital assets, net of related debt	10,497,812	2,543,642	13,041,454
Restricted for:			
Special Revenue Funds	92,647		92,647
Capital Projects Funds	1,455,624		1,455,624
Unrestricted	(1,112,770)	454,163	(658,607)
Total Net Assets	10,933,313	2,997,805	13,931,118
Total Net Assets and Liabilities	\$ 11,650,493	\$ 3,218,240	\$ 14,868,733

STATE OF NEW MEXICO
Village of Questa
Statement of Activities
For the Year Ending June 30, 2012

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>
Primary Government				
General government	\$ 1,754,673	\$ 37,141	\$ 1,147,032	\$ 467,589
Public safety	427,497	18,941	148,372	
Public works	69,102		(17,601)	1,980,166
Culture and recreation	40,063	27,043	99,316	
Interest on long-term debt	7,911			
Depreciation				
<i>Total governmental activities</i>	<u>2,299,246</u>	<u>83,125</u>	<u>1,377,119</u>	<u>2,447,755</u>
Business-type Activities:				
Joint Utility	419,944	443,386		
Solid Waste	<u>212,652</u>	<u>231,374</u>		
<i>Total business type activities</i>	<u>632,596</u>	<u>674,760</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$ 2,931,842</u>	<u>\$ 757,885</u>	<u>\$ 1,377,119</u>	<u>\$ 2,447,755</u>
General Revenues:				
Taxes				
Property taxes, levied for general purposes				
Franchise taxes				
Gross receipts taxes				
Public service taxes				
Interest income				
Miscellaneous income				
Total General Revenues and Transfers				
Excess (deficiency) of revenues over expenses				
Change in net assets				
Net assets, beginning				
Net assets, ending				

STATE OF NEW MEXICO
Village of Questa
Statement of Activities
For the Year Ending June 30, 2012

Exhibit A-2

<u>Functions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Primary Government			
General government	\$ (102,911)	\$	\$ 0
Public safety	(260,184)		(260,184)
Public works	1,893,463		1,893,463
Culture and recreation	86,296		86,296
Interest on long-term debt	(7,911)		(7,911)
Depreciation			<u>0</u>
<i>Total governmental activities</i>	<u>1,608,753</u>	<u>0</u>	<u>1,608,753</u>
Business-type Activities:			
Joint Utility		23,442	23,442
Solid Waste		<u>18,722</u>	<u>18,722</u>
<i>Total business type activities</i>	<u>0</u>	<u>42,164</u>	<u>0</u>
<i>Total</i>	<u>1,608,753</u>	<u>42,164</u>	<u>1,650,917</u>
General Revenues:			
Taxes			
Property taxes, levied for general purposes	35,476		35,476
Franchise taxes	34,964		34,964
Gross receipts taxes	465,425		465,425
Public service taxes	29,370		29,370
Interest income	(2,997)	94	(2,903)
Miscellaneous income	<u>113,518</u>	<u>169,251</u>	<u>282,769</u>
Total General Revenues and Transfers	<u>675,756</u>	<u>169,345</u>	<u>845,101</u>
Excess (deficiency) of revenues over expenses	<u>2,284,509</u>	<u>211,509</u>	<u>2,496,018</u>
Change in net assets	2,284,509	211,509	2,496,018
Net assets, beginning	<u>8,648,804</u>	<u>2,786,296</u>	<u>11,435,100</u>
Net assets, ending	<u>\$10,933,313</u>	<u>\$ 2,997,805</u>	<u>\$13,931,118</u>

STATE OF NEW MEXICO
Village of Questa
Balance Sheet
Governmental Funds
June 30, 2012

Exhibit B-1

	General	Economic Development Fund	Water System Improvement Fund	WWTP Improvement Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 268,778	\$ 184,318	\$	\$
Accounts and taxes receivable	136,057			
Due from other governments				3,610
Due from other funds	<u>138,381</u>			
<i>Total assets</i>	<u>\$ 543,216</u>	<u>\$ 184,318</u>	<u>\$ 0</u>	<u>\$ 3,610</u>
<i>Liabilities</i>				
Negative cash - due to other funds	\$	\$	\$ 101,141	\$ 4,273
Accounts payable	83,526	53,430		
Accrued salaries and benefits	7,362			
Deferred revenue	<u>24,423</u>			
<i>Total liabilities</i>	<u>115,311</u>	<u>53,430</u>	<u>101,141</u>	<u>4,273</u>
<i>Fund Balances</i>				
Fund Balance				
Restricted for:				
Special Revenue Funds				
Capital Projects Funds		130,888		
Unassigned for:				
General Fund	427,905			
Special Revenue Funds				
Capital Projects Funds			<u>(101,141)</u>	<u>(663)</u>
<i>Total fund balances</i>	<u>427,905</u>	<u>130,888</u>	<u>(101,141)</u>	<u>(663)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 543,216</u>	<u>\$ 184,318</u>	<u>\$ 0</u>	<u>\$ 3,610</u>

STATE OF NEW MEXICO
Village of Questa
Balance Sheet
Governmental Funds
June 30, 2012

Exhibit B-1

	Airport Improvement Fund	Local Road Project Fund	Other Governmental Funds	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 3,205	\$ 13,934	\$ 112,949	\$ 583,184
Accounts and taxes receivable			6,849	142,906
Due from other governments		105,685	3,762	113,057
Due from other funds				138,381
	<u>3,205</u>	<u>119,619</u>	<u>123,560</u>	<u>977,528</u>
<i>Total assets</i>	<u>\$ 3,205</u>	<u>\$ 119,619</u>	<u>\$ 123,560</u>	<u>\$ 977,528</u>
<i>Liabilities</i>				
Negative cash - due to other funds	\$	\$	\$ 32,967	\$ 138,381
Accounts payable		156,972	68,975	362,903
Accrued salaries and benefits			2,676	10,038
Deferred revenue				24,423
	<u>0</u>	<u>156,972</u>	<u>104,618</u>	<u>535,745</u>
<i>Total liabilities</i>	<u>0</u>	<u>156,972</u>	<u>104,618</u>	<u>535,745</u>
<i>Fund Balances</i>				
Fund Balance				
Restricted for:				
Special Revenue Funds			92,647	92,647
Capital Projects Funds	3,205		8,956	143,049
Unassigned for:				
General Fund				427,905
Special Revenue Funds			(39,389)	(39,389)
Capital Projects Funds		(37,353)	(43,272)	(182,429)
	<u>3,205</u>	<u>(37,353)</u>	<u>18,942</u>	<u>441,783</u>
<i>Total fund balances</i>	<u>3,205</u>	<u>(37,353)</u>	<u>18,942</u>	<u>441,783</u>
<i>Total liabilities and fund balances</i>	<u>\$ 3,205</u>	<u>\$ 119,619</u>	<u>\$ 123,560</u>	<u>\$ 977,528</u>

STATE OF NEW MEXICO

Village of Questa

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2012

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	\$ 441,783
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,811,346
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds:	
Accrued compensated absences	(21,273)
Deferred property taxes	24,423
Accrued interest	(9,432)
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>\$ 10,933,313</u>

STATE OF NEW MEXICO

Exhibit B-2

Village of Questa

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ending June 30, 2012

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>Water Systems Improvements</u>	<u>WWTP Improvement Fund</u>
<i>Revenues:</i>				
Taxes				
Property taxes	\$ 63,881	\$	\$	\$
Gross receipts taxes	454,519			
Public service taxes	5,899			
Franchise taxes	34,964			
Federal Sources			907,438	
State Sources	225,404	738,493		1,007,767
Local Sources				
Charges for Services	1,346			
Licenses and Fees	35,468			
Investment Income (Loss)				
Miscellaneous	<u>118,378</u>			
Total revenues	<u>939,859</u>	<u>738,493</u>	<u>907,438</u>	<u>1,007,767</u>
<i>Expenditures:</i>				
Current:				
General Government	570,545	315,424		
Public Safety	176,747			
Public Works				
Culture and Recreation				
Capital Outlay			<u>817,587</u>	<u>677,417</u>
Total expenditures	<u>747,292</u>	<u>315,424</u>	<u>817,587</u>	<u>677,417</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>192,567</u>	<u>423,069</u>	<u>89,851</u>	<u>330,350</u>
<i>Net change in fund balance</i>	<u>192,567</u>	<u>423,069</u>	<u>89,851</u>	<u>330,350</u>
<i>Fund balance - beginning of year</i>	<u>235,338</u>	<u>(292,181)</u>	<u>(190,992)</u>	<u>(331,013)</u>
<i>Fund balance - end of year</i>	<u>\$ 427,905</u>	<u>\$ 130,888</u>	<u>\$ (101,141)</u>	<u>\$ (663)</u>

STATE OF NEW MEXICO

Exhibit B-2

Village of Questa

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ending June 30, 2012

	Airport Improvement Fund	Local Road Project Fund	Other Governmental Funds	Total
<i>Revenues:</i>				
Taxes				
Property taxes	\$	\$	\$ 30,800	\$ 94,681
Gross receipts taxes			10,906	465,425
Public service taxes			23,470	29,369
Franchise taxes				34,964
Federal Sources				907,438
State Sources	467,588	64,962	146,009	2,650,223
Local Sources			15,534	15,534
Charges for Services			105,066	106,412
Licenses and Fees			13,398	48,866
Investment Income (Loss)			(2,998)	(2,998)
Miscellaneous			174,668	293,046
Total revenues	<u>467,588</u>	<u>64,962</u>	<u>516,853</u>	<u>4,642,960</u>
<i>Expenditures:</i>				
Current:				
General Government	477,245	102,315	279,513	1,745,042
Public Safety			250,750	427,497
Public Works			69,102	69,102
Culture and Recreation			40,063	40,063
Capital Outlay			34,490	1,529,494
Total expenditures	<u>477,245</u>	<u>102,315</u>	<u>673,918</u>	<u>3,811,198</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(9,657)</u>	<u>(37,353)</u>	<u>(157,065)</u>	<u>831,762</u>
<i>Net change in fund balance</i>	<u>(9,657)</u>	<u>(37,353)</u>	<u>(157,065)</u>	<u>831,762</u>
<i>Fund balance - beginning of year</i>	<u>12,862</u>		<u>176,007</u>	<u>(389,979)</u>
<i>Fund balance - end of year</i>	<u>\$ 3,205</u>	<u>\$ (37,353)</u>	<u>\$ 18,942</u>	<u>\$ 441,783</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, 2012**

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds \$ 831,762

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 1,529,494
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 fund financial statements. (59,205)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Increase in long term portion of accrued compensated absences (9,631)
Increase in accrued interest (7,911)

Change in net assets of governmental activities \$ 2,284,509

STATE OF NEW MEXICO

Exhibit C-1

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Basis)</u>	<u>(Unfavorable)</u> <u>Final to Actual</u>
<i>Revenues:</i>				
Taxes				
Property taxes	\$ 65,000	\$ 65,000	\$ 56,182	\$ (8,818)
Gross receipts	436,000	436,000	357,592	(78,408)
Public service taxes			5,899	5,899
Franchise taxes	44,000	44,000	27,956	(16,044)
State Sources	81,965	81,965	169,313	87,348
Charges for Services	600	600	1,346	746
Licenses and Fees	44,350	44,350	35,468	(8,882)
Miscellaneous	<u>44,210</u>	<u>44,210</u>	<u>118,378</u>	<u>74,168</u>
<i>Total revenues</i>	<u>716,125</u>	<u>716,125</u>	<u>772,134</u>	<u>56,009</u>
<i>Expenditures:</i>				
Current:				
General Government	487,289	487,289	498,209	(10,920)
Public Safety	<u>234,437</u>	<u>234,437</u>	<u>176,747</u>	<u>57,690</u>
<i>Total expenditures</i>	<u>721,726</u>	<u>721,726</u>	<u>674,956</u>	<u>46,770</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,601)</u>	<u>(5,601)</u>	<u>97,178</u>	<u>102,779</u>
<i>Other financing sources (uses)</i>				
Transfers In	<u>80,813</u>	<u>80,313</u>		<u>(80,313)</u>
<i>Total other financing sources (uses)</i>	<u>80,813</u>	<u>80,313</u>	<u>0</u>	<u>(80,313)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>0</u>	<u>0</u>	<u>97,178</u>	<u>97,178</u>
<i>Cash Balance - Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>171,600</u>	<u>171,600</u>
<i>Cash Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 268,778</u>	<u>\$ 268,778</u>
Adjustment to expenditures for payables,taxes, prepaid expenses, and other accruals			(72,336)	
Adjustment to revenue for receivables and other deferrals and accruals			<u>167,725</u>	
Excess(deficiency) of revenues over expenditures (GAAP basis)			<u>\$ 192,567</u>	

STATE OF NEW MEXICO
Village of Questa
Proprietary Funds
Statement of Net Assets
June 30, 2012

Exhibit D-1

	Joint Utility	Solid Waste	Total
<i>Assets</i>			
<i>Current assets</i>			
Cash	\$ 18,587	\$ 26,422	\$ 45,009
Investments	297,084		297,084
Accounts receivable (less allowance for doubtful accounts of \$44,578 and \$24,780)	99,372	52,299	151,671
<i>Total current assets</i>	415,043	78,721	493,764
<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>	2,724,476	0	2,724,476
<i>Total Assets</i>	\$ 3,139,519	\$ 78,721	\$ 3,218,240
<i>Liabilities and Net Assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 4,670	\$ 14,502	\$ 19,172
Accrued salaries and benefits	2,809		2,809
Current maturity of bonds and notes payable	10,510		10,510
Accrued Compensated Absences	17,620		17,620
<i>Total current liabilities</i>	35,609	14,502	50,111
<i>Noncurrent liabilities</i>			
Bonds payable	63,000		63,000
Notes payable	107,324		107,324
<i>Total noncurrent liabilities</i>	170,324	0	170,324
<i>Total liabilities</i>	205,933	14,502	220,435
<i>Net Assets:</i>			
Net assets invested in capital assets, net of related debt	2,543,642		2,543,642
Net assets unrestricted	389,944	64,219	454,163
<i>Total net assets</i>	2,933,586	64,219	2,997,805
<i>Total Liabilities and Net Assets</i>	\$ 3,139,519	\$ 78,721	\$ 3,218,240

STATE OF NEW MEXICO

Exhibit D-2

Village of Questa

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2012

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Operating revenues:</i>			
Charges for services	\$ <u>443,386</u>	\$ <u>231,374</u>	\$ <u>674,760</u>
<i>Total Operating revenues</i>	<u>443,386</u>	<u>231,374</u>	<u>674,760</u>
<i>Operating expenses:</i>			
Personal services	233,172		233,172
Contractual services	9,598	11,329	20,927
Supplies and purchased power	110,114	201,323	311,437
Maintenance and materials	5,013		5,013
Heat, light and power	<u>62,047</u>		<u>62,047</u>
<i>Total operating expenses</i>	<u>419,944</u>	<u>212,652</u>	<u>632,596</u>
<i>Operating income (loss)</i>	<u>23,442</u>	<u>18,722</u>	<u>42,164</u>
<i>Non-operating revenues (expenses):</i>			
Interest income	94		94
Miscellaneous income	<u>169,251</u>		<u>169,251</u>
<i>Total non-operating revenues (expenses)</i>	<u>169,345</u>		<u>169,345</u>
<i>Change in net assets</i>	192,787	18,722	211,509
<i>Total net assets, beginning of year</i>	<u>2,740,799</u>	<u>45,497</u>	<u>2,786,296</u>
<i>Total net assets, end of year</i>	<u>\$ 2,933,586</u>	<u>\$ 64,219</u>	<u>\$ 2,997,805</u>

STATE OF NEW MEXICO
Village of Questa
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2012

Exhibit D-3

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 373,964	\$ 202,459	\$ 576,423
Cash payments to employees for services	(249,084)	(1,495)	(250,579)
Cash payments to suppliers for goods and services	<u>(195,548)</u>	<u>(209,132)</u>	<u>(404,680)</u>
<i>Net cash used for operating activities</i>	<u>(70,668)</u>	<u>(8,168)</u>	<u>(78,836)</u>
<i>Cash flows from non capital financing activities:</i>			
Accrued Compensated Absences	12,995		12,995
Miscellaneous income	<u>169,251</u>		<u>169,251</u>
<i>Net cash provided from non capital financing activities:</i>	<u>182,246</u>	<u>0</u>	<u>182,246</u>
<i>Cash flows from capital and related financing activities:</i>			
Principal payments on notes payable	(5,000)		(5,000)
Proceed from NMFA loans	<u>112,834</u>		<u>112,834</u>
<i>Net cash used by capital and related financing activities:</i>	<u>107,834</u>	<u>0</u>	<u>107,834</u>
<i>Cash flows from investing activities:</i>			
Interest on investments	<u>94</u>		<u>94</u>
<i>Net cash provided from investing activities:</i>	<u>94</u>	<u>0</u>	<u>94</u>
<i>Net increase in cash and cash equivalents</i>	219,506	(8,168)	211,338
<i>Cash and cash equivalents - beginning of year</i>	<u>96,165</u>	<u>34,590</u>	<u>130,755</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 315,671</u>	<u>\$ 26,422</u>	<u>\$ 342,093</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ 23,442	\$ 18,722	\$ 42,164
Adjustments to reconcile operating (loss) to net cash (used) by operating activities			
Changes in assets and liabilities			
Change in receivables	(69,422)	(28,914)	(98,336)
Change in accounts payable	(8,776)	3,520	(5,256)
Change in accrued salaries and benefits	<u>(15,912)</u>	<u>(1,496)</u>	<u>(17,408)</u>
<i>Net cash (used) by operating activities</i>	<u>\$ (70,668)</u>	<u>\$ (8,168)</u>	<u>\$ (78,836)</u>

STATE OF NEW MEXICO
Village of Questa
Agency Funds
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2012

Exhibit E-1

	<u>Agency Fund</u>
<i>Assets</i>	
Cash	\$ <u> 0</u>
<i>Total assets</i>	<u> 0</u>
<i>Liabilities</i>	
Due to other taxing units	<u> 0</u>
<i>Total liabilities</i>	\$ <u> 0</u>

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

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.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the 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.

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.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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.

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.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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 *Airport Improvement Fund* is to account for reserve monies related to the Airport.

The *Local Road Project Fund* is to account for reserve monies related to local road maintenance.

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 01, 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.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service in connection with the fund's principal ongoing operations. The principal operating revenue of the Village's enterprise fund is charges for services at the Village Utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. 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.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Overview of the financial statements (continued)

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

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

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

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

E. Assets, Liabilities, and Net Assets or Equity

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

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

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.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Assets	Year
Permanent Buildings	45
Vehicles	20
Computer Equipment	5
Other Furniture and Equipment	5-20

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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, 2012

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. 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 Councillors, 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 Councillors 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.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

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

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.

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, 2012.

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.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

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

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

	Centinel Bank	US Bank	Questa Credit Union	NMFA Loan & Grant Proceeds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total of deposits in the bank	\$ 676,876	\$ 39,142	\$ 663	\$ 282,084
Less FDIC coverage	<u>(676,876)</u>	<u>(39,142)</u>	<u>(663)</u>	<u>(282,084)</u>
Total uninsured public funds	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Collateral requirement				
Pledged collateral held by the pledging Bank's trust department but not in the Village's name				
Custodial Credit Risk-Deposits				
Account Balance	\$ 998,765			
FDIC Insured	998,765			
Collateral:				
Collateral held by the pledging bank, not in the Village's name				
Uninsured and uncollateralized	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deposits	<u>\$ 998,765</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</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, 2012, none of the Village's bank balance of \$998,765 was exposed to custodial credit risk as follows:

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

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

Reconciliation of Cash and Temporary Investments

Carrying amounts by fund per financial statement at June 30, 2012 is:

Cash and cash equivalents per Exhibit A-1	\$ 628,193
Cash and cash equivalents per Exhibit E-1	0
Investments per Exhibit E-1	297,084
Less: State Treasurer Funds	(3,590)
Add outstanding checks and other reconciling items	<u>77,078</u>
	<u>\$ 998,765</u>

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that in the event of counter party, 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, 2012 include the following:

State Treasurer LGIP	AAAm	36-day WAM	\$3,590
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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, 2012. Participation in the Local Government Investment Pool is voluntary.

New Mexico 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, 2012.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 4. Accounts Receivable

	<u>General Fund</u>	<u>WWTP Improvement</u>	<u>Local Road Project Fund</u>	<u>Non-Major Projects</u>	<u>Total</u>
Taxes:					
Gross Receipts Tax	\$ 91,351	\$	\$	\$ 3,010	\$ 94,361
Franchise Tax	7,008				7,008
Property Taxes	32,122				32,122
Gas & Motor Vehicle Tax	5,576			3,839	9,415
Intergovernmental		3,610	105,685	3,762	113,057
Other					<u>0</u>
Net Receivables	<u>\$136,057</u>	<u>\$ 3,610</u>	<u>\$ 105,685</u>	<u>\$ 10,611</u>	<u>\$ 255,963</u>

Enterprise accounts receivable at June 30, 2012 were \$221,029, allowance for uncollectible accounts of \$(69,358) for a net accounts receivable of \$151,671.

NOTE 5. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2012 follows. Land and Construction in Progress is not subject to depreciation.

Governmental Activities:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Capital Assets, not being depreciated:				
Land	\$ 45,237	\$	\$	\$ 45,237
Construction in Progress	<u>4,607,874</u>	<u>1,495,004</u>		<u>6,102,878</u>
Capital Assets, being depreciated:				
Furniture, Fixture, & Equipment	389,225	34,490		423,715
Vehicles	1,514,017			1,514,017
Buildings & Improvements	<u>3,981,591</u>			<u>3,981,591</u>
Total Capital Assets	<u>10,537,944</u>	<u>1,529,494</u>	<u>0</u>	<u>12,067,438</u>
Accumulated Depreciation:				
Furniture, Fixture, & Equipment	315,313			315,313
Vehicles	826,948			826,948
Buildings & Improvements	<u>113,831</u>			<u>113,831</u>
Total Accumulated Depreciation	<u>1,256,092</u>	<u>0</u>	<u>0</u>	<u>1,256,092</u>
Net Capital Assets	<u>\$ 9,281,852</u>	<u>\$ 1,529,494</u>	<u>\$ 0</u>	<u>\$ 10,811,346</u>

The Village did not record depreciation expense for the year ended June 30, 2012.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 5. Capital Assets (continued)

Business-type Activities:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
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
Total Business-like Activities	<u>5,074,942</u>	<u>0</u>	<u>0</u>	<u>5,074,942</u>
Accumulated Depreciation:				
Plant in Service	1,959,029			1,959,029
Furniture, Fixture, & Equipment	256,979			256,979
Vehicles	134,458			134,458
Total Accumulated Depreciation	<u>2,350,466</u>	<u>0</u>	<u>0</u>	<u>2,350,466</u>
Net Capital Assets	<u>\$ 2,724,476</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,724,476</u>

The Village did not record depreciation expense relating to business-like activities for the year ended June 30, 2012.

NOTE 6. Long-term Debt

During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

Governmental activities:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Amounts Due Within One Year
1.707%, Maturity 5/1/12 NMFA Fire Truck	\$ 313,534			\$ 313,534	\$ 24,784
Accrued Compensated Absences	<u>11,642</u>	<u>9,631</u>		<u>21,273</u>	<u>21,273</u>
Total Long-term Debt	<u>325,176</u>	<u>9,631</u>	<u>0</u>	<u>334,807</u>	<u>46,057</u>

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 6. Long-term Debt (continued)

The annual requirements to amortize the NMFA Fire Truck as of June 30, 2012, including interest payments are as follows:

Fiscal Year	Principal	Interest	Total
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	24,250	6,347	30,597
2018-2022	135,750	22,078	157,828
2023-2024	60,500	3,031	63,531
	<u>\$ 313,534</u>	<u>\$ 61,037</u>	<u>\$ 374,571</u>

Proprietary Long-term Debt

The Water and Sewer Fund has incurred various forms of debt, which were used for the purpose of constructing, expanding, repairing and making improvements to its property plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2012.

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Amount Due Within One Year
\$140,000 original issue Series 1981 Water and Sewer Revenue Bonds payable in annual installments each June 1st through the year 2022 Interest is at 5.0% per annum.	\$ 73,000	\$	\$ 5,000	\$ 68,000	\$ 5,000
NMFA Loan Payable		112,834		112,834	5,510
Accrued Compensated Absences	4,625	12,995		17,620	17,620
Total	<u>\$ 77,625</u>	<u>\$ 12,995</u>	<u>\$ 5,000</u>	<u>\$ 85,620</u>	<u>\$ 22,620</u>

The annual requirements to amortize the Revenue Bonds as of June 30, 2012, including interest payments are as follows:

Fiscal Year	Principal	Interest	Total
2013	\$ 5,000	\$ 3,400	\$ 8,400
2014	6,000	3,150	9,150
2015	6,000	2,850	8,850
2016	6,000	2,550	8,550
2017	7,000	2,250	9,250
2018-2022	38,000	5,850	43,850
	<u>\$ 68,000</u>	<u>\$ 20,050</u>	<u>\$ 88,050</u>

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 6. Long-term Debt (continued)

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, 2012 the following schedule shows the maximum reserves and actual reserves held by the Village.

<u>Series</u>	<u>Payment until Maximum</u>	<u>Required Minimum Reserves</u>			<u>Actual at June 30, 2012</u>	
		<u>Debt Service</u>	<u>Repair and Replacement</u>	<u>Total</u>	<u>Debt Service</u>	<u>Repair and Replacement</u>
1981	\$ 232/Month	\$ <u>8,537</u>	\$ _____	\$ <u>8,537</u>	\$ <u>9,021</u>	\$ _____
Total		\$ <u>8,537</u>	\$ <u>0</u>	\$ <u>8,537</u>	\$ <u>9,021</u>	\$ <u>0</u>

On June 29, 2012, the Village obtained loan from the New Mexico Finance Authority in the amount of \$112,834 for the purpose of water line replacement. The future requirements for the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 5,510	\$ 260	\$ 5,770
2014	5,523	268	5,791
2015	5,536	255	5,791
2016	5,550	241	5,791
2017	5,564	227	5,791
2018-2022	28,030	925	28,955
2023-2027	28,382	573	28,955
2028-2032	28,739	216	28,955
	\$ <u>112,834</u>	\$ <u>2,965</u>	\$ <u>115,799</u>

NOTE 7. 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, 2012.

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, 2012, 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.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 8. 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, 2012 were as follows:

Water System Improvement Fund	\$ (101,141)
WWTP Improvement Fund	(663)
Oversight Fund	(38,158)
Library Grant Fund	(1,231)
Local Road Project Fund	(37,353)
Homeland Security Grant Fund	(17,601)
EMS County Fund	(25,671)

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

B. Excess of expenditures over appropriations by fund.

EMS Fire Fund	(400)
Fire Protection Fund	(5,034)
Recreation Fund	(97)
Library Grant Fund	(8,123)
CDBG Fund	(45,022)
Water Systems Improvement Fund	(221,956)
Airport Improvement Fund	(5,991)
Solid Waste Fund	(35,628)

NOTE 9. 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.

Funding Policy. Plan members are required to contribute 7% to 8%% (ranges from 3.83% 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, 2012, 2011 and 2010 were \$36,812, \$40,065 and \$38,863, respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 10. Post-Employment Benefits

Plan Description. Village of Questa contributes to the New Mexico Health Care Fund, a cost-sharing multiple-employer defined benefit post employment 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 01, 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 post employment 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.

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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute 0.917% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 13	2.000%	1.000%

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 10. Post-Employment Benefits (continued)

(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, 2012, the statute required each participating employer to contribute 2.292% of each participating employee's annual salary, and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for both employees and employers will rise as follows:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY 13	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, 2012, 2011 and 2010 were \$5,996, \$6,679 and \$5,313, respectively, which equal the required contributions for each year.

NOTE 11. Contingent Liabilities

The Village of Questa participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Village of Questa may be required to reimburse the grantor government. As of June 30, 2012, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Village of Questa.

NOTE 12. 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.

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 13. 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	\$	231,615
Universal Professional Services	Lobbying Services	\$	50,482

NOTE 14. Joint Power Agreements

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 01, 2007 to October 31, 2013

Total Estimated Amount of Project and Actual Amount Contributed: Unknown

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 01, 2009 to termination of agreement

Total Estimated Amount of Project and Actual Amount Contributed: Unknown

Establishment of the Taos Regional Landfill

Purpose: Village of Questa agrees for establishing, financing and operating the Taos Regional Landfill Facility.

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

Responsible Party for Operation and Audit: Town of Taos

Beginning and Ending Date of Agreement: February 2000 to termination of agreement

Total Estimated Amount of Project and Actual Amount Contributed: Unknown

STATE OF NEW MEXICO
Village of Questa
Notes to Financial Statements
June 30, 2012

NOTE 15. Subsequent Review

The Village of Questa has evaluated subsequent events through May 30, 2013, which is the date the financial statements were dated.

NON-MAJOR GOVERNMENTAL FUNDS

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.

STATE OF NEW MEXICO
Village of Questa
Fund Descriptions

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.

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

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

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.

HOMELAND SECURITY GRANT – to account for reserve monies related to Homeland Security Grant.

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

STATE OF NEW MEXICO
Village of Questa
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

Statement A-1

	Local Corrections Fund	Environmental Gross Receipts Tax Fund	EMS Fire Fund	Fire Protection Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 20,240	\$ 9,034	\$	\$ 11,876
Accounts and taxes receivable		3,010		
Due from other governments				
<i>Total assets</i>	<u>\$ 20,240</u>	<u>\$ 12,044</u>	<u>\$ 0</u>	<u>\$ 11,876</u>
<i>Liabilities</i>				
Negative Cash-Due to other funds	\$	\$	\$	\$
Accounts payable				1,415
Accrued salaries and benefits				
<i>Total liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,415</u>
<i>Fund Balances</i>				
Fund Balance				
Restricted for:				
Special Revenue Funds	20,240	12,044		10,461
Capital Projects Funds				
Unassigned for:				
Special Revenue Funds				
Capital Projects Funds				
<i>Total fund balances</i>	<u>20,240</u>	<u>12,044</u>	<u>0</u>	<u>10,461</u>
<i>Total liabilities and fund balances</i>	<u>\$ 20,240</u>	<u>\$ 12,044</u>	<u>\$ 0</u>	<u>\$ 11,876</u>

STATE OF NEW MEXICO
Village of Questa
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

Statement A-1

	Beautification Fund	Law Enforcement Protection Fund	Oversight Fund	Municipal Judge Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Assets</i>				
Cash and cash equivalents	\$ 5	\$ 10,140	\$ 9,141	\$ 4,168
Accounts and taxes receivable				
Due from other governments				
<i>Total assets</i>	<u>\$ 5</u>	<u>\$ 10,140</u>	<u>\$ 9,141</u>	<u>\$ 4,168</u>
<i>Liabilities</i>				
Negative Cash-Due to other funds	\$	\$	\$	\$
Accounts payable		53	47,299	
Accrued salaries and benefits				
<i>Total liabilities</i>	<u>0</u>	<u>53</u>	<u>47,299</u>	<u>0</u>
<i>Fund Balances</i>				
Fund Balance				
Restricted for:				
Special Revenue Funds	5	10,087		4,168
Capital Projects Funds				
Unassigned for:				
Special Revenue Funds			(38,158)	
Capital Projects Funds				
<i>Total fund balances</i>	<u>5</u>	<u>10,087</u>	<u>(38,158)</u>	<u>4,168</u>
<i>Total liabilities and fund balances</i>	<u>\$ 5</u>	<u>\$ 10,140</u>	<u>\$ 9,141</u>	<u>\$ 4,168</u>

STATE OF NEW MEXICO
Village of Questa
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

Statement A-1

	Municipal Street Fund	Recreation Fund	Library Grant	CDBG Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 31,971	\$ 508	\$	\$
Accounts and taxes receivable	3,839			
Due from other governments			3,762	
<i>Total assets</i>	<u>\$ 35,810</u>	<u>\$ 508</u>	<u>\$ 3,762</u>	<u>\$ 0</u>
<i>Liabilities</i>				
Negative Cash-Due to other funds	\$	\$	\$ 4,564	\$
Accounts payable	676		168	
Accrued salaries and benefits			261	
<i>Total liabilities</i>	<u>676</u>	<u>0</u>	<u>4,993</u>	<u>0</u>
<i>Fund Balances</i>				
Fund Balance				
Restricted for:				
Special Revenue Funds	35,134	508		
Capital Projects Funds				
Unassigned for:				
Special Revenue Funds			(1,231)	
Capital Projects Funds				
<i>Total fund balances</i>	<u>35,134</u>	<u>508</u>	<u>(1,231)</u>	<u>0</u>
<i>Total liabilities and fund balances</i>	<u>\$ 35,810</u>	<u>\$ 508</u>	<u>\$ 3,762</u>	<u>\$ 0</u>

STATE OF NEW MEXICO
Village of Questa
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

Statement A-1

	CWPP Fund	Homeland Security Grant	EMS County Fund	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 8,956	\$	\$ 6,910	\$ 112,949
Accounts and taxes receivable				6,849
Due from other governments				3,762
	<u>8,956</u>	<u>0</u>	<u>6,910</u>	<u>123,560</u>
<i>Total assets</i>	<u>\$ 8,956</u>	<u>\$ 0</u>	<u>\$ 6,910</u>	<u>\$ 123,560</u>
<i>Liabilities</i>				
Negative Cash-Due to other funds	\$	\$	\$ 28,403	32,967
Accounts payable		17,601	1,763	68,975
Accrued salaries and benefits			2,415	2,676
	<u>0</u>	<u>17,601</u>	<u>32,581</u>	<u>104,618</u>
<i>Total liabilities</i>	<u>0</u>	<u>17,601</u>	<u>32,581</u>	<u>104,618</u>
<i>Fund Balances</i>				
Fund Balance				
Restricted for:				
Special Revenue Funds				92,647
Capital Projects Funds	8,956			8,956
Unassigned for:				
Special Revenue Funds				(39,389)
Capital Projects Funds		(17,601)	(25,671)	(43,272)
	<u>8,956</u>	<u>(17,601)</u>	<u>(25,671)</u>	<u>18,942</u>
<i>Total fund balances</i>	<u>8,956</u>	<u>(17,601)</u>	<u>(25,671)</u>	<u>18,942</u>
<i>Total liabilities and fund balances</i>	<u>\$ 8,956</u>	<u>\$ 0</u>	<u>\$ 6,910</u>	<u>\$ 123,560</u>

STATE OF NEW MEXICO

Statement A-2

Village of Questa

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2012

	Local Corrections Fund	Environmental Gross Receipts Tax Fund	EMS Fire Fund	Fire Protection Fund
<i>Revenues:</i>				
Taxes				
Property taxes	\$	\$	\$	\$
Gross receipts taxes		10,906		
Public service taxes				
State Sources				79,825
Local Sources				7,900
Charges for Services				
Licenses and Fees	2,357			
Investment Income (Loss)				(2,998)
Miscellaneous				430
Total revenues	<u>2,357</u>	<u>10,906</u>	<u>0</u>	<u>85,157</u>
<i>Expenditures:</i>				
Current:				
General Government		8,525		
Public Safety			(3,992)	100,155
Public Works				
Culture and Recreation				
Capital Outlay				26,388
Total expenditures	<u>0</u>	<u>8,525</u>	<u>(3,992)</u>	<u>126,543</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,357</u>	<u>2,381</u>	<u>3,992</u>	<u>(41,386)</u>
<i>Fund balance - beginning of year</i>	<u>17,883</u>	<u>9,663</u>	<u>(3,992)</u>	<u>51,847</u>
<i>Fund balance - end of year</i>	<u>\$ 20,240</u>	<u>\$ 12,044</u>	<u>\$ 0</u>	<u>\$ 10,461</u>

STATE OF NEW MEXICO

Statement A-2

Village of Questa

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2012

	Beautification Fund	Law Enforcement Protection Fund	Oversight Fund	Municipal Judge Fund
<i>Revenues:</i>				
Taxes				
Property taxes	\$	\$	\$	\$
Gross receipts taxes				
Public service taxes				
State Sources		23,565	49,320	
Local Sources				
Charges for Services				
Licenses and Fees				10,421
Investment Income (Loss)				
Miscellaneous			173,227	
Total revenues	0	23,565	222,547	10,421
<i>Expenditures:</i>				
Current:				
General Government			262,388	8,600
Public Safety		5,875		
Public Works				
Culture and Recreation				
Capital Outlay		8,102		
Total expenditures	0	13,977	262,388	8,600
<i>Excess (deficiency) of revenues over expenditures</i>	0	9,588	(39,841)	1,821
<i>Fund balance - beginning of year</i>	5	499	1,683	2,347
<i>Fund balance - end of year</i>	\$ 5	\$ 10,087	\$ (38,158)	\$ 4,168

STATE OF NEW MEXICO

Statement A-2

Village of Questa

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2012

	<u>Municipal Street Fund</u>	<u>Recreation Fund</u>	<u>Library Grant</u>	<u>CDBG Fund</u>
<i>Revenues:</i>				
Taxes				
Property taxes	\$	\$	\$ 10,800	\$
Gross receipts taxes				
Public service taxes	23,470			
State Sources			10,900	
Local Sources			7,634	
Charges for Services			5,715	
Licenses and Fees	620			
Investment Income (Loss)				
Miscellaneous			<u>957</u>	
Total revenues	<u>24,090</u>	<u>0</u>	<u>36,006</u>	<u>0</u>
<i>Expenditures:</i>				
Current:				
General Government				
Public Safety				
Public Works	24,080			45,022
Culture and Recreation		97	39,966	
Capital Outlay				
Total expenditures	<u>24,080</u>	<u>97</u>	<u>39,966</u>	<u>45,022</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>10</u>	<u>(97)</u>	<u>(3,960)</u>	<u>(45,022)</u>
<i>Fund balance - beginning of year</i>	<u>35,124</u>	<u>605</u>	<u>2,729</u>	<u>45,022</u>
<i>Fund balance - end of year</i>	<u>\$ 35,134</u>	<u>\$ 508</u>	<u>\$ (1,231)</u>	<u>\$ 0</u>

STATE OF NEW MEXICO

Statement A-2

Village of Questa

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2012

	<u>CWPP Fund</u>	<u>Homeland Security Grant</u>	<u>EMS County Fund</u>	<u>Total</u>
<i>Revenues:</i>				
Taxes				
Property taxes	\$	\$	\$ 20,000	\$ 30,800
Gross receipts taxes				10,906
Public service taxes				23,470
State Sources		(17,601)		146,009
Local Sources				15,534
Charges for Services			99,351	105,066
Licenses and Fees				13,398
Investment Income (Loss)				(2,998)
Miscellaneous			54	174,668
Total revenues	<u>0</u>	<u>(17,601)</u>	<u>119,405</u>	<u>516,853</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General Government				279,513
Public Safety			148,712	250,750
Public Works				69,102
Culture and Recreation				40,063
Capital Outlay				34,490
Total expenditures	<u>0</u>	<u>0</u>	<u>148,712</u>	<u>673,918</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>(17,601)</u>	<u>(29,307)</u>	<u>(157,065)</u>
<i>Fund balance - beginning of year</i>	<u>8,956</u>	<u></u>	<u>3,636</u>	<u>176,007</u>
<i>Fund balance - end of year</i>	<u>\$ 8,956</u>	<u>\$ (17,601)</u>	<u>\$ (25,671)</u>	<u>\$ 18,942</u>

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Licenses and Fees	\$ 9,000	\$ 9,000	\$ 2,357	\$ (6,643)
<i>Total revenues</i>	<u>9,000</u>	<u>9,000</u>	<u>2,357</u>	<u>(6,643)</u>
<i>Expenditures:</i>				
Current:				
Public Safety	<u>9,000</u>	<u>9,000</u>	<u> </u>	<u>9,000</u>
<i>Total expenditures</i>	<u>9,000</u>	<u>9,000</u>	<u>0</u>	<u>9,000</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>2,357</u>	<u>2,357</u>
<i>Cash Balance - Beginning of Year</i>	<u> </u>	<u> </u>	<u>17,883</u>	<u>17,883</u>
<i>Cash Balance - End of Year</i>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>20,240</u></u>	<u><u>20,240</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>2,357</u></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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Gross receipts taxes	\$ <u>9,000</u>	\$ <u>9,000</u>	\$ <u>9,552</u>	\$ <u>552</u>
<i>Total revenues</i>	<u>9,000</u>	<u>9,000</u>	<u>9,552</u>	<u>552</u>
<i>Expenditures:</i>				
Current:				
General Government	<u>8,650</u>	<u>8,650</u>	<u>8,525</u>	<u>125</u>
<i>Total expenditures</i>	<u>8,650</u>	<u>8,650</u>	<u>8,525</u>	<u>125</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>350</u>	<u>350</u>	<u>1,027</u>	<u>677</u>
<i>Cash Balance - Beginning of Year</i>	<u> </u>	<u> </u>	<u>8,007</u>	<u>8,007</u>
<i>Cash Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,034</u>	<u>\$ 8,684</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>1,354</u>	
Excess (deficiency) of revenues over expenditures (GAAP basis)			<u>\$ 2,381</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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Total revenues</i>	\$ 0	\$ 0	\$ 0	\$ 0
<i>Expenditures:</i>				
<i>Current:</i>				
Public Safety	_____	_____	400	(400)
<i>Total expenditures</i>	0	0	400	(400)
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	(400)	(400)
<i>Cash Balance - Beginning of Year</i>	_____	_____	400	400
<i>Cash Balance - End of Year</i>	\$ 0	\$ 0	\$ 0	\$ 0
Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals			4,392	
Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals			_____	
Excess (deficiency) of revenues over expenditures (GAAP basis)			\$ 3,992	

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
State Sources	\$ 75,031	\$ 75,031	\$ 143,996	\$ 68,965
Local Sources			7,900	7,900
Investment Income (Loss)			(2,998)	(2,998)
Miscellaneous	<u>64,171</u>	<u>64,171</u>	<u>430</u>	<u>(63,741)</u>
<i>Total revenues</i>	<u>139,202</u>	<u>139,202</u>	<u>149,328</u>	<u>10,126</u>
<i>Expenditures:</i>				
Current:				
Public Safety	189,182	189,182	167,828	21,354
Capital Outlay			<u>26,388</u>	<u>(26,388)</u>
<i>Total expenditures</i>	<u>189,182</u>	<u>189,182</u>	<u>194,216</u>	<u>(5,034)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(49,980)</u>	<u>(49,980)</u>	<u>(44,888)</u>	<u>5,092</u>
<i>Cash Balance - Beginning of Year</i>			<u>56,764</u>	<u>56,764</u>
<i>Cash Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,876</u>	<u>\$ 61,856</u>
Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals			67,673	
Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals			<u>(64,171)</u>	
Excess (deficiency) of revenues over expenditures (GAAP basis)			<u>\$ (41,386)</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, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<i>Expenditures:</i>				
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Cash Balance - Beginning of Year</i>			<u>5</u>	
<i>Cash Balance - End of Year</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 5</u></u>	<u><u>\$ 0</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>\$ 0</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
State Sources	\$ 20,861	\$ 20,861	\$ 23,565	\$ 2,704
<i>Total revenues</i>	<u>20,861</u>	<u>20,861</u>	<u>23,565</u>	<u>2,704</u>
<i>Expenditures:</i>				
Current:				
Public Safety	21,360	21,360	5,822	15,538
Capital Outlay			<u>8,102</u>	<u>(8,102)</u>
<i>Total expenditures</i>	<u>21,360</u>	<u>21,360</u>	<u>13,924</u>	<u>7,436</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(499)</u>	<u>(499)</u>	<u>9,641</u>	<u>10,140</u>
<i>Cash Balance - Beginning of Year</i>			<u>499</u>	<u>499</u>
<i>Cash Balance - End of Year</i>	<u><u>(499)</u></u>	<u><u>(499)</u></u>	<u><u>10,140</u></u>	<u><u>10,639</u></u>
Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals			(53)	
Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals				
Excess (deficiency) of revenues over expenditures (GAAP basis)			<u><u>9,588</u></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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
State Sources	\$ 521,400	\$ 521,400	\$ 66,020	\$ (455,380)
Miscellaneous			<u>173,227</u>	<u>173,227</u>
<i>Total revenues</i>	<u>521,400</u>	<u>521,400</u>	<u>239,247</u>	<u>(282,153)</u>
<i>Expenditures:</i>				
Current:				
General Government	<u>532,218</u>	<u>532,218</u>	<u>242,607</u>	<u>289,611</u>
<i>Total expenditures</i>	<u>532,218</u>	<u>532,218</u>	<u>242,607</u>	<u>289,611</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(10,818)</u>	<u>(10,818)</u>	<u>(3,360)</u>	<u>7,458</u>
<i>Cash Balance - Beginning of Year</i>			<u>12,501</u>	<u>12,501</u>
<i>Cash Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,141</u>	<u>\$ 19,959</u>
Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals			(19,781)	
Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals			<u>(16,700)</u>	
Excess (deficiency) of revenues over expenditures (GAAP basis)			<u>\$ (39,841)</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
Licenses and Fees	\$ 16,000	\$ 16,000	\$ 10,421	\$ (5,579)
<i>Total revenues</i>	<u>16,000</u>	<u>16,000</u>	<u>10,421</u>	<u>(5,579)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	<u>16,000</u>	<u>16,000</u>	<u>10,200</u>	<u>5,800</u>
<i>Total expenditures</i>	<u>16,000</u>	<u>16,000</u>	<u>10,200</u>	<u>5,800</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>221</u>	<u>221</u>
<i>Cash Balance - Beginning of Year</i>	<u> </u>	<u> </u>	<u>3,947</u>	<u>3,947</u>
<i>Cash Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,168</u>	<u>\$ 4,168</u>
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			<u> </u>	
Excess (deficiency) of revenues over expenditures (GAAP basis)			<u>\$ 1,821</u>	

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Public service taxes	\$ 32,000	\$ 32,000	\$ 25,075	\$ (6,925)
Licenses and Fees			620	620
Miscellaneous	<u>200</u>	<u>200</u>	<u> </u>	<u>(200)</u>
<i>Total revenues</i>	<u>32,200</u>	<u>32,200</u>	<u>25,695</u>	<u>(6,505)</u>
<i>Expenditures:</i>				
Current:				
Public Works	<u>32,200</u>	<u>32,200</u>	<u>24,950</u>	<u>7,250</u>
<i>Total expenditures</i>	<u>32,200</u>	<u>32,200</u>	<u>24,950</u>	<u>7,250</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>745</u>	<u>745</u>
<i>Cash Balance - Beginning of Year</i>	<u> </u>	<u> </u>	<u>31,226</u>	<u>31,226</u>
<i>Cash Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 31,971</u>	<u>\$ 31,971</u>
Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals			870	
Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals			<u>(1,605)</u>	
Excess (deficiency) of revenues over expenditures (GAAP basis)			<u>\$ 10</u>	

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, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
<i>Total revenues</i>	\$ 0	\$ 0	\$ 0	\$ 0
<i>Expenditures:</i>				
Current:				
Culture and Recreation			97	(97)
<i>Total expenditures</i>	0	0	97	(97)
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	(97)	(97)
<i>Other financing sources (uses)</i>				
Transfers Out	605	605		605
<i>Total other financing sources (uses)</i>	605	605	0	605
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	605	605	(97)	508
<i>Cash Balance - Beginning of Year</i>			605	605
<i>Cash Balance - End of Year</i>	\$ 0	\$ 0	\$ 508	\$ 1,113
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)			\$ (97)	

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property taxes	\$	\$	\$ 10,800	\$ 10,800
State Sources	33,100	33,100	10,900	(22,200)
Local Sources			7,634	7,634
Charges for Services			5,715	5,715
Miscellaneous			<u>1,610</u>	<u>1,610</u>
<i>Total revenues</i>	<u>33,100</u>	<u>33,100</u>	<u>36,659</u>	<u>3,559</u>
<i>Expenditures:</i>				
Current:				
Culture and Recreation	<u>33,100</u>	<u>33,100</u>	<u>41,223</u>	<u>(8,123)</u>
<i>Total expenditures</i>	<u>33,100</u>	<u>33,100</u>	<u>41,223</u>	<u>(8,123)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>(4,564)</u>	<u>(4,564)</u>
<i>Cash Balance - Beginning of Year</i>				
<i>Cash Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (4,564)</u>	<u>\$ (4,564)</u>
Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals			1,257	
Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals			<u>(653)</u>	
Excess (deficiency) of revenues over expenditures (GAAP basis)			<u>\$ (3,960)</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
State Sources			45,000	45,000
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>45,000</u>	\$ <u>45,000</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Public Works			45,022	(45,022)
<i>Total expenditures</i>	0	0	45,022	(45,022)
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	(22)	(22)
<i>Cash Balance - Beginning of Year</i>			22	22
<i>Cash Balance - End of Year</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</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 Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
State Sources	\$ 921,189	\$ 921,189	\$ 793,254	\$ (127,935)
<i>Total revenues</i>	<u>921,189</u>	<u>921,189</u>	<u>793,254</u>	<u>(127,935)</u>
<i>Expenditures:</i>				
Current:				
General Government	921,189	921,189	558,193	362,996
<i>Total expenditures</i>	<u>921,189</u>	<u>921,189</u>	<u>558,193</u>	<u>362,996</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>235,061</u>	<u>235,061</u>
<i>Cash Balance - Beginning of Year</i>			<u>(50,743)</u>	<u>(50,743)</u>
<i>Cash Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 184,318</u>	<u>\$ 184,318</u>
Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals			242,769	
Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals			<u>(54,761)</u>	
Excess (deficiency) of revenues over expenditures (GAAP basis)			<u>\$ 423,069</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 Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Federal Sources	\$ 951,545	\$ 951,545	\$ 907,438	\$ (44,107)
<i>Total revenues</i>	<u>951,545</u>	<u>951,545</u>	<u>907,438</u>	<u>(44,107)</u>
<i>Expenditures:</i>				
Capital Outlay	<u>951,545</u>	<u>951,545</u>	<u>1,173,501</u>	<u>(221,956)</u>
<i>Total expenditures</i>	<u>951,545</u>	<u>951,545</u>	<u>1,173,501</u>	<u>(221,956)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>(266,063)</u>	<u>(266,063)</u>
<i>Cash Balance - Beginning of Year</i>			<u>164,922</u>	<u>164,922</u>
<i>Cash Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (101,141)</u>	<u>\$ (101,141)</u>
Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals			355,914	
Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals				
Excess (deficiency) of revenues over expenditures (GAAP basis)			<u>\$ 89,851</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 Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
State Sources	\$ <u>1,736,199</u>	\$ <u>1,736,199</u>	\$ <u>1,004,157</u>	\$ <u>(732,042)</u>
<i>Total revenues</i>	<u>1,736,199</u>	<u>1,736,199</u>	<u>1,004,157</u>	<u>(732,042)</u>
<i>Expenditures:</i>				
Capital Outlay	<u>1,736,199</u>	<u>1,736,199</u>	<u>989,349</u>	<u>746,850</u>
<i>Total expenditures</i>	<u>1,736,199</u>	<u>1,736,199</u>	<u>989,349</u>	<u>746,850</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>14,808</u>	<u>14,808</u>
<i>Cash Balance - Beginning of Year</i>			<u>(19,081)</u>	<u>(19,081)</u>
<i>Cash Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (4,273)</u>	<u>\$ (4,273)</u>
Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals			311,932	
Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals			<u>3,610</u>	
Excess (deficiency) of revenues over expenditures (GAAP basis)			<u>\$ 330,350</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
State Sources	\$ 484,050	\$ 484,050	\$ 467,588	\$ (16,462)
<i>Total revenues</i>	<u>484,050</u>	<u>484,050</u>	<u>467,588</u>	<u>(16,462)</u>
<i>Expenditures:</i>				
Current:				
General Government	<u>484,050</u>	<u>484,050</u>	<u>490,041</u>	<u>(5,991)</u>
<i>Total expenditures</i>	<u>484,050</u>	<u>484,050</u>	<u>490,041</u>	<u>(5,991)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>(22,453)</u>	<u>(22,453)</u>
<i>Cash Balance - Beginning of Year</i>			<u>25,658</u>	<u>25,658</u>
<i>Cash Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,205</u>	<u>\$ 3,205</u>
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)			<u>\$ (9,657)</u>	

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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Local Sources	\$ 334,750	\$ 334,750	\$ _____	\$ (334,750)
<i>Total revenues</i>	<u>334,750</u>	<u>334,750</u>	<u>0</u>	<u>(334,750)</u>
<i>Expenditures:</i>				
Current:				
General Government	334,750	334,750	_____	334,750
<i>Total expenditures</i>	<u>334,750</u>	<u>334,750</u>	<u>0</u>	<u>334,750</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Cash Balance - Beginning of Year</i>	<u>_____</u>	<u>_____</u>	<u>8,956</u>	<u>8,956</u>
<i>Cash Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,956</u>	<u>\$ 8,956</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>\$ 0</u>	

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
State Sources	\$ _____	\$ _____	\$ (40,723)	\$ (40,723)
<i>Total revenues</i>	<u>0</u>	<u>0</u>	<u>(40,723)</u>	<u>(40,723)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	_____	_____	(54,657)	54,657
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>(54,657)</u>	<u>54,657</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>13,934</u>	<u>13,934</u>
<i>Cash Balance - Beginning of Year</i>	_____	_____	_____	_____
<i>Cash Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,934</u>	<u>\$ 13,934</u>
Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals			(156,972)	
Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals			<u>105,685</u>	
Excess (deficiency) of revenues over expenditures (GAAP basis)			<u>\$ (37,353)</u>	

STATE OF NEW MEXICO
Village of Questa
Homeland Security 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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
State Sources	\$ _____	\$ _____	\$ _____ 0	\$ _____
<i>Total revenues</i>	0	0	0	0
<i>Expenditures:</i>				
<i>Total expenditures</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	0	0
<i>Cash Balance - Beginning of Year</i>	_____	_____	_____	_____
<i>Cash Balance - End of Year</i>	\$ 0	\$ 0	\$ 0	\$ 0
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			(17,601)	
Excess (deficiency) of revenues over expenditures (GAAP basis)			\$ (17,601)	

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Basis)</u>	<u>Favorable (Unfavorable) Final to Actual</u>
<i>Revenues:</i>				
Taxes				
Property taxes	\$	\$	\$ 20,000	\$ 20,000
Charges for Services	152,100	152,100	99,351	(52,749)
Miscellaneous	<u> </u>	<u> </u>	<u> 54</u>	<u> 54</u>
<i>Total revenues</i>	<u>152,100</u>	<u>152,100</u>	<u>119,405</u>	<u>(32,695)</u>
<i>Expenditures:</i>				
Current:				
Public Safety	<u>152,100</u>	<u>152,100</u>	<u>144,756</u>	<u>7,344</u>
<i>Total expenditures</i>	<u>152,100</u>	<u>152,100</u>	<u>144,756</u>	<u>7,344</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u> 0</u>	<u> 0</u>	<u>(25,351)</u>	<u>(25,351)</u>
<i>Cash Balance - Beginning of Year</i>	<u> </u>	<u> </u>	<u> 3,858</u>	<u> 3,858</u>
<i>Cash Balance - End of Year</i>	<u><u> 0</u></u>	<u><u> 0</u></u>	<u><u>(21,493)</u></u>	<u><u>(21,493)</u></u>
Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals			(3,956)	
Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals				
Excess (deficiency) of revenues over expenditures (GAAP basis)			<u><u>(29,307)</u></u>	

STATE OF NEW MEXICO
Village of Questa
Statement of Revenues, Expenditures and Changes in Net Assets
Budget (GAAP Budgetary Basis) and Actual
Joint Utilities Proprietary Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	<u>Final to Actual</u>
<i>Revenue :</i>				
Charges for Services	\$ 468,370	\$ 468,370	\$ 473,336	\$ 4,966
Interest income			94	94
Miscellaneous income	<u>26,000</u>	<u>26,000</u>	<u>169,251</u>	<u>143,251</u>
<i>Total revenues</i>	<u>494,370</u>	<u>494,370</u>	<u>642,681</u>	<u>148,311</u>
<i>Expenses:</i>				
Personal services	281,961	281,961	249,084	32,877
Contractual services	11,606	11,606	9,598	2,008
Supplies and purchased power	139,201	139,201	118,890	20,311
Maintenance and materials	6,061	6,061	5,013	1,048
Heat, light and power	<u>75,030</u>	<u>75,030</u>	<u>62,047</u>	<u>12,983</u>
<i>Total expenditures</i>	<u>513,859</u>	<u>513,859</u>	<u>444,632</u>	<u>69,227</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(19,489)</u>	<u>(19,489)</u>	<u>198,049</u>	<u>217,538</u>
<i>Other financing sources (uses)</i>				
Transfers Out	<u>(3,858)</u>	<u>(3,858)</u>	<u> </u>	<u>(3,858)</u>
<i>Total other financing sources (uses)</i>	<u>(3,858)</u>	<u>(3,858)</u>	<u> 0</u>	<u>(3,858)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	(23,347)	(23,347)	198,049	213,680
<i>Cash Balance - Beginning of Year</i>	<u> </u>	<u> </u>	<u>117,622</u>	<u>117,622</u>
<i>Cash Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 315,671</u>	<u>\$ 331,302</u>
Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals			24,688	
Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals			<u>(29,950)</u>	
Excess (deficiency) of revenues over expenditures (GAAP basis)			<u>\$ 192,787</u>	

STATE OF NEW MEXICO
Village of Questa
Statement of Revenues, Expenditures and Changes in Net Assets
Budget (GAAP Budgetary Basis) and Actual
Joint Utilities Proprietary Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances
	<u>Original</u>	<u>Final</u>	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenue :</i>				
Charges for Services	\$ 168,000	\$ 168,000	\$ 202,460	\$ 34,460
Miscellaneous income	<u>70,000</u>	<u>70,000</u>	<u> </u>	<u>(70,000)</u>
<i>Total revenues</i>	<u>238,000</u>	<u>238,000</u>	<u>202,460</u>	<u>(35,540)</u>
<i>Expenses:</i>				
Contractual services	9,323	9,323	11,329	(2,006)
Supplies and purchased power	<u>165,677</u>	<u>165,677</u>	<u>199,299</u>	<u>(33,622)</u>
<i>Total expenditures</i>	<u>175,000</u>	<u>175,000</u>	<u>210,628</u>	<u>(35,628)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>63,000</u>	<u>63,000</u>	<u>(8,168)</u>	<u>(71,168)</u>
<i>Cash Balance - Beginning of Year</i>	<u> </u>	<u> </u>	<u>34,590</u>	<u>34,590</u>
<i>Cash Balance - End of Year</i>	<u>\$ 63,000</u>	<u>\$ 63,000</u>	<u>\$ 26,422</u>	<u>\$ (36,578)</u>
Adjustment to expenditures for payables, payroll taxes, prepaid expenses and other accruals			(2,024)	
Adjustment to revenues for tax accruals, earnings on investments, and other deferrals and accruals			<u>28,914</u>	
Excess (deficiency) of revenues over expenditures (GAAP basis)			<u>\$ 18,722</u>	

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Village of Questa
Schedule of Collateral Pledged By Depository
For Public Funds
June 30, 2012

Schedule I

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Par Value June 30, 2012</u>	<u>Name and Location of Safekeeper</u>
---------------------------	--	--------------------------------	--

The Village of Questa has twelve (12) 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 \$663 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, 2012.

STATE OF NEW MEXICO

Schedule II

Village of Questa

Schedule of Cash and Temporary Investment Accounts

June 30, 2012

Bank Account Type/Name	Centinel Bank	First Community Bank	Questa Credit Union	NMFA Loan & Grant Proceeds	Total
Savings-General	\$	\$	\$ 663	\$	\$ 663
Checking - General	567,570				567,570
Checking - Water, Sewer, Solid Waste	31,440				31,440
Checking - Motor Vehicle Division	0				0
Checking - Payroll Account	39,195				39,195
Checking - Municipal Court	4,168				4,168
Checking - Water Rights	8,782				8,782
Checking - Oversight Accounts	9,141				9,141
Checking - Sewer System Reserve	9,053				9,053
Checking - EMS Account	7,527				7,527
Checking - Fire Protection Fund		11,847			11,847
Checking - Law Enforcement Protection Fund		12,295			12,295
Certificate of Deposit	<u> </u>	<u>15,000</u>	<u> </u>	<u> </u>	<u>15,000</u>
Checking - CDBG Account	<u> </u>	<u> </u>	<u> </u>	<u>282,084</u>	<u>282,084</u>
Total On Deposit	676,876	39,142	663	282,084	998,765
Reconciling Items	<u>(76,964)</u>	<u>(114)</u>	<u> </u>	<u> </u>	<u>(77,078)</u>
Reconciled Balance at June 30, 2012	<u>\$ 599,912</u>	<u>\$ 39,028</u>	<u>\$ 663</u>	<u>\$ 282,084</u>	<u>921,687</u>
State Treasurers Pool					3,590
Total Cash and Investments at June 30, 2012					<u>\$ 925,277</u>

FIDUCIARY FUNDS

STATE OF NEW MEXICO
Village of Questa
Agency Fund
Schedule of Changes in Assets and Liabilities
For The Year Ended June 30, 2012

Schedule III

	<u>Balance</u> <u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>ASSETS</u>				
Cash	\$ <u>3,688</u>	\$ <u>46</u>	\$ <u>3,734</u>	\$ <u>0</u>
<u>LIABILITIES</u>				
Deposits held in trust for others	\$ <u>3,688</u>	\$ <u>46</u>	\$ <u>3,734</u>	\$ <u>0</u>

COMPLIANCE SECTION

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

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Honorable Mayor 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, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Village of Questa (Village), as of and for the year ended June 30, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents and have issued our report thereon dated May 30, 2013. We were also engaged to audit the financial statements of each of the Village's nonmajor governmental funds, the budgetary comparisons for the proprietary funds, and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012 as listed in the table of contents. We did not express an opinion on the financial statements because of inadequacy of accounting records. Except as discussed in the previous sentence, we conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The Village did not maintain sufficient internal controls in the areas of cash control, procurement, disbursements and capital assets 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 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 91-112 address the weaknesses in internal controls we encountered while planning and conducting our audit.

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-2011-02, FA-2012-01, FA-2012-02, FA-2012-03, FA-2012-04, FS-2009-01, FS-2011-02, FS-2011-07, FS-2011-08, FS-2011-18, FS-2011-21 and FS-2012-04 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-2010-01, FS-2010-04, FS-2010-05, FS-2010-07, FS-2011-03, FS-2011-13, FS 2012-01, FS2012-02 and FS 2012-03 in the Schedule of Findings and Questioned Costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Questas 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-2011-02, FA-2012-01, FA-2012-02, FA-2012-03, FA-2012-04, FS-2009-01, FS-2009-03/FS2010-08, FS-2010-01, FS-2010-04, FS-2011-03, FS-2011-07, FS-2011-13, FS 2012-02 and FS 2012-03.

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.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
May 30, 2013

FEDERAL FINANCIAL ASSISTANCE

**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
To the Honorable Mayor and the Village Council
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, 2012. 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 and capital assets 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 91-112 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 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, 2012. 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, 2012. 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-2011-02, FA-2012-01, FA-2012-02, FA-2012-03 and FA-2012-04.

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.

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-2011-02, FA-2012-01, FA-2012-02, FA-2012-03, FA-2012-04, FS-2009-01, FS-2011-02, FS-2011-07, FS-2011-08, FS-2011-18, FS-2011-21 and FS-2012-04 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-2010-01, FS-2010-04, FS-2010-05, FS-2010-07, FS-2011-03, FS-2011-13, FS 2012-01, FS 2012-02 and FS 2012-03 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.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
May 30, 2013

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
June 30, 2012

Schedule IV

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:

Twelve (12) material weaknesses were disclosed during the audit of the financial statements.

Ten (10) significant deficiencies were disclosed during the audit of the financial statements.

Fourteen (14) 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

Twelve (12) material weaknesses were disclosed during the audit of the financial statements.

Ten (10) 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, Airport Improvement Program, CFDA No. 20.106 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.

STATE OF NEW MEXICO
Village of Questa
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Schedule V

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures
<i>Pass-through Programs:</i>			
Department of Defense passed through the US Army Corp of Engineers ARRA-Montana, Nevada, New Mexico, Utah, Idaho, & Wyoming Environmental Infrastructure	12.121	Section 595	817,586
US Environmental Protection Agency passed through the State of New Mexico ARRA-Clean Water State Revolving Fund	66.458	ARRA-10	<u>677,417</u>
Total Pass-through Programs			1,495,003
Department of Transportation Direct Award			
Airport Improvement Program	20.106	3-35-0063-006- 2009	<u>477,245</u>
Total Direct Programs			<u>477,245</u>
Total Federal Financial Assistance			<u><u>\$ 1,972,248</u></u>

STATE OF NEW MEXICO
Village of Questa
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Schedule V

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 A133, 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.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,972,248
Total expenditures funded by other sources	<u>1,838,950</u>
Total expenditures	<u>\$ 3,811,198</u>

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1. FINDINGS FINANCIAL STATEMENT AUDIT

FS-2009-01 Material Weakness & Non Compliance - 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:

EMS Fire Fund	(400)
Fire Protection Fund	(5,034)
Recreation Fund	(97)
Library Grant Fund	(8,123)
CDBG Fund	(45,022)
Water Systems Improvement Fund	(221,956)
Airport Improvements Fund	(5,991)
Solid Waste Fund	(35,628)

Criteria:

Section 6-6-6 of the New Mexico state statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 states that actual expenditures cannot exceed approved budgeted amounts

Effect:

The Village appears to have violated State Statutes and DFA regulations related to budgetary process and could potentially over spend a fund. Noncompliance with New Mexico state statutes could subject officials and employees to penalties and fines required by state statutes.

Cause:

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. In order to address the matter, the council has asked to increase the frequency of budget adjustments from every six months to do them quarterly.

Auditor's 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.

Management's Response:

We have implemented a Budget Adjustment Request procedure and will assure that we are only spending within our budget. The Council has asked that we increase the frequency of the budget adjustments which is currently every 6 months, to do them quarterly. This was asked at the January 8, 2013 Council meeting and will be implemented from that date on.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 FINDINGS FINANCIAL STATEMENT AUDIT - Continued

FS-2009-03 and FS-2010-08 Significant Deficiency & Non Compliance - Travel and Per Diem/State Auditor Compliance

Condition:

The Village does not have adequate internal controls over travel and per diem expenditures. Our testwork of 30 randomly selected travel expenses revealed that numerous travel authorizations and expense reports were not properly authorized, recorded or classified. In one instance, the transportation cost by vehicle was not in accordance with the policies. The purpose of travel was not clearly stated in 9 out of 25 files reviewed.

Criteria:

Each Village shall establish and implement written policies and procedures for travel and training. Travel policies and procedures shall be in compliance with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, NMSA 1978, and Department of Finance and Administration (DFA) regulations. Internal control structure is required to demonstrate the Village's ability to record, process, summarize and report financial statement assertions of existence and occurrence.

Effect:

Unauthorized travel and per diem expenditures may be processed and paid without proper approval and rate calculation. Noncompliance with statutes may subject officials and employees to punishment as defined by state statutes. Travel and per diem could be paid incorrectly or unallowed purchases may be made.

Cause:

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

Auditor's 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.

Management's Response:

The Finance Officer has been monitoring and only paying what is in accordance with our travel and per diem rates. The current mileage rate is \$.47/mile. Fuel cards also require the vehicle mileage for verification.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 FINDINGS FINANCIAL STATEMENT AUDIT - Continued

FS-2010-01 Significant Deficiency & Non Compliance - Contracts

Condition:

One of the Village's 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".

Effect:

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

Cause:

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.

Auditor's Recommendation:

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

Management's Response:

We have reviewed this and feel that we are in compliance and that there was not a violation of the Anti-Donation clause in our lease agreements.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 FINDINGS FINANCIAL STATEMENT AUDIT - Continued

FS-2010-04 Significant Deficiency & Non Compliance - Bank Reconciliations

Condition:

During our audit procedures relating to cash and bank reconciliations, we noted that bank reconciliations are untimely and that while the bank reconciliation reconciles to a "register balance" but does not reconcile to the general ledger. Centinel Bank Accounts do not reconcile by a total of \$6,455 and US Bank accounts do not reconcile by \$2,154.

Criteria:

Bank reconciliations are an important element of internal control, facilitating timely detection of book/bank differences so they can be investigated and resolved. Such reconciliations are consistent with New Mexico statutes, Section 6-6-3 A NMSA 1978, which require that the Village "keep all the books, records, and accounts in their respective offices in a form as prescribed by the Local Government Division." The Local Government Division of the Department of Finance and Administration has, pursuant to this statute, published the Budgeting and Accounting Manual and other guidance for New Mexico municipalities to follow.

Good accounting practice and general accepted accounting practices require the bank account to be reconciled monthly to the general ledger to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.

Effect:

Bank reconciliations and general ledger balances may be incomplete or erroneous. In addition, asset misappropriation may go unnoticed.

Cause:

The lack of timely reconciliation of cash to the general ledger, and not recording checks until they clear the bank, caused the delay in bank reconciliation.

Auditor's Recommendation:

We recommend that the Village should establish and implement procedures to ensure general ledger cash balances are regularly reconciled to corresponding bank balances. Any unreconciled differences identified through this process should be investigated and resolved on a timely basis. We recommend that a supervisor review and approve all bank reconciliations. Staffing levels should be increased to ensure that bank reconciliations are performed in a timely manner and that adjustments are posted accurately and efficiently.

Management's Response:

Bank reconciliations are prepared after all transactions for the month have been entered. This is compared to the general ledger and is reviewed by the Village Administrator.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 FINDINGS FINANCIAL STATEMENT AUDIT - Continued

FS-2010-05 Significant Deficiency - Utilities Ordinance

Condition:

The Village's has been manually reading meters that are not able to be read by the hand held electronic reading device. As of the audit date, all but 10 of the meters have been replaced by electronic meters. The 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.

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.

Effect:

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.

Cause:

The Village has not corrected their billing program to round to the nearest 1000 gallons as is written in the Village Ordinance.

Auditor's 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.

Management's Response:

All but 10 of the meters have been replaced by the electronic meters. Our staff is continually being trained as issues arise in making sure that all meters are read properly and we work with our software provider to assure that our billing is being done correctly.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 **FINDINGS FINANCIAL STATEMENT AUDIT - Continued**

FS-2010-07 Significant Deficiency - Payroll

Condition:

During our testing and review of personnel files, we noted that 2 of 26 randomly selected employees did not have application on file. 16 employees did not have the signed form indicating an acknowledgement of policies and procedures. While 4 employees did not have employee contract on file, 14 employees did not have reference check, 2 employees did not have job description and 14 employees did not have the signed form indicating they have received drug free policy. Additionally, for 5 employees, the pay rate did not agree with authorized amount. Further, the Village is not following the practice of retaining a copy of paystub.

Criteria:

NMAC 6.20.2.18 states the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.

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

Effect:

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. Not paying employees the correct salary based upon supporting documentation is a failure of internal control procedures and could result in various legal complications in the event of noncompliance with a contract.

Cause:

The cause could be limited personnel to complete the payroll duties. The Village's document retention and payroll policies were not adequately enforced.

Auditor's Recommendation:

We recommend that the Village's management should follow its internal controls over payroll that are in place and perform periodic reviews of the supporting documentation to ensure that they are operating effectively. We recommended that any payroll changes be reviewed before submission to ensure that changes have been recorded correctly.

Management's Response:

Currently all payroll sheets are verified by the department head and then by the administrator as well. The clerk sends payroll information to payroll company after verification by administrator. The finance director then transfers money to cover payroll costs, again, once it has been verified by the administrator and clerk as well. All documentation is signed off by at least two people to verify.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 FINDINGS FINANCIAL STATEMENT AUDIT - Continued

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

Condition:

The financial statements and related disclosures are not being prepared by the Village.

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).

Effect:

When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Cause:

The Village's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting, including the preparation of financial statements and related footnote disclosures.

Auditor's Recommendation:

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

Management's Response:

We have contacted a Fee Accountant to assist us on this finding. However, our Finance Director has received some GAAP training since her hire date of February 2011. This will continue and training is available.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 FINDINGS FINANCIAL STATEMENT AUDIT - Continued

FS-2011-03 Significant Deficiency & non Compliance - Open Meeting Act with regards to minutes

Condition:

While reviewing the Council Minutes for the Village of Questa, we noted 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. Approvals of minutes were not included as a separate agenda item in most of the minutes. Additionally, we noted three instances where the minutes were not available.

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." Approval of the past minutes should always appear as an agenda item for all regular meeting.

Effect:

The Village violated the State of New Mexico's Open Meeting Act, NMSA 1978, Chapter 10, Article 15 with regard to the minutes. The Village's Council minutes are not readily available for public inspection. The actions of the Village's Council are not fully transparent to the public.

Cause:

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.

Auditor's 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.

Management's Response:

We have worked to get caught up with all meeting minutes. We are currently in the process of getting all delinquent minutes approved by the governing body. All minutes for FY 2010 – 2011 have been approved by the governing body.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 FINDINGS FINANCIAL STATEMENT AUDIT - Continued

FS-2011-07 Material Weakness & Non Compliance - 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 contractual services. The agency was unable to locate evidence of bids for various services. There was no bids documents on file at the Village nor was there any evaluations documented of the bid process.

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.

Effect:

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.

Cause:

The person or persons responsible for the Village's procurement did not know nor did they understand the state statutes.

Auditor's 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.

Management's Response:

We make every attempt to make sure that Village policy and the State Procurement Code is adhered to. We will continue to train our employees as to the importance of following these and all policies and codes.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 **FINDINGS FINANCIAL STATEMENT AUDIT - Continued**

FS-2011-08 Material Weakness - 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. The Village did not pass the entries for current year additions in capital assets.

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.

Effect:

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.

Cause:

The Village contracted with a fee accountant to help them on the schedule which is incomplete as of the audit date.

Auditor's 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.

Management's Response:

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.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 FINDINGS FINANCIAL STATEMENT AUDIT - Continued

FS-2011-13 Significant Deficiency & Non Compliance - 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.

Effect:

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.

Cause:

This appears to be due to lack of oversight by the management.

Auditor's 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.

Management's Response:

This has been fixed by paying the employee, Nick Trujillo, and he currently has a balance of 120 hours which is within the policy. No employee will incur any comp time hours, it will all be overtime or will be administrative leave and will be used in the next pay period. (he had 600 hours, 75% of this was paid on 5-31-2013, remaining balance will be scheduled to use over the next fiscal year).

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 FINDINGS FINANCIAL STATEMENT AUDIT - Continued

FS-2011-18 Material Weakness - 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. "

Effect:

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.

Cause:

The cause is unknown.

Auditor's Recommendation:

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

Management's Response:

The Village will adhere to policy and when necessary, it will only be done with governing body authority and legal review.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 FINDINGS FINANCIAL STATEMENT AUDIT - Continued

FS 2011-21 Material Weakness - Reconciliation of General Ledger

Condition:

The overall payroll expense charged to the general ledger amounting to \$510,743 could not be reconciled to the wages reported on the form 941 amounting to \$431,232 and a difference of \$79,511 is noted in Employer's Quarterly Federal tax Return as reported to the IRS. There has been no known instances of the Village owing backpay or penalty fees to IRS.

Criteria:

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

Effect:

Payroll reports do not agree to the general ledger.

Cause:

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.

Auditor's Recommendation:

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

Management's Response:

We have corrected this and will continue to reconcile our payroll account to the General Ledger.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 FINDINGS FINANCIAL STATEMENT AUDIT - Continued

FS 2012-01 Significant Deficiency - Segregation of duties

Condition:

As part of our documentation of the internal controls we noted certain functions that were performed by the same person. The Finance Director and the Clerk are check signers for Centinel bank and also handle the accounting side. Finance Director enters invoices in QuickBooks, prepares checks, and reconciles bank statements.

Criteria:

Segregation of duties is a necessary attribute to safeguard an entity's assets.

Effect:

The lack of segregation of duties increases the risk of asset misappropriation.

Cause:

The Village has limited financial recourses and at time is incapable to support such control measures.

Auditor's Recommendation:

The Village should implement a process that allows for an oversight of the functions by someone other than the person directly responsible.

Management's Response:

Due to the small number of available employees, we are forced to have those two employees serve as the custodians of the receivables and the payables. We do have alternate signers which are elected officials and use them when available. In addition, the administrator verifies and initials all payables, and invoices, prior to a check being processed. As administrator I then review the processed check and I also review and initial all bank statements. We will continue to work on better internal control practices to meet the audit standards.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 FINDINGS FINANCIAL STATEMENT AUDIT - Continued

FS 2012-02 Significant deficiency & Non Compliance - Stale Dated Transactions Not Cancelled

Condition:

The Village is in violation of state statutes regarding stale-dated checks. The Village maintained thirteen (13) checks in the various Bank Accounts that were dated over one year old at June 30, 2012 amounting \$8,728.

Criteria:

Chapter 7 Article 8A, NMSA 1978, and related regulations require that the Village provide information about the payees and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

Effect:

Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Cause:

The Village did not implement an internal control policy to account for stale dated outstanding checks and did not clear these checks on a timely basis.

Auditors' Recommendations:

We recommend that the Village implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old we recommend these checks be voided. Also, we recommend that the Village provide the information to the Property Division of the New Mexico Taxation and Revenue Department as required.

Management's Response:

All of the Stale checks that were not cashed or deposited will be explained in journal entries for the close out of that fiscal year. A complete listing of the checks and explanation will be listed as these journal entries. A follow-up letter may be sent to vendors in the future who do not process checks in a timely manner, to assure that we are keeping track of stale items.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 FINDINGS FINANCIAL STATEMENT AUDIT - Continued

FS 2012-03 Significant Deficiency & Non-compliance - Late Submission of Audit Report

Condition:

The fiscal year 2012 annual financial report for the Village was not submitted to the New Mexico Office of the State Auditor by the December 1, 2012 submission deadline.

Criteria:

The Village of Questa is required to submit its audit report for the year ended June 30, 2012 on or before December 1, 2012 subsequent to the entity's fiscal year end in accordance with the New Mexico Office of the State Auditor Audit Rule 2012 Section 2.2.2.9A(1) of NMAC.

Effect:

The audit report has not been issued in compliance with 2.2.2.9 NMAC. The users of the financial statements such as legislators, state and federal grantors do not have timely audit reports and financial statements for their review.

Cause:

The Village's accounting records was not ready for audit. Additional time was needed by the auditor due to the condition of the accounting records of the Village.

Auditors' Recommendations:

Proper accounting control must be established and implemented where the Village is able to produce financial information for the auditor that has been properly reconciled. We also recommend the Village accounting staff receive additional training regarding accounting requirements for governmental agencies. Additionally, the Village should investment in accounting software capable of producing reliable financial data for governmental financial reporting

Management's Response:

The Village of Questa chose to have a third party accounting firm review and correct their trial balance which had been out of compliance for 2 previous years. The accounting firm finished the corrected trial balance in March and it was forwarded to our current auditors. Once they were able to review, the remaining field work was completed but after the deadline set by the State Auditors Office.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

1 FINDINGS FINANCIAL STATEMENT AUDIT - Continued

FS-2012-04 Material Weakness - Lack of Internal Controls Over Expenditures

Condition:

During our test work of cash disbursements out of 147 disbursements tested, we noted five instances where the check request form was prepared and approved by the same person. Council minutes did not specify what invoices are approved during council meeting. For 143 of 147 disbursements reviewed, invoices were not stamped "paid" to prevent double payment. Review of council minutes revealed that a payment of \$54,000 to Serrano & Sons was never brought before the council for approval. While the council did give the attorney the authority to negotiate, there was no evidence suggesting the amount had been approved.

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.

Effect:

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

Cause:

The state procurement code and the Village's procurement policy are not being followed.

Auditor's recommendation:

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

Management's Response:

We are using purchase orders for most purchases now and have implemented our policy that requires the attempt to get 3 written quotes for items over \$1,000 up to \$5,000 and attaching that to a requisition for a purchase order. That is then reviewed and signed off by the Administrator and the Finance Officer. Once the invoice is received after goods and services have been obtained, the payment request is verified by the Administrator prior to the check being written. In addition, the check is then reviewed prior to it being distributed to the vendor by the Administrator. A list of all transactions is sent to the council at each meeting and they often ask numerous questions on all vouchers.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

2 FEDERAL AWARD FINDINGS

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

Federal program information:

Funding agency:	U. S. Environment Protection Agency
Title:	Capitalization Grants for Clean Water State Revolving Funds
CFDA number:	66.458

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:

Citizen Participation Plan
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:

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.

Effect:

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

Auditor's Recommendation:

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

Management's Response:

The Village will become familiar with grant requirements and maintain records in accordance with requirements. Any training to assist Village employees with this will be considered.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

2 FEDERAL AWARD FINDINGS - Continued

FA-2012-01: Material Weakness - Cash Management

Federal program information:

Funding agency:	U. S. Environment Protection Agency, Department of Transportation
Title:	All major programs
CFDA number:	20.106, 66.458, 12.121

Condition:

During our fieldwork, we noted that the Village does not minimize the time between disbursements and monies drawn.

Criteria:

U.S Department of treasury regulations at 31 CFR part 205 require recipients to follow procedures to minimize the time elapsing between the transfer of funds to recipients of grants and cooperative agreements and the recipient's need for the funds. Further, A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management have procedures in place minimizing the time between the transfer of funds from the grantor agency or primary recipient and disbursement.

Questioned Costs:

None

Effect:

The Village is not in compliance with the federal requirements. Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

Cause:

The Village did not file reports timely which caused the request for funds to be delayed.

Auditor's Recommendation:

We recommend that the Village establish ethical policies and procedures to adhere to the federal requirements and to manage the Village operationally and fiscally in a prudent manner. We recommend the Village to ensure responsibility and accountability measures to augment the resources.

Management's Response:

This was a training issue and we will make every effort to sure that payments go out within the guidelines of the grant or whatever the funding source requires.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

2 FEDERAL AWARD FINDINGS - Continued

FA-2012-02: Material Weakness - Lack of Internal Control over Expenditures

Federal program information:

Funding agency: U. S. Environment Protection Agency, Department of
Transportation
Title: CWSRF, Airport Improvement program
CFDA number: 66.458, 20.106

Condition:

The Village lacked adequate internal controls over major program expenditures. During our review of various major program disbursements we noted that for 3 of 9 disbursements reviewed for CWSRF grant and 2 of 5 disbursements reviewed for Airport Improvement grant, there is no evidence that the invoice was approved by the mayor or the administrator. In 1 disbursement for CWSRF, the expenditure was not incurred in the period allowed.

Criteria:

OMB Circular A-133 details the different policies and procedures that grantees are required to prepare for fiscal operations including procurement, financial records management, budgeting, and fixed asset accounting.

Questioned Costs:

CFDA No. 66.458	\$ 118,739
CFDA No. 20.106	\$ 49,133

Effect:

The Village was not in compliance with federal regulations and guidelines.

Cause:

This was due to lack of oversight by the management.

Auditor's Recommendation:

The Village should comply with the compliance requirements and maintain documentation to support all disbursements.

Management's Response:

The Village administrator will research this and see where the proper procedure was not followed. The administrator will contact both State FAA and Federal FAA and find out what documentation or procedure we did not follow and will correct as soon as we are trained. If there is any training available to handle any of these reimbursement procedures, the administrator will send Mrs. Lovato to that training to ensure it will not be repeated.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

2 FEDERAL AWARD FINDINGS - Continued

FA-2012-03: Material Weakness - Procurement, Suspension and Debarment

Federal program information:

Funding agency:	U. S. Environment Protection Agency, Department of Transportation
Title:	All major programs
CFDA number:	20.106, 66.458, 12.121

Condition:

The Village did not determine if vendors were suspended or debarred for purchases that exceeded \$25,000.

Criteria:

According to 34 CFR 85 and 43 CFR 42, entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a non-procurement transaction that are expected to equal or exceed \$25,000.

Questioned Costs:

Unknown

Effect:

The Village was not in compliance with the compliance requirement of CFR

Cause:

This was due to lack of oversight by the management.

Auditor's Recommendation:

The Village should ensure that any vendors used for purchases made with federal funds in excess of \$25,000 have not been suspended or debarred. We recommend that the Village obtain and make available for reference the federal procurement policies and procedures to all staff involved. In regards to the suspension and debarment monitoring, we suggest using the following website prior to awarding contract bids: <http://epls.arnet.gov>.

Management's Response:

We will make sure that we will check the EPLS.gov web site to ensure that all contractors meet the necessary criteria before authorizing their hiring.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

2 FEDERAL AWARD FINDINGS - Continued

FA-2012-04: Material Weakness - Equipment & Real Property Management

Federal program information:

Funding agency:	U. S. Environment Protection Agency, Department of Transportation
Title:	All major programs
CFDA number:	20.106, 66.458, 12.121

Criteria:

Capital asset records should be maintained in accordance with 25 CFR 276.11 and 25 CFR 900.51. The records should be detailed enough that program management is able to adequately and efficiently identify and locate any and all items. In addition, the detailed listing should be updated yearly to account for current year depreciation and updated each time an asset is disposed of or acquired.

Questioned Costs:

Unknown

Condition, Cause, Effect & Auditor's Recommendation

See FS 2011-08

Management Response:

We need to receive training and implement a property management program to track our assets. There are programs available through ICMA and we will hire someone on a contract basis, third party approach, to update and maintain the fixed assets program needed to address this finding.

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
June 30, 2012

B. PRIOR YEAR AUDIT FINDINGS

- FS-2009-01 Excess Expenditures over Budget (repeated and revised)
- FS-2009-02 Lack of Supporting documentation (resolved)
- FS-2009-03 and FS-2010-08 Travel and Per Diem Act (repeated and revised)
- FS-2010-01 Contracts (repeated and revised)
- FS-2010-03 Late of 941's (resolved)
- FS-2010-04 Bank Reconciliations (repeated and revised)
- FS-2010-05 Utilities Ordinance (repeated and revised)
- FS-2010-06 Utilities - Discontinuance of service and liens (resolved)
- FS-2010-07 Payroll (repeated and revised)
- FS-2011-01 Computer Backup & Disaster Recovery Plan (resolved)
- FS-2011-02 SAS 115 Preparation and Responsibility for Financial Statements (repeated and revised)
- FS-2011-03 Open Meeting Act with regards to Minutes (repeated and revised)
- FS-2011-04 Open Meeting Act with regards to approval of resolutions (resolved)
- FS 2011-05 Village Training Policies (resolved)
- FS 2011-06 Trial Balance (resolved)
- FS 2011-07 Procurement Code (repeated and revised)
- FS 2011-08 Capital Asset Depreciation Schedule (repeated and revised)
- FS 2011-09 SAS 115 Accounts Receivable (resolved)
- FS 2011-10 Municipal Court Reporting (resolved)
- FS 2011-11 Economic Development Grant (resolved)
- FS 2011-12 Legal Services passed through Village (resolved)

STATE OF NEW MEXICO
Village of Questa
Schedule of Findings and Questioned Costs
June 30, 2012

FS 2011-13 Comp Time in Excess (repeated and revised)

FS 2011-14 Revenue Reporting (resolved)

FS 2011-15 Time Sheets (resolved)

FS 2011-16 Compensated Absences not Properly Recorded (resolved)

FS 2011-17 Misappropriated assets from Business Park Project (resolved)

FS 2011-18 Proper Delegation of Authority (repeated and revised)

FS 2011-19 Improper use of Proprietary Information (resolved)

FS 2011-20 Disposition of Village Assets - State Auditor Compliance (resolved)

FS 2011-21 Reconciliation of General Ledger (repeated and revised)

FA 2011-01 Supporting Documents for CDBG Grant (resolved)

FA 2011-02 Supporting Documents for CWSRF (ARRA) Grant (repeated and revised)

FA 2011-03 Compliance with Davis Bacon Act - CDBG Grant (resolved)

FA 2011-04 Compliance with Davis Bacon Act - EPA CWSRF Grant (resolved)

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

STATE OF NEW MEXICO
Village of Questa
Other Disclosures
June 30, 2012

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Although it would be preferred and desirable for the Village to prepare its own GAAP-basis financial statements, it is felt that the Village's personnel have neither the time nor the expertise to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report. Village management is responsible for the financial statements.

B. EXIT CONFERENCE

The contents of this report were discussed on June 06, 2013. The following individuals were in attendance.

Village of Questa

Esther Garcia, Mayor

Mark L Gallegos, Councillor

Jim Fambro, Village Administrator

Renne Martinez, Village Clerk

HARSHWAL & COMPANY LLP

Sanwar Harshwal, Managing Partner