

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
AUDIT REPORT
JUNE 30, 2008**

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
JUNE 30, 2008**

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JUNE 30, 2008**

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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
JUNE 30, 2008**

OFFICAL ROSTER

<u>Name</u>	<u>Title</u>
Archie J. Vigil	Mayor
Billy Elbrock	Trustee
Ron Russom	Trustee
Darren DeYapp	Trustee
Milnor Manzanares	Trustee

ADMINISTRATIVE OFFICIALS

Mary Jo Pina	Municipal Judge
Barbara Daggett	Village Treasurer
Victoria Gonzales	Village Clerk
Kenneth C. Downes & Assoc. P.C.	Attorney

CHAMA HOUSING AUTHORITY

Isidoro Manzanares	Chairman
Mary Jo Pina	Vice Chairman
Herman Sisneros	Commissioner
Tommy Baeza	Commissioner
Doris Serrano	Commissioner
Silvia Vigil	Executive Director

FINANCIAL STATEMENTS SECTION



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Archie J. Vigil, Mayor
Village Council
Village of Chama
Chama, New Mexico
and
Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Chama, New Mexico (Village) as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Village's nonmajor governmental funds and component unit, presented as supplementary information in the accompanying combining and individual fund financial statements, as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the Village of Chama, New Mexico's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Chama, New Mexico as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund, and the component unit of the Village of Chama, New Mexico as of June 30, 2008 and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for the major capital project funds, and all nonmajor governmental 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 January 23, 2009, on our consideration of the Village of Chama, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Village of Chama has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not a required part of, the basis financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedules of other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village of Chama, New Mexico. The schedules of other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Pattillo, Brown & Hill LLP

Pattillo, Brown, & Hill, L.L.P.
Albuquerque, New Mexico
January 23, 2009

STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 437,373	\$ 16,678	\$ 454,051	\$ 94,549
Investments	229,239	90,701	319,940	94,798
Accounts receivable	-	55,085	55,085	608
Intergovernmental receivable	109,147	-	109,147	-
Prepaid expense	-	-	-	11,669
Total current assets	<u>775,759</u>	<u>162,464</u>	<u>938,223</u>	<u>201,624</u>
Noncurrent assets:				
Restricted cash	-	101,401	101,401	5,404
Restricted investments	-	87,507	87,507	-
Capital assets:				
Land	64,190	3,333	67,523	32,200
Construction in progress	628,143	175,779	803,922	-
Capital assets being depreciated, net	1,076,164	3,254,732	4,330,896	1,649,462
Intangible assets - water rights	-	61,100	61,100	-
Total noncurrent assets	<u>1,768,497</u>	<u>3,683,852</u>	<u>5,452,349</u>	<u>1,687,066</u>
Total assets	<u>2,544,256</u>	<u>3,846,316</u>	<u>6,390,572</u>	<u>1,888,690</u>
LIABILITIES				
Current liabilities:				
Accounts payable	196,629	-	196,629	2,228
Accrued sales tax expense	-	1,526	1,526	1,040
Accrued interest expense	-	4,346	4,346	-
Current portion long term debt	9,779	65,773	75,552	-
Current portion landfill closure costs	-	3,550	3,550	-
Customer deposits	-	13,570	13,570	6,393
Total current liabilities	<u>206,408</u>	<u>88,765</u>	<u>295,173</u>	<u>9,661</u>
Noncurrent liabilities:				
Compensated absences	9,407	4,002	13,409	-
Lease payable	7,648	127,991	135,639	-
Revenue bonds and loans payable	-	180,623	180,623	-
Landfill (less current portion)	-	81,650	81,650	-
Total noncurrent liabilities	<u>17,055</u>	<u>394,266</u>	<u>411,321</u>	<u>-</u>
Total liabilities	<u>223,463</u>	<u>483,031</u>	<u>706,494</u>	<u>9,661</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,751,070	3,120,557	4,871,627	1,681,662
Restricted for:				
Capital projects	54,160	-	54,160	-
Debt service	-	188,908	188,908	-
Unrestricted	<u>515,563</u>	<u>53,820</u>	<u>569,383</u>	<u>197,367</u>
Total net assets	<u>\$ 2,320,793</u>	<u>\$ 3,363,285</u>	<u>\$ 5,684,078</u>	<u>\$ 1,879,029</u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 921,862	\$ 46,352	\$ 130,897	\$ -
Public safety	204,736	6,117	425,579	64,875
Public works	155,204	-	-	691,217
Culture and recreation	222,092	32,451	21,760	-
Total governmental activities	<u>1,503,894</u>	<u>84,920</u>	<u>578,236</u>	<u>756,092</u>
Business-type activities:				
Sewer	208,471	116,948	-	-
Solid waste	171,189	100,460	-	-
Water	260,642	183,574	-	-
Total business-type activities	<u>640,302</u>	<u>400,982</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,144,196</u>	<u>\$ 485,902</u>	<u>\$ 578,236</u>	<u>\$ 756,092</u>
Component Units:				
Village of Chama Housing Authority	<u>\$ 176,918</u>	<u>\$ 55,593</u>	<u>\$ 79,460</u>	<u>\$ 3,001</u>

General revenues:

 Taxes:

 Property taxes, levied for general purposes

 Sales

 Franchise

 Lodgers

 Other

 Investment earnings

 Miscellaneous

Transfers

 Total general revenues and transfers

 Change in net assets

Net assets, beginning

Net assets, ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		Total	Component Units
Governmental Activities	Business-type Activities		
\$(744,613)	\$ -	\$(744,613)	\$ -
291,835	-	291,835	-
536,013	-	536,013	-
(167,881)	-	(167,881)	-
<u>(84,646)</u>	<u>-</u>	<u>(84,646)</u>	<u>-</u>
-	(91,523)	(91,523)	-
-	(70,729)	(70,729)	-
-	(77,068)	(77,068)	-
<u>-</u>	<u>(239,320)</u>	<u>(239,320)</u>	<u>-</u>
<u>(84,646)</u>	<u>(239,320)</u>	<u>(323,966)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,864)</u>
60,650	-	60,650	-
549,658	-	549,658	-
62,548	-	62,548	-
98,470	-	98,470	-
67,436	56,701	124,137	-
8,362	10,716	19,078	1,945
(3,290)	-	(3,290)	-
4,755	(2,618)	2,137	-
<u>848,589</u>	<u>64,799</u>	<u>913,388</u>	<u>1,945</u>
763,943	(174,521)	589,422	(36,919)
<u>1,556,850</u>	<u>3,537,806</u>	<u>5,094,656</u>	<u>1,915,948</u>
<u>\$ 2,320,793</u>	<u>\$ 3,363,285</u>	<u>\$ 5,684,078</u>	<u>\$ 1,879,029</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General Fund	CDBG Fund	SAP Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 267,124	\$ -	\$ 101,393	\$ 68,856	\$ 437,373
Investments	-	-	-	229,239	229,239
Accounts receivables (net of allowance for uncollectible):	104,786	-	-	4,361	109,147
Due from other funds	-	-	-	822	822
	-	-	-	822	822
Total assets	<u>\$ 371,910</u>	<u>\$ -</u>	<u>\$ 101,393</u>	<u>\$ 303,278</u>	<u>\$ 776,581</u>

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable	\$ 18,116	\$ -	\$ 168,915	\$ 9,598	\$ 196,629
Due to other funds	822	-	-	-	822
Deferred revenue	2,994	-	-	-	2,994
Total liabilities	<u>21,932</u>	<u>-</u>	<u>168,915</u>	<u>9,598</u>	<u>200,445</u>
Fund Balances:					
Reserved for:					
Capital projects	-	-	-	54,160	54,160
Unreserved, undesignated reported in:					
General funds	349,978	-	(67,522)	-	282,456
Special revenue funds	-	-	-	239,520	239,520
Total fund balances	<u>349,978</u>	<u>-</u>	<u>(67,522)</u>	<u>293,680</u>	<u>576,136</u>
Total liabilities and fund balances	<u>\$ 371,910</u>	<u>\$ -</u>	<u>\$ 101,393</u>	<u>\$ 303,278</u>	

A portion of property taxes receivable is not available to pay current period expenditures and, therefore, is deferred in the funds. 2,994

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 1,768,497

Compensated absences are not payable from current financial resources and, therefore, are not reported in the funds. (9,407)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (17,427)

Net assets of governmental funds \$ 2,320,793

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	CDBG Fund	SAP Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 69,350	\$ -	\$ -	\$ -	69,350
Gross receipts	523,007	-	-	26,651	549,658
Franchise	62,548	-	-	-	62,548
Lodgers' taxes	-	-	-	98,470	98,470
State shared	21,794	-	-	45,642	67,436
Licenses and permits	9,626	-	-	-	9,626
Intergovernmental	449,957	382,900	306,376	185,311	1,324,544
Charges for services	-	-	-	3,470	3,470
Fines	4,437	-	-	1,680	6,117
Interest on investments	493	-	-	8,682	9,175
Miscellaneous	86,200	-	-	8,955	95,155
	<u>1,227,412</u>	<u>382,900</u>	<u>306,376</u>	<u>378,861</u>	<u>2,295,549</u>
Total revenues					
EXPENDITURES					
Current operations					
General government	879,996	-	-	-	879,996
Public safety	108,543	-	-	65,341	173,884
Public works	101,744	-	-	36,308	138,052
Culture and recreation	104,735	-	-	117,357	222,092
Debt Service					
Principal	-	-	-	2,373	2,373
Interest and fiscal charges	-	-	-	228	228
Capital outlay	<u>-</u>	<u>382,900</u>	<u>363,593</u>	<u>133,841</u>	<u>880,334</u>
	<u>1,195,018</u>	<u>382,900</u>	<u>363,593</u>	<u>355,448</u>	<u>2,296,959</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>32,394</u>	<u>-</u>	<u>(57,217)</u>	<u>23,413</u>	<u>(1,410)</u>
OTHER FINANCING SOURCES (USES):					
Debt proceeds	-	-	-	19,800	19,800
Transfer in (out)	16,246	-	(10,510)	(981)	4,755
	<u>16,246</u>	<u>-</u>	<u>(10,510)</u>	<u>18,819</u>	<u>24,555</u>
Total other financing sources (uses)					
Net changes in fund balances	48,640	-	(67,727)	42,232	23,145
FUND BALANCES, BEGINNING OF YEAR	<u>301,338</u>	<u>-</u>	<u>205</u>	<u>251,448</u>	<u>552,991</u>
FUND BALANCES END OF YEAR	<u>\$ 349,978</u>	<u>\$ -</u>	<u>\$(67,522)</u>	<u>\$ 293,680</u>	<u>\$ 576,136</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CHAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

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

Net change in fund balances - total governmental funds	\$	23,145
A portion of property tax receivable is not available to pay current period expenditures and, therefore, is deferred in the funds.	(8,700)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay		880,334
Depreciation expense	(89,234)
In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	(23,767)
The issuance of long-term debt 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:		
Issuance of long-term debt	(19,800)
Principal repayments		2,373
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Compensated absences	(408)
Change in net assets of governmental activities	\$	<u>763,943</u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 68,000	\$ 69,762	\$ 69,761	\$(1)
Gross receipts	606,961	606,961	527,175	(79,786)
Franchise	58,000	61,000	60,889	(111)
State shared	19,500	22,015	21,840	(175)
Licenses and permits	11,500	12,500	9,626	(2,874)
Intergovernmental	68,074	465,284	449,957	(15,327)
Fines	2,500	4,900	4,437	(463)
Interest on investments	1,800	1,800	493	(1,307)
Miscellaneous	37,400	65,878	86,200	20,322
Total revenues	<u>873,735</u>	<u>1,310,100</u>	<u>1,230,378</u>	<u>(79,722)</u>
EXPENDITURES				
Current operations				
General government	538,002	895,181	871,052	24,129
Public safety	119,723	129,140	108,372	20,768
Public works	125,676	103,389	101,744	1,645
Culture and recreation	86,761	106,761	101,022	5,739
Total expenditures	<u>870,162</u>	<u>1,234,471</u>	<u>1,182,190</u>	<u>52,281</u>
Excess (deficiency) of revenues over expenditures	<u>3,573</u>	<u>75,629</u>	<u>48,188</u>	<u>(27,441)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	-	(464)	16,246	16,710
Total other financing sources (uses)	<u>-</u>	<u>(464)</u>	<u>16,246</u>	<u>16,710</u>
Net change in fund balance	<u>\$ 3,573</u>	<u>\$ 75,165</u>	64,434	<u>\$(10,731)</u>
Beginning cash balance	<u>\$ 212,839</u>	<u>\$ 212,839</u>		
RECONCILIATION TO GAAP BASIS				
Changes in receivables			(11,666)	
Changes in deferred revenue			8,700	
Changes in payables			(12,828)	
Net change in fund balance GAAP Basis			<u>\$ 48,640</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,422	\$ 4,652	\$ 10,604	\$ 16,678
Investments	-	14,683	76,018	90,701
Accounts receivables (net of allowance for uncollectible):	<u>14,618</u>	<u>18,913</u>	<u>21,554</u>	<u>55,085</u>
Total current assets	<u>16,040</u>	<u>38,248</u>	<u>108,176</u>	<u>162,464</u>
Noncurrent assets:				
Restricted cash	-	-	101,401	101,401
Restricted investments	11,857	-	75,650	87,507
Capital assets:				
Land	2,500	-	833	3,333
Construction in progress	103,447	-	72,332	175,779
Capital assets being depreciated, net	1,544,058	140,046	1,570,628	3,254,732
Intangible assets - water rights	<u>-</u>	<u>-</u>	<u>61,100</u>	<u>61,100</u>
Total noncurrent assets	<u>1,661,862</u>	<u>140,046</u>	<u>1,881,944</u>	<u>3,683,852</u>
Total assets	<u>1,677,902</u>	<u>178,294</u>	<u>1,990,120</u>	<u>3,846,316</u>
LIABILITIES				
Current liabilities:				
Accrued sales tax expense	461	366	699	1,526
Accrued interest expense	-	-	4,346	4,346
Capital lease obligation	-	21,461	-	21,461
Landfill payable	-	3,550	-	3,550
Bonds and notes payable	-	-	44,312	44,312
Total current liabilities	<u>461</u>	<u>25,377</u>	<u>49,357</u>	<u>75,195</u>
Current liabilities payable from restricted assets:				
Customer deposits payable	<u>-</u>	<u>-</u>	<u>13,570</u>	<u>13,570</u>
Noncurrent liabilities:				
Compensated absence	4,002	-	-	4,002
Lease payable	-	127,991	-	127,991
Revenue bonds and loans payable	-	-	180,623	180,623
Landfill (less current portion)	-	81,650	-	81,650
Total noncurrent liabilities	<u>4,002</u>	<u>209,641</u>	<u>180,623</u>	<u>394,266</u>
Total liabilities	<u>4,463</u>	<u>235,018</u>	<u>243,550</u>	<u>483,031</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,650,005	(9,406)	1,479,958	3,120,557
Restricted for debt service	11,857	-	177,051	188,908
Unrestricted	<u>11,577</u>	<u>(47,318)</u>	<u>89,561</u>	<u>53,820</u>
Total net assets	<u>\$ 1,673,439</u>	<u>\$(56,724)</u>	<u>\$ 1,746,570</u>	<u>\$ 3,363,285</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Total Proprietary Fund</u>
OPERATING REVENUES				
Charges for sales and services:				
Charges for services	\$ 116,948	\$ 100,460	\$ 183,574	\$ 400,982
Total operating revenues	<u>116,948</u>	<u>100,460</u>	<u>183,574</u>	<u>400,982</u>
OPERATING EXPENSES				
Cost of sales and services	61,877	25,360	25,740	112,977
Administration	30,696	126,549	2,770	160,015
Other operating expenses	20,242	1,589	105,565	127,396
Depreciation	<u>95,656</u>	<u>17,691</u>	<u>107,871</u>	<u>221,218</u>
Total operating expenses	<u>208,471</u>	<u>171,189</u>	<u>241,946</u>	<u>621,606</u>
Operating income (loss)	<u>(91,523)</u>	<u>(70,729)</u>	<u>(58,372)</u>	<u>(220,624)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	1,153	797	8,766	10,716
Interest expense	-	(8,295)	(10,401)	(18,696)
Taxes	<u>-</u>	<u>40,009</u>	<u>16,692</u>	<u>56,701</u>
Nonoperating revenues (expenses)	<u>1,153</u>	<u>32,511</u>	<u>15,057</u>	<u>48,721</u>
Income (loss) before transfers	<u>(90,370)</u>	<u>(38,218)</u>	<u>(43,315)</u>	<u>(171,903)</u>
Transfers in (out)	<u>(5,832)</u>	<u>19,376</u>	<u>(16,162)</u>	<u>(2,618)</u>
Total transfers	<u>(5,832)</u>	<u>19,376</u>	<u>(16,162)</u>	<u>(2,618)</u>
Change in net assets	<u>(96,202)</u>	<u>(18,842)</u>	<u>(59,477)</u>	<u>(174,521)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,769,641</u>	<u>(37,882)</u>	<u>1,806,047</u>	<u>3,537,806</u>
NET ASSETS, END OF YEAR	<u>\$ 1,673,439</u>	<u>\$(56,724)</u>	<u>\$ 1,746,570</u>	<u>\$ 3,363,285</u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
Cash flows from operating activities				
Cash received from customers	\$ 118,540	\$ 103,859	\$ 175,811	\$ 398,210
Cash payments to employees for services	(35,685)	(3,390)	-	(39,075)
Cash payments to suppliers for goods and services	(77,712)	(158,218)	(136,764)	(372,694)
Net cash provided (used) by operating activities	<u>5,143</u>	<u>(57,749)</u>	<u>39,047</u>	<u>(13,559)</u>
Cash flows from noncapital financing activities				
Transfers from other funds	22,875	20,386	(16,162)	27,099
Transfers to other funds	(27,564)	-	4,244	(23,320)
Net cash provided (used) by capital and related activities	<u>(4,689)</u>	<u>20,386</u>	<u>(11,918)</u>	<u>3,779</u>
Cash flows from capital and related financing activities				
Cash received from taxes	-	40,009	16,692	56,701
(Acquisition) disposition of capital assets	(27,564)	-	(14,117)	(41,681)
Principal paid on debt	-	(18,406)	(43,390)	(61,796)
Interest paid on debt	-	(8,295)	(10,401)	(18,696)
Net cash provided (used) by capital financing activities	<u>(27,564)</u>	<u>13,308</u>	<u>(51,216)</u>	<u>(65,472)</u>
Cash flows from investing activities				
Purchase of investments	(11,857)	(14,683)	(151,668)	(178,208)
Interest on investments	1,153	797	8,766	10,716
Net cash provided (used) by noncapital investing activities	<u>(10,704)</u>	<u>(13,886)</u>	<u>(142,902)</u>	<u>(167,492)</u>
Net increase (decrease) in cash and cash equivalents	<u>(37,814)</u>	<u>(37,941)</u>	<u>(166,989)</u>	<u>(242,744)</u>
Unrestricted cash and equivalents beginning of year	891	42,593	102,370	145,854
Restricted cash beginning of year	38,345	-	176,624	214,969
Total cash and equivalents beginning of year	<u>39,236</u>	<u>42,593</u>	<u>278,994</u>	<u>360,823</u>
Cash and equivalents end of year	<u>\$ 1,422</u>	<u>\$ 4,652</u>	<u>\$ 112,005</u>	<u>\$ 118,079</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income	\$(91,523)	\$(70,729)	\$(58,372)	\$(220,624)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:				
Depreciation expense	95,656	17,691	107,871	221,218
Decrease (increase) in customer receivable	1,592	3,399	(9,918)	(4,927)
Increase (decrease) in accounts payable	(2,177)	(4,527)	(2,031)	(8,735)
Increase (decrease) in accrued liabilities	1,595	(33)	(658)	904
Increase (decrease) in customer deposits	-	-	2,155	2,155
Increase (decrease) in landfill closure costs	-	(3,550)	-	(3,550)
Net cash provided by operating activities	<u>\$ 5,143</u>	<u>\$(57,749)</u>	<u>\$ 39,047</u>	<u>\$(13,559)</u>
CASH PER FINANCIAL STATEMENTS				
Cash and cash equivalents	\$ 1,422	\$ 4,652	\$ 10,604	\$ 16,678
Restricted cash	-	-	101,401	101,401
Cash and equivalents end of year	<u>\$ 1,422</u>	<u>\$ 4,652</u>	<u>\$ 112,005</u>	<u>\$ 118,079</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash	\$ -
Total assets	\$ -
LIABILITIES	
Deposits held for others	\$ -
Total liabilities	\$ -

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

STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Chama (Village) was incorporated in 1961. The Village operates under a Mayor Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health and social services, culture and recreation, planning and zoning, water, sewer, solid waste and general administrative services.

A. Reporting Entity

This summary of significant accounting policies of the Village of Chama is presented to assist in the understanding of the Village of Chama's financial statements. The financial statements and notes are the representation of the Village of Chama's management who are responsible for their integrity and objectivity. 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 Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP).

The basic (but not the only) criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

The Village of Chama Housing Authority's Board of Directors is appointed by the Village Council and the Village has fiscal responsibility for the Housing Authority. Because of this relationship the Housing Authority is presented as a component unit of the Village.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support. Likewise the primary government is reported separately from certain legally separate component units for which the government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 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 revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds 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 revenue in the year for which they are levied. Sales, franchise, lodgers', gas, cigarette and other similar taxes are recognized when the underlying exchange transaction takes place. 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 revenue to be available if 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, franchise, sales and lodger's taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)

The Village reports the following major governmental fund:

The **General Fund** is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Projects – CDBG Fund** – was established to account for the revenue and expenditures associated with the rehabilitation and extension of the sewer system.

The **Capital Projects – SAP Fund** – accounts for State Appropriated funds for improvements to the water and sewer system, Senior Center and various paving projects throughout the Village.

The Village reports the following major proprietary fund:

The **Sewer Fund** is used to account for the activities of the Village's sewer operations.

The **Solid Waste Fund** accounts for the provision of solid waste services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to administration, operations, maintenance, and billing and collection.

The **Water Fund** is used to account for the activities of the Village's water utility service.

Additionally, the Village reports the following fund types:

The **Fiduciary Fund** accounts for resources held for others in a custodial capacity by the Village in an Agency Fund. The Village's Agency Fund holds monies collected under the agreement with the State of New Mexico Motor Vehicle Department (MVD). During the year the Village began depositing MVD funds directly into a State account. The Village will no longer hold these funds in a custodial capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

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 charges between the Village's water, sewer and solid waste functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenue includes all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

D. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash and cash equivalents include amounts in demand deposits, certificates of deposit and investments with a maturity date within 3 months of the date acquired by the Village. Investments are certificates of deposit with maturity dates in excess of 3 months.

Receivables

Accounts receivable of the enterprise fund represents the amounts due from customer utility accounts. The governmental funds report taxes and other fees collected at the Village, County and State level as receivables. All trade and tax receivable are shown net of an allowance for uncollectible.

Restricted Assets

Certain resources of the enterprise funds are set aside for revenue bond and note repayment and replacement reserves and are classified as restricted assets on the balance sheet because the use of these monies is limited by applicable bond covenants and loan documents. In addition, customers' meter deposit monies are classified as restricted assets.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Property Taxes

An enforceable legal claim to taxable property arises on January 1 in the year of levy. Taxes are due on November 10 and May 10 and are collected by the Rio Arriba County Treasurer. Taxes not paid within 30 days are declared delinquent. The Village records all delinquent property taxes not collected within 60 days of year-end as deferred revenue in the fund financial statements. All property taxes received after the 60-day period are accrued in the government-wide financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, improvements, and water and sewer system, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Village defines capital assets as assets with an initial, individual cost of more than \$5,000 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. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of library books at conversion were determined to be fully depreciated. The Village has chosen the prospective reporting of general infrastructure assets.

Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of the asset constructed. During the year the Village did not capitalize any interest costs.

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.

Property, improvements, equipment, and water and sewer system are depreciated using the straight-line method over the following useful lives:

Assets	Years
Improvements other than buildings	10 - 50
Building and improvements	10 - 45
Motor vehicles and motorized equipment	5 - 30
Furniture, machinery, equipment and software	10 - 50
Library books	3

Compensated Absences

The Village's employees earn vacation leave, which may either be taken or accumulated, up to certain amounts, until paid upon resignation or retirement. All vacation leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave accrues at the rate of eight hours per month. An employee may accumulate a maximum of 180 days sick leave. No employee shall receive compensation for unused sick leave at separation therefore; no liability is recorded for accrued, unused sick leave.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts 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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

1. Prior to June 1, the Village Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to September 1, the budget is legally enacted through passage of an ordinance.
2. The Village Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico Department of Finance, Division of Local Governments. Expenditures of the Village may not legally exceed appropriations at the level at which the budget is adopted. That is, expenditures in each fund may not exceed the budgeted appropriation for that fund.
3. Formal budgetary integration is employed as a management control device during the year for the Governmental and Enterprise Funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classifications detail in which expenditures or expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year end.
6. Budgets for the Governmental and Enterprise Funds are adopted on a basis not consistent with generally accepted accounting principles. Throughout the year the accounting records are maintained on the non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for Governmental and Enterprise Funds in this report are on the non-GAAP budgetary basis and actual (cash basis).

Deposits

The Village invests its funds in accordance with state statutes which require that financial institutions pledge collateral consisting of approved federal or state securities whose market value is equal to at least 50% of the deposits in excess of FDIC insurance coverage. In accordance with state statutes, the Village may have deposits only in financial institutions, federal direct obligations, or the New Mexico State Treasurer's Local Government Pooled Investment Plan.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Cash, Cash Equivalents

	Balance Per Bank June 30,	Add Deposits In Transit	Less Outstanding Checks	Balance Per Books June 30,
Bank of America				
Checking Accounts				
General	\$ 110,624	\$ -	\$ 35,153	\$ 75,471
Cemetery	3,006	-	26	2,980
EMS	7,261	-	2,457	4,804
Fire	6,405	-	38	6,367
Law Enforcement	16	-	-	16
Library	13,939	-	450	13,489
Lodgers Tax	32,069	-	-	32,069
Recreation	1,379	-	16	1,363
LGD	2,224	-	-	2,224
Sewer	3,541	477	2,596	1,422
Solid Waste	4,951	342	641	4,652
Water Fund - Int Sinking	66	-	-	66
Water Fund	15,118	559	5,073	10,604
Water Fund - Meter Deposit	6,227	-	152	6,075
Capital Projects - Street	2,127	-	657	1,470
Capital Projects - SAP	101,393	-	-	101,393
Chama Days	3,533	-	342	3,191
Infrastructure	4,074	-	-	4,074
Certificates of Deposit	318,775	-	-	318,775
Savings	188,462	-	-	188,462
Community Bank				
Certificates of Deposit	88,672	-	-	88,672
				-
Total Cash in Banks	<u>\$ 913,862</u>	<u>\$ 1,378</u>	<u>\$ 47,601</u>	867,639
Funds Held by the New Mexico Finance Authority:				
New Mexico Finance Authority				67,882
Bank of Albuquerque US Treasury Fund Accounts				<u>27,378</u>
Total Cash Per Books				<u>\$ 962,899</u>
As Reported in Financial Statements:				
Equity in Cash:				
Cash				\$ 454,051
Restricted Cash				101,401
Investments				319,940
Restricted Investments				<u>87,507</u>
				<u>\$ 962,899</u>

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Cash, Cash Equivalents – Component Unit

	Balance Per Bank June 30,	Add Deposits In Transit	Less Outstanding Checks	Balance Per Books June 30,
Bank of America				
Checking Accounts				
General	\$ 85,509	\$ 1,489	\$ 3,918	\$ 83,080
Security Deposits	5,108	-	-	5,108
Other restricted	296	-	-	296
CFP	11,424	-	-	11,424
Certificates of Deposit	<u>94,798</u>	<u>-</u>	<u>-</u>	<u>94,798</u>
Total Cash in Banks	<u>\$ 197,135</u>	<u>\$ 1,489</u>	<u>\$ 3,918</u>	194,706
Petty Cash				<u>45</u>
Total Cash per Books				<u>\$ 194,751</u>
As Reported in Financial Statements:				
Equity in Cash				
		Cash		\$ 94,549
		Restricted Cash		5,404
		Investments		<u>94,798</u>
				<u>\$ 194,751</u>

Pledged Collateral

	Bank of America	Community Bank	Total
Deposit	\$ 825,190	\$ 88,672	\$ 913,862
FDIC	<u>200,000</u>	<u>88,672</u>	<u>288,672</u>
Total uninsured public funds	625,190	-	625,190
Collateral pledged:			
Bank of America NC			
FNMS, 05/01/33			
CUSIP 31385XAZ0	413,067	-	413,067
Community Bank			
FNAR, 04/01/27			
CUSIP 313612HK2	-	100,180	100,180
	<u>413,067</u>	<u>100,180</u>	<u>513,247</u>
Uninsured and uncollateralized	<u>\$ 212,123</u>	<u>\$ -</u>	<u>\$ 212,123</u>

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Pledged Collateral – Component Unit

	<u>Bank of America</u>	<u>Total</u>
Deposit	\$ 197,135	\$ 197,135
FDIC	<u>200,000</u>	<u>200,000</u>
Total uninsured public funds	-	-
Collateral pledged:	<u>-</u>	<u>-</u>
	-	-
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$625,190 of the Village's bank balance of \$913,862 was exposed to custodial credit risk as follows:

	<u>Bank of America</u>	<u>Community Bank</u>	<u>Total</u>
Uninsured and uncollateralized	\$ 212,123	\$ -	\$ 212,123
Uninsured and collateral held by pledging bank's trust department in the Bank's name	<u>413,067</u>	<u>-</u>	<u>413,067</u>
Total	<u>\$ 625,190</u>	<u>\$ -</u>	<u>\$ 625,190</u>

Also at June 30, 2008 the Village had \$27,378 held in AP US Treasury Notes, in connection with two New Mexico Finance Authority loans. The notes, held by the Bank of Albuquerque Trust Services, in the Bank's name, exposes the Village to custodial credit risk as noted above. The Village does not have an investment policy to limit exposure to custodial credit risk or to manage its exposure to fair value losses due to rising interest rates. At June 30, 2008 these investments were:

<u>Bank of Albuquerque</u>	
NMFA Reserves	\$ 13,996
NMFA Reserves	<u>13,382</u>
	<u>\$ 27,378</u>

2. **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

Custodial Credit Risk (continued)

Additionally, two accounts are held at and managed by the New Mexico Finance Authority (NMFA). The monies in these accounts are held until the loan payments are due. Once the loan is paid any remaining balance will revert to the Village. The Village is exposed to custodial credit risk in the amount of \$67,882.

<u>New Mexico Finance Authority</u>	
9th Supp - Village of Chama GRT	\$ 35,885
9th Supp - Village of Chama	<u>31,997</u>
	<u>\$ 67,882</u>

Custodial Credit Risk – Component Unit

Custodial credit risk is the risk that in the event of a bank failure, the Component Unit's deposits may not be returned. The Component Unit does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$0 of the Component Unit's bank balance of \$197,135 was exposed to custodial risk.

3. **DETAILED NOTES ON ALL FUNDS**

Receivables

Receivables as of year-end for the Village's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>		<u>Proprietary Funds</u>			<u>Total</u>
	<u>General</u>	<u>Non-Major</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Water</u>	
Receivables:						
Customer accounts	\$ -	\$ -	\$ 20,882	\$ 17,662	\$ 30,791	\$ 69,335
Property taxes	4,343	-	-	-	-	4,343
Franchise taxes	13,013	-	-	-	-	13,013
Gross receipts taxes	85,913	4,361	-	6,550	-	96,824
Motor vehicle fees	1,517	-	-	-	-	1,517
Other governments	-	-	-	-	-	-
	<u>104,786</u>	<u>4,361</u>	<u>20,882</u>	<u>24,212</u>	<u>30,791</u>	<u>185,032</u>
Gross receivables						
Less: allowance for uncollectible	<u>-</u>	<u>-</u>	<u>6,264</u>	<u>5,299</u>	<u>9,237</u>	<u>20,800</u>
Net receivables	<u>\$ 104,786</u>	<u>\$ 4,361</u>	<u>\$ 14,618</u>	<u>\$ 18,913</u>	<u>\$ 21,554</u>	<u>\$ 164,232</u>

3. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 64,190	\$ -	\$ -	\$ 64,190
Construction in progress	332,951	295,192	-	628,143
Total capital assets not being depreciated	<u>397,141</u>	<u>295,192</u>	<u>-</u>	<u>692,333</u>
Capital assets being depreciated:				
Buildings and improvements	563,918	404,483	-	968,401
Equipment and other	630,914	117,503	(51,352)	697,065
Infrastructure	316,510	63,156	-	379,666
Total capital assets being depreciated	<u>1,511,342</u>	<u>585,142</u>	<u>(51,352)</u>	<u>2,045,132</u>
Less accumulated depreciation:				
Buildings and improvements	365,182	16,265	-	381,447
Equipment and other	469,661	37,108	(27,585)	479,184
Infrastructure	72,476	35,861	-	108,337
Total accumulated depreciation	<u>907,319</u>	<u>89,234</u>	<u>(27,585)</u>	<u>968,968</u>
Total capital assets being depreciated, net	<u>604,023</u>	<u>495,908</u>	<u>(23,767)</u>	<u>1,076,164</u>
Governmental activities capital assets, net	<u>\$ 1,001,164</u>	<u>\$ 791,100</u>	<u>\$ (23,767)</u>	<u>\$ 1,768,497</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 3,333	\$ -	\$ -	\$ 3,333
Construction in progress	148,215	27,564	-	175,779
Water rights	61,100	-	-	61,100
Total capital assets not being depreciated	<u>212,648</u>	<u>27,564</u>	<u>-</u>	<u>240,212</u>
Capital assets, being depreciated:				
Buildings and improvements	6,046,751	-	-	6,046,751
Equipment and other	530,490	14,117	(30,900)	513,707
Total capital assets being depreciated	<u>6,577,241</u>	<u>14,117</u>	<u>(30,900)</u>	<u>6,560,458</u>
Less accumulated depreciation:				
Buildings and improvements	2,898,310	187,982	-	3,086,292
Equipment and other	217,098	33,236	(30,900)	219,434
Total accumulated depreciation	<u>3,115,408</u>	<u>221,218</u>	<u>(30,900)</u>	<u>3,305,726</u>
Total capital assets being depreciated, net	<u>3,461,833</u>	<u>(207,101)</u>	<u>-</u>	<u>3,254,732</u>
Business-type activities capital assets, net	<u>\$ 3,674,481</u>	<u>\$ (179,537)</u>	<u>\$ -</u>	<u>\$ 3,494,944</u>

3. **DETAILED NOTES ON ALL FUNDS** (Continued)

Capital Assets (continued)

Component unit	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land and land rights	\$ 32,200	\$ -	\$ -	\$ 32,200
Capital assets being depreciated:				
Buildings and improvements	2,466,075	15,747	-	2,481,822
Equipment and other	94,914	-	-	94,914
Total capital assets being depreciated	<u>2,560,989</u>	<u>15,747</u>	<u>-</u>	<u>2,576,736</u>
Less accumulated depreciation for:				
Buildings and improvements	806,986	51,861	-	858,847
Equipment and other	59,767	8,660	-	68,427
Total accumulated depreciation	<u>866,753</u>	<u>60,521</u>	<u>-</u>	<u>927,274</u>
Total capital assets being depreciated, net	<u>1,694,236</u>	<u>(44,774)</u>	<u>-</u>	<u>1,649,462</u>
Component unit capital assets, net	<u>\$ 1,726,436</u>	<u>\$ (44,774)</u>	<u>\$ -</u>	<u>\$ 1,681,662</u>

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

General government	\$ 41,458
Public safety	30,624
Public works	<u>17,152</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 89,234</u>
Business-type Activities:	
Sewer	\$ 95,656
Solid waste	17,691
Water	<u>107,871</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 221,218</u>

3. **DETAILED NOTES ON ALL FUNDS** (Continued)

Interfund Receivables, Payables and Transfers

The outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The Inter-fund receivables and payable at June 30, 2008 were as follows:

<u>Fund Description</u>	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
Major Governmental Funds:		
General Fund	\$ -	\$ 822
Non-Major Governmental Funds:		
Local Corrections	<u>822</u>	<u>-</u>
	<u>\$ 822</u>	<u>\$ 822</u>

Operating Transfers:

Transfers between funds are used to 1) move capital project outlay to the fund, which received the benefit from the outlay, and 2) to move the allocation of payments between funds.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Governmental Funds:		
Non-major	General	\$ 981
SAP	General	10,510
Agency	General	2,137
Business-type Funds:		
Sewer	General	2,618
Sewer	Solid Waste	3,214
Water	Solid Waste	<u>16,162</u>
		<u>\$ 35,622</u>

SHORT TERM DEBT:

The Village does not have any short-term debt.

3. **DETAILED NOTES ON ALL FUNDS** (Continued)

LONG TERM DEBT:

Description of Governmental activities Lease-Purchase Payable

EMS Fund Lease-Purchase Payable:

The EMS fund received grant money for the purchase of an ambulance costing \$92,600. The difference of \$19,800, between the grant money and the cost of the ambulance, was financed with Key Government Finance Inc. The lease-purchase agreement is dated March 2008 with monthly payments of \$867 bearing an interest rate of 4.8%. The lease is scheduled to be paid off in March 2010.

<u>Loan</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
Key Government Finance Inc.	\$ 19,800	3/20/2010	4.80%	\$ 17,427

A summary of the terms of lease outstanding for the governmental activities at June 30, 2008 follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 9,779	\$ 626
2010	7,648	154
	<u>\$ 17,427</u>	<u>\$ 780</u>

Description of Business-Type activities Bonds

Water & Sewer and Utility Revenue Bonds:

Water Revenue Bonds dated January 1, 1971, Series C were issued in the amount of \$62,000 to provide funds for extensions to the water utility system. Principal and interest are payable each January 1, through the year 2009. The bonds are secured by, and payable exclusively from, the net revenues of the water utility system.

Water Revenue Bonds dated November 1973, Series 1973 were issued in the amount of \$92,000 to provide funds for financing improvements and extensions to the Village's water utility system. Principal and interest are payable each January 1, through the year 2013. The bonds are secured by, and payable exclusively from, the net revenues of the water utility system.

Water Revenue Bonds dated June 9, 1982, Series 1982 were issued in the amount of \$211,000 to provide funds for improvements and extensions to the water utility system. Principal and interest are payable each February 15, through the year 2022. The bonds are secured by, and payable exclusively from, the net revenues of the water utility system.

3. **DETAILED NOTES ON ALL FUNDS** (Continued)

LONG TERM DEBT: (continued)

Description of Business-Type activities Bonds (continued)

Water Revenue Bonds dated February 14, 1983, Series 1982A were issued in the amount of \$32,000 to provide funds for extensions to the water utility system. Principal and interest are payable each January 1, through the year 2008. The bonds are secured by, and payable exclusively from, the net revenues of the water utility system.

<u>Series</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
Revenue Bonds:				
Series C - Water	\$ 62,000	1/1/2009	4.75%	\$ 3,000
Series 1973 - Water	92,000	1/1/2013	5.00%	24,000
Series 1982 - Water	211,000	6/6/2022	5.00%	138,000
				<u>\$ 165,000</u>

The various bond issues require that certain reserve accounts be set up to help insure the successful retirement of the bonds and to provide additional funds for unexpected repairs and /or replacements to the system. The following schedule shows, by bond issue, the amounts calculated for each reserve required as of June 30, 2008.

<u>Bond Issue</u>	<u>Next Payment Due</u>	<u>Bond & Interest Sinking Reserve Required</u>	<u>Bond Reserve Factor</u>	<u>Maximum Bond Reserve Required</u>	<u>Repair and Replacement Reserve Required</u>
Series C 1971	\$ 3,285	\$ 274	20%	\$ 2,000	\$ 2,000
Series 1973	5,400	450	\$40/mo.	4,500	4,500
Series 1982	15,300	1,275	\$176/mo.	21,100	21,100
Total	<u>\$ 23,985</u>	<u>\$ 1,999</u>		<u>\$ 27,600</u>	<u>\$ 27,600</u>

At June 30, 2008 the Village had the following amounts accumulated in various water reserve funds:

<u>Required Reserves</u>	<u>Amount</u>
Bond interest and sinking	\$ 2,033
Bond reserve	27,600
Repair and replacement	27,600
	57,233
Actual reserve	88,954
Excess reserve	<u>\$ 31,721</u>

3. **DETAILED NOTES ON ALL FUNDS** (Continued)

LONG TERM DEBT: (continued)

Description of Business-Type activities Bonds (continued)

Business-Type Activities Notes Payable

On February 17, 1998 two separate loan agreements were entered into between the Village and the New Mexico Finance Authority. The first loan, for the acquisition and construction of equipment in the water utility system, the Village borrowed \$150,919. Principal and interest at 3.8% to 4.73% are to be paid semi-annually. The term of the loan is 12 years. The note is secured by, and payable exclusively from, the net revenues of the water utility system.

The second loan, for the equipment acquisition in the water utility system, the Village borrowed \$144,294. Principal and interests at 3.8% to 4.73% are to be paid semi-annually. The term of the loan is 12 years. The note is secured by, and payable exclusively from, the net revenues of the water utility system.

<u>Loans</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
Series 1998 #1	\$ 150,919	5/1/2010	3.8%-4.73%	\$ 30,640
Series 1998 #2	144,294	5/1/2010	3.8%-4.73%	29,295
				<u>\$ 59,935</u>

Bond and Loan Payable

A summary of the terms of revenue bonds and loans outstanding for the business-type activities at June 30, 2008 follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 44,312	\$ 10,938
2010	45,623	8,891
2011	15,000	6,750
2012	15,000	6,000
2013	15,000	5,250
2014-2018	50,000	17,500
2019-2022	40,000	5,000
	<u>\$ 224,935</u>	<u>\$ 60,329</u>

3. **DETAILED NOTES ON ALL FUNDS** (Continued)

LONG TERM DEBT: (continued)

Lease Purchase-Payable

In fiscal year 2008 the Solid Waste Fund renegotiated the Grader lease purchase agreement. The lease calls for monthly payments of \$1,450 and will be paid in full in fiscal year 2011. The backhoe lease calls for monthly payments of \$867 and is expected to be paid in full in fiscal year 2011. The Village has included \$246,534 in capital assets for the leases. Monthly payments are as follows:

Payment Requirement				
FYE June 30,	Principal	Interest	Total	
2009	\$ 21,461	\$ 7,344	\$ 28,805	
2010	21,565	6,239	27,804	
2011	106,426	3,072	109,498	
Total	<u>\$ 149,452</u>	<u>\$ 16,655</u>	<u>\$ 166,107</u>	

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Lease-purchase payable	\$ -	\$ 19,800	\$ 2,373	\$ 17,427	\$ 9,779
Compensated absences	8,999	15,393	14,985	9,407	-
Governmental activities- long-term liabilities	<u>\$ 8,999</u>	<u>\$ 35,193</u>	<u>\$ 17,358</u>	<u>\$ 26,834</u>	<u>\$ 9,779</u>
Business-type activities					
Revenue bonds	\$ 180,308	\$ -	\$ 15,308	\$ 165,000	\$ 15,000
Loans payable	88,017	-	28,082	59,935	29,312
Lease-purchase payable	167,858	-	18,406	149,452	21,461
Compensated absences	2,412	3,992	2,402	4,002	-
Business-type activities- long-term liabilities	<u>\$ 438,595</u>	<u>\$ 3,992</u>	<u>\$ 64,198</u>	<u>\$ 378,389</u>	<u>\$ 65,773</u>

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

3. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT: (continued)

Landfill Closure and Post Closure Costs

State and Federal Laws and regulations require that the Village place final covers on its landfills when closed and perform certain maintenance and monitoring functions at the landfill sites for thirty years after closure. The Village has a closed municipal landfill site as of June 30, 2002.

The estimated total cost of the landfill closure and post closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of March 1999. The original total estimate of \$433,432 was based on an engineers evaluation updated in March 1999. The amount included in long-term obligations has been reduced by cost paid to date and the purchase of equipment, which will be used to complete the closure and post closure care activities. The actual cost of closure and post closure care may be higher, of course, due to inflation, changes in technology, or changes in landfill laws and regulations. The Village is in the fifth year of monitoring and expects monitoring costs to approximate \$3,550 per year. Twenty-four years remain in the monitoring period. Total estimated balance at June 30, 2008 of current and long-term post closure costs are \$3,550 and \$81,650 respectively. The Village expects to defray a portion of these costs with grants from the State of New Mexico and other available sources.

Restricted Net Assets/ Reserved Fund Balances

The debt agreements of the Village require restrictions of cash balances therefore, \$153,102 is reported as restricted in the government-wide financial statements. That same amount and the meter deposit accounts of \$35,806 are reported as reserved in the proprietary statement of net assets.

POST-EMPLOYMENT BENEFITS:

Retirement Plan

Plan Description. Substantially all of the Village's full-time employees participate in 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, New Mexico 87504-2123.

Funding Policy. Policy plan members are required to contribute 9.15% of their gross salary depending on classification. The Village is required to contribute 9.15% for regular members, fire and police members. The contribution requirements of plan members and the Village of Chama are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The Village of Chama's contributions to PERA for the years ending June 30, 2008, 2007 and 2006 were \$39,006, \$37,370, and \$34,962, respectively, equal to the amount of the required contributions for each fiscal year.

3. DETAILED NOTES ON ALL FUNDS (Continued)

POST-EMPLOYMENT BENEFITS: (continued)

Retiree Health Care Act Contributions

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

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA on the person's behalf, unless that person retires on or before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan and 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. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

3. **DETAILED NOTES ON ALL FUNDS** (Continued)

POST-EMPLOYMENT BENEFITS: (continued)

Retiree Health Care Act Contributions (continued)

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 contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$5,525, \$5,309, \$2,655, respectively, which equals the required contributions for each year.

Risk Management

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Village has historically retained these risks, except where it has determined that commercial insurance is more cost beneficial or legally required. The Village has covered all claim settlements and judgments out of its General Fund resources, except where specifically identifiable to an enterprise fund. The Village currently reports substantially all of its risk management activities, except worker's compensation, in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Current liabilities are reported when the liability has matured. These losses include an estimate of claims that have been incurred but not reported. No losses were reported or incurred during the year.

Expenditures in Excess of Budget

Actual expenditures exceeded budgeted expenditures at the total fund level for the EMS Fund by \$13,911.

Deficit Fund Balances

The SAP Fund and the Solid Waste Enterprise Fund have deficit fund balances of \$67,522 and \$56,724 respectively. The deficits will be funded by transfers from the General Fund and future increases in revenues.

Joint Power Agreements

The Village entered into a joint powers agreement with the New Mexico State Police Division on December 7, 2000. The agreement is for the New Mexico State Police to assist the Village in providing sufficient police coverage within the municipality limits, pursuant to NMSA 1978, Section 3-12-4(A). The Village is responsible for all operations. The Village will provide New Mexico State Police with a secretary and be responsible for all utilities for the office space. The Village will also use the funds from the Law Enforcement Grant to purchase equipment that the New Mexico State Police may use. The equipment purchased is to be returned to the Village upon termination of the agreement. The cost for the agreement is indeterminate. The audit responsibility lies with the Village. The agreement has no termination date.

3. **DETAILED NOTES ON ALL FUNDS** (Continued)

Joint Power Agreements (continued)

The Village entered into a joint powers agreement on June 23, 1999, with the Village of Espanola, Pueblo of San Juan, the Jicarilla Apache Tribe, the County of Rio Arriba and the County of Santa Fe, to provide an enhanced 911-response system. The Village of Espanola is responsible for all operations. The agreement is to improve public emergency and law enforcement services to the citizens. The cost is indeterminate. The audit responsibility lies with the Village of Espanola. The Village is required to contribute six percent of the total budget and purchase and maintain its own in-house E-911 equipment. The agreement has no termination date.

An agreement between the Village and the North Central New Mexico Economic Development District (NCNMEDD) was entered into for the 2004 – 2008 fiscal year. The NCNMEDD is responsible for all operations. The agreement is for the NCNMEDD to furnish the Village with technical assistance and project reviews, in accordance with EO 12372 intergovernmental review and coordination; planning coordination, management, and other assistance directed toward implementing planning, community and economic development programs. The Village contributed \$210 membership fee for the year. The audit responsibility lies with NCNMEDD.

Contingencies

On December 16, 2004 the United States Environmental Protection Agency (EPA) issued a Finding of Violation and Order for compliances to the Village in connection with the wastewater treatment plant. The order requires the Village to correct the violations at the site. The Village has been working with the EPA and several state agencies to correct the violations. Due to the Villages cooperation with the EPA, it is believed that any penalties imposed on the Village will be repaid through in-kind donations of training programs.

During the fiscal year ending June 30, 2008, work was performed by a contractor for construction improvements on the control panel/system at the Village water plant. The work performed by the contractor was not completed per specifications despite several requests from the Village. The contracted amount was \$99,078. Upon final payment to the contractor the Village withheld \$30,000 for liquidated damages. These withheld funds will be paid out to the contractor should the project be completed. At June 30, 2008 a payable to the contractor was not booked due to the uncertainty of any future events occurring.

Related Party Transaction

During 2008 the Village paid \$3,738 for repairs and maintenance along with hauling of supplies, materials and equipment and \$22,325 for emergency disaster expenses to Russom Trucking. The business is owned by Ron Russom, a member of the Village Council.

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

EMERGENCY MEDICAL SERVICE – To account for funds received from the New Mexico Emergency Medical Services Fund as authorized by Chapter 24 Article 10A NMSA 1978 for use in the establishment and enhancement of local emergency medical services in order to reduce injury and loss of life.

FIRE FUND – To account for the operations and maintenance of the fire department. Financing is provided by an allotment from the State of New Mexico Fire Marshal's Office. State Statute Section 59A-53-2, NMSA, 1978 compilation, requires the allotment be used only to operate fire departments.

LAW ENFORCEMENT FUND – The law enforcement fund is created to account for revenues received pursuant to the law enforcement protection fund (Section 29-13-7, NMSA 1978). Amounts distributed from this fund may only be expended for the following purpose: (1) the repair and purchase of law enforcement apparatus and equipment that meet nationally recognized standards; (2) expenses associated with advanced law enforcement planning and training; (3) complying with match or contribution requirements of federal funds for criminal justice programs; (4) no more than fifty percent (50%) of the replacement salaries of municipal and county law enforcement personnel while attending a specified advanced law enforcement planning and training.

LIBRARY FUND – To account for the resources donated to the Village for the specific benefit of the library. The Village of Chama operates a free library as authorized by 3-18-14 NMSA 1978.

LODGER'S TAX FUND – To account for the operations of tourist facilities or for half of advertising, promoting and publicizing such facilities and tourist attractions. Financing is provided by one and a half percent of a four percent tax on lodging gross receipts within the Village of Chama. State Statute Section 4-6-41 provides for this tax to be imposed by the Village. Additionally, revenues received pursuant to the Lodger's Tax Act (Section 3-38-15, NMSA 1978). Monies in the Lodger's Tax Fund may be used to build, operate, and maintain tourism related facilities.

RECREATION FUND – To account for the operation and maintenance of recreational facilities in the Village. Financing is provided by program revenue and by a 1-cent tax on cigarette sales, which is collected and distributed by the State of New Mexico. State Statute Section 7-12-15, NMSA, 1978 compilation requires this tax be used in the above manner.

LOCAL CORRECTIONS FUND – The local corrections fund is used to account for the collection of a mandatory correction fee for violations of any municipal ordinance. Funds collected can only be used for jailer training, construction planning, construction, operation and maintenance of a municipal jail, and for paying for costs of housing. Authority is NMSA 1978 Section 35-14-11B(1).

CEMETERY FUND – Village Resolution #2006-07 created the cemetery fund to account for the fees charged at the cemetery and related expenditures.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

STREET FUND – To account for street maintenance, construction, reconstruction, etc., of public roads, streets, alleys, bridges, etc. Funding is provided by state gasoline taxes imposed pursuant to Chapter 7, Article 13 and remitted to the Village pursuant to Sections 7-1-6.9 and 7-1-6.27.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008**

	<u>Special Revenue Funds</u>				
	<u>Emergency Medical Services Fund</u>	<u>Fire Fund</u>	<u>Law Enforcement Fund</u>	<u>Library Fund</u>	<u>Lodger's Tax Fund</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,804	\$ 6,367	\$ 16	\$ 13,489	\$ 32,069
Investments	1,756	150,649	-	-	-
Accounts Receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
 Total current assets	 <u>\$ 6,560</u>	 <u>\$ 157,016</u>	 <u>\$ 16</u>	 <u>\$ 13,489</u>	 <u>\$ 32,069</u>
 LIABILITIES AND FUND BALANCES					
Current liabilities					
Accounts payable	\$ 2,157	\$ -	\$ -	\$ -	\$ 5,883
 Total current liabilities	 <u>2,157</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>5,883</u>
Fund balances					
Unreserved	4,403	157,016	16	13,489	26,186
 Total fund balances	 <u>4,403</u>	 <u>157,016</u>	 <u>16</u>	 <u>13,489</u>	 <u>26,186</u>
 Total liabilities and fund balances	 <u>\$ 6,560</u>	 <u>\$ 157,016</u>	 <u>\$ 16</u>	 <u>\$ 13,489</u>	 <u>\$ 32,069</u>

The notes to the financial statements are an integral part of this statement.

<u>Special Revenue Funds</u>				<u>Capital Project Fund</u>		
<u>Recreation Fund</u>	<u>Local Corrections Fund</u>	<u>Cemetary Fund</u>	<u>Total</u>	<u>Street Fund</u>	<u>Total</u>	<u>Total</u>
\$ 1,363	\$ 2,224	\$ 2,980	\$ 63,312	\$ 5,544	\$ 5,544	\$ 68,856
518	30,503	-	183,426	45,813	45,813	229,239
-	-	-	-	4,361	4,361	4,361
<u>-</u>	<u>822</u>	<u>-</u>	<u>822</u>	<u>-</u>	<u>-</u>	<u>822</u>
<u>\$ 1,881</u>	<u>\$ 33,549</u>	<u>\$ 2,980</u>	<u>\$ 247,560</u>	<u>\$ 55,718</u>	<u>\$ 55,718</u>	<u>\$ 303,278</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,040</u>	<u>\$ 1,558</u>	<u>\$ 1,558</u>	<u>\$ 9,598</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>8,040</u>	<u>1,558</u>	<u>1,558</u>	<u>9,598</u>
<u>1,881</u>	<u>33,549</u>	<u>2,980</u>	<u>239,520</u>	<u>54,160</u>	<u>54,160</u>	<u>293,680</u>
<u>1,881</u>	<u>33,549</u>	<u>2,980</u>	<u>239,520</u>	<u>54,160</u>	<u>54,160</u>	<u>293,680</u>
<u>\$ 1,881</u>	<u>\$ 33,549</u>	<u>\$ 2,980</u>	<u>\$ 247,560</u>	<u>\$ 55,718</u>	<u>\$ 55,718</u>	<u>\$ 303,278</u>

STATE OF NEW MEXICO
VILLAGE OF CHAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Special Revenue Funds</u>				
	Emergency Medical Services Fund	Fire Fund	Law Enforcement Fund	Library Fund	Lodger's Tax Fund
REVENUES					
Taxes					
Gross receipts taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes	-	-	-	-	98,470
State shared	-	-	-	-	-
Intergovernmental	84,845	61,995	20,000	13,108	5,363
Charges for services	-	-	-	-	-
Fines	-	-	-	-	-
Interest on investments	1,758	5,178	-	-	-
Miscellaneous	<u>7,942</u>	<u>515</u>	<u>-</u>	<u>348</u>	<u>150</u>
Total revenues	<u>94,545</u>	<u>67,688</u>	<u>20,000</u>	<u>13,456</u>	<u>103,983</u>
EXPENDITURES					
Current operations					
Public safety	18,534	46,807	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	8,943	104,537
Debt Service					
Principal	2,373	-	-	-	-
Interest and fiscal charges	228	-	-	-	-
Capital outlay	<u>92,600</u>	<u>-</u>	<u>19,984</u>	<u>4,919</u>	<u>-</u>
Total expenditures	<u>113,735</u>	<u>46,807</u>	<u>19,984</u>	<u>13,862</u>	<u>104,537</u>
Excess (deficiency) of revenues over expenditures	<u>(19,190)</u>	<u>20,881</u>	<u>16</u>	<u>(406)</u>	<u>(554)</u>
OTHER FINANCING SOURCES (USES):					
Debt proceeds	19,800	-	-	-	-
Transfers in (out)	<u>2,601</u>	<u>(3,738)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)	<u>22,401</u>	<u>(3,738)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	3,211	17,143	16	(406)	(554)
FUND BALANCE, BEGINNING OF YEAR	<u>1,192</u>	<u>139,873</u>	<u>-</u>	<u>13,895</u>	<u>26,740</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,403</u>	<u>\$ 157,016</u>	<u>\$ 16</u>	<u>\$ 13,489</u>	<u>\$ 26,186</u>

The notes to the financial statements are an integral part of this statement.

Special Revenue Funds				Capital Project Funds		
Recreation Fund	Local Corrections Fund	Cementary Fund	Total	Street Fund	Total	Total
\$ -	\$ -	\$ -	\$ -	\$ 26,651	\$ 26,651	\$ 26,651
-	-	-	98,470	-	-	98,470
1,031	-	-	1,031	44,611	44,611	45,642
-	-	-	185,311	-	-	185,311
3,170	-	300	3,470	-	-	3,470
-	1,680	-	1,680	-	-	1,680
19	914	-	7,869	813	813	8,682
-	-	-	8,955	-	-	8,955
<u>4,220</u>	<u>2,594</u>	<u>300</u>	<u>306,786</u>	<u>72,075</u>	<u>72,075</u>	<u>378,861</u>
-	-	-	65,341	-	-	65,341
-	-	206	206	36,102	36,102	36,308
3,877	-	-	117,357	-	-	117,357
-	-	-	2,373	-	-	2,373
-	-	-	228	-	-	228
-	-	-	117,503	16,338	16,338	133,841
<u>3,877</u>	<u>-</u>	<u>206</u>	<u>303,008</u>	<u>52,440</u>	<u>52,440</u>	<u>355,448</u>
<u>343</u>	<u>2,594</u>	<u>94</u>	<u>3,778</u>	<u>19,635</u>	<u>19,635</u>	<u>23,413</u>
-	-	-	19,800	-	-	19,800
<u>156</u>	<u>-</u>	<u>-</u>	<u>(981)</u>	<u>-</u>	<u>-</u>	<u>(981)</u>
<u>156</u>	<u>-</u>	<u>-</u>	<u>18,819</u>	<u>-</u>	<u>-</u>	<u>18,819</u>
499	2,594	94	22,597	19,635	19,635	42,232
<u>1,382</u>	<u>30,955</u>	<u>2,886</u>	<u>216,923</u>	<u>34,525</u>	<u>34,525</u>	<u>251,448</u>
<u>\$ 1,881</u>	<u>\$ 33,549</u>	<u>\$ 2,980</u>	<u>\$ 239,520</u>	<u>\$ 54,160</u>	<u>\$ 54,160</u>	<u>\$ 293,680</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
EMERGENCY MEDICAL SERVICES FUND
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 20,250	\$ 84,845	\$ 84,845	\$ -
Interest on investments	-	1,758	1,758	-
Miscellaneous	<u>700</u>	<u>8,014</u>	<u>7,942</u>	<u>(72)</u>
Total revenues	<u>20,950</u>	<u>94,617</u>	<u>94,545</u>	<u>(72)</u>
EXPENDITURES				
Current operations				
Public safety	20,250	22,266	16,377	5,889
Debt Service				
Principal	-	-	2,373	(2,373)
Interest and fiscal charges	-	-	228	(228)
Capital outlay	<u>-</u>	<u>75,401</u>	<u>92,600</u>	<u>(17,199)</u>
Total expenditures	<u>20,250</u>	<u>97,667</u>	<u>111,578</u>	<u>(13,911)</u>
Excess (deficiency) of revenues over expenditures	<u>700</u>	<u>(3,050)</u>	<u>(17,033)</u>	<u>(13,983)</u>
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	19,800	19,800
Transfers in (out)	<u>-</u>	<u>2,601</u>	<u>2,601</u>	<u>-</u>
Other financing sources (uses)	<u>-</u>	<u>2,601</u>	<u>22,401</u>	<u>19,800</u>
Net change in fund balance	<u>\$ 700</u>	<u>\$(449)</u>	5,368	<u>\$ 5,817</u>
Beginning cash balance	<u>\$ 1,192</u>	<u>\$ 1,192</u>		
RECONCILIATION TO GAAP BASIS				
Changes in payables			<u>(2,157)</u>	
Net change in fund balance GAAP Basis			<u>\$ 3,211</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FIRE FUND
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 61,995	\$ 61,995	\$ 61,995	\$ -
Interest on investments	3,500	5,178	5,178	-
Miscellaneous	-	515	515	-
Total revenues	<u>65,495</u>	<u>67,688</u>	<u>67,688</u>	<u>-</u>
EXPENDITURES				
Current operations				
Public safety	45,495	56,800	46,807	9,993
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total expenditures	<u>65,495</u>	<u>76,800</u>	<u>46,807</u>	<u>29,993</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(9,112)</u>	<u>20,881</u>	<u>29,993</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>-</u>	<u>(4,000)</u>	<u>(3,738)</u>	<u>262</u>
Other financing sources (uses)	<u>-</u>	<u>(4,000)</u>	<u>(3,738)</u>	<u>262</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (13,112)</u>	<u>\$ 17,143</u>	<u>\$ 30,255</u>
Beginning cash balance	<u>\$ 136,135</u>	<u>\$ 136,135</u>		

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
LAW ENFORCEMENT FUND
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
EXPENDITURES				
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>19,984</u>	<u>16</u>
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>19,984</u>	<u>16</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>16</u>	<u>16</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 16</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
LIBRARY FUND
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 13,400	\$ 13,400	\$ 13,108	\$(292)
Miscellaneous	<u>200</u>	<u>344</u>	<u>348</u>	<u>4</u>
Total revenues	<u>13,600</u>	<u>13,744</u>	<u>13,456</u>	<u>(288)</u>
EXPENDITURES				
Current operations				
Culture and recreation	9,440	12,022	10,067	1,955
Capital outlay	<u>4,160</u>	<u>4,860</u>	<u>4,919</u>	<u>(59)</u>
Total expenditures	<u>13,600</u>	<u>16,882</u>	<u>14,986</u>	<u>1,896</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>(3,138)</u>	<u>(1,530)</u>	<u>1,608</u>
Net change in fund balance	<u>\$ -</u>	<u>\$(3,138)</u>	<u>\$(1,530)</u>	<u>\$ 1,608</u>
Beginning cash balance	<u>\$ 15,019</u>	<u>\$ 15,019</u>		
RECONCILIATION TO GAAP BASIS				
Changes in payables			<u>1,124</u>	
Net change in fund balance GAAP Basis			<u>\$(406)</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
LODGER'S TAX FUND
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Lodgers' taxes	\$ 90,000	\$ 99,090	\$ 98,470	\$(620)
Intergovernmental	8,000	6,000	5,363	(637)
Miscellaneous	-	2,050	150	(1,900)
	98,000	107,140	103,983	(3,157)
EXPENDITURES				
Current operations				
Culture and recreation	98,000	109,474	107,033	2,441
	98,000	109,474	107,033	2,441
Net Change in fund balance	\$ -	\$(2,334)	(3,050)	\$(716)
Beginning cash balance	\$ 35,119	\$ 35,119		
RECONCILIATION TO GAAP BASIS				
Changes in payables			2,496	
Net change in fund balance GAAP basis			\$(554)	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
RECREATION FUND
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
State shared	\$ 1,000	\$ 1,200	\$ 1,031	\$(169)
Charges for services	9,100	10,725	3,170	(7,555)
Interest on investments	<u>50</u>	<u>50</u>	<u>19</u>	<u>(31)</u>
Total revenues	<u>10,150</u>	<u>11,975</u>	<u>4,220</u>	<u>(7,755)</u>
EXPENDITURES				
Current operations				
Culture and recreation	<u>10,000</u>	<u>11,475</u>	<u>4,276</u>	<u>7,199</u>
Total expenditures	<u>10,000</u>	<u>11,475</u>	<u>4,276</u>	<u>7,199</u>
Excess (deficiency) of revenues over expenditures	<u>150</u>	<u>500</u>	<u>(56)</u>	<u>(556)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>156</u>	<u>156</u>
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>156</u>	<u>156</u>
Net change in fund balance	<u>\$ 150</u>	<u>\$ 500</u>	100	<u>\$(400)</u>
Beginning cash balance	<u>\$ 1,766</u>	<u>\$ 1,766</u>		
RECONCILIATION TO GAAP BASIS				
Changes in payables			<u>399</u>	
Net change in fund balance GAAP Basis			<u>\$ 499</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
LOCAL CORRECTIONS FUND
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines	\$ 700	\$ 2,030	\$ 1,680	\$(350)
Interest on investments	<u>700</u>	<u>914</u>	<u>914</u>	<u>-</u>
Total revenues	<u>1,400</u>	<u>2,944</u>	<u>2,594</u>	<u>(350)</u>
EXPENDITURES				
Current operations				
Public safety	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total expenditures	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Excess (deficiency) of revenues over expenditures	<u>900</u>	<u>2,444</u>	<u>2,594</u>	<u>150</u>
Net change in fund balance	<u>\$ 900</u>	<u>\$ 2,444</u>	<u>\$ 2,594</u>	<u>\$ 150</u>
Beginning cash balance	<u>\$ 30,133</u>	<u>\$ 30,133</u>		

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
CEMETERY FUND
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services	\$ <u>1,200</u>	\$ <u>1,200</u>	\$ <u>300</u>	\$(<u>900</u>)
Total revenues	<u>1,200</u>	<u>1,200</u>	<u>300</u>	(<u>900</u>)
EXPENDITURES				
Current operations				
Public works	<u>3,000</u>	<u>3,000</u>	<u>206</u>	<u>2,794</u>
Total expenditures	<u>3,000</u>	<u>3,000</u>	<u>206</u>	<u>2,794</u>
Excess (deficiency) of revenues over expenditures	<u>(1,800)</u>	<u>(1,800)</u>	<u>94</u>	<u>1,894</u>
Net change in fund balance	<u>\$(1,800)</u>	<u>\$(1,800)</u>	<u>\$ 94</u>	<u>\$ 1,894</u>
Beginning cash balance	<u>\$ 2,886</u>	<u>\$ 2,886</u>		

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
STREET FUND
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Gross receipts taxes	\$ 32,000	\$ 32,000	\$ 26,867	\$(5,133)
State shared	49,300	51,300	44,611	(6,689)
Intergovernmental	46,818	46,818	-	(46,818)
Interest on investments	<u>1,000</u>	<u>1,750</u>	<u>813</u>	<u>(937)</u>
Total revenues	<u>97,118</u>	<u>131,868</u>	<u>72,291</u>	<u>(59,577)</u>
EXPENDITURES				
Current operations				
Public works	50,000	61,037	34,544	26,493
Capital outlay	<u>71,818</u>	<u>71,818</u>	<u>16,338</u>	<u>55,480</u>
Total expenditures	<u>96,818</u>	<u>132,855</u>	<u>50,882</u>	<u>81,973</u>
Excess (deficiency) of revenue over expenditures	<u>300</u>	<u>(987)</u>	<u>21,409</u>	<u>22,396</u>
Net change in fund balance	<u>\$ 300</u>	<u>\$(987)</u>	<u>\$ 21,409</u>	<u>\$ 22,396</u>
Beginning cash balance	<u>\$ 29,948</u>	<u>\$ 29,948</u>		
RECONCILIATION TO GAAP BASIS				
Changes in receivables			(216)	
Changes in payables			<u>(1,558)</u>	
Net change in fund balance GAAP Basis			<u>\$ 19,635</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
CDBG FUND
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 400,000	\$ 400,000	\$ 382,900	\$(17,100)
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>382,900</u>	<u>(17,100)</u>
EXPENDITURES				
Capital outlay	<u>400,000</u>	<u>400,000</u>	<u>382,900</u>	<u>17,100</u>
Total expenditures	<u>400,000</u>	<u>400,000</u>	<u>382,900</u>	<u>17,100</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
SAP FUND
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ <u>1,620,837</u>	\$ <u>1,620,837</u>	\$ <u>341,353</u>	\$(<u>1,279,484</u>)
Total revenues	<u>1,620,837</u>	<u>1,620,837</u>	<u>341,353</u>	(<u>1,279,484</u>)
EXPENDITURES				
Current operations				
Public works	-	46,818	-	46,818
Capital outlay	<u>1,620,837</u>	<u>1,563,419</u>	<u>240,397</u>	<u>1,323,022</u>
Total expenditures	<u>1,620,837</u>	<u>1,610,237</u>	<u>240,397</u>	<u>1,369,840</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>10,600</u>	<u>100,956</u>	<u>90,356</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	<u>-</u>	(<u>10,600</u>)	(<u>10,510</u>)	<u>90</u>
Total other financing sources (uses)	<u>-</u>	(<u>10,600</u>)	(<u>10,510</u>)	<u>90</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>90,446</u>	\$ <u>90,446</u>
Beginning cash balance	\$ <u>10,947</u>	\$ <u>10,947</u>		
RECONCILIATION TO GAAP BASIS				
Changes in receivables			(<u>34,977</u>)	
Changes in payables			(<u>123,196</u>)	
Net change in fund balance GAAP Basis			\$ (<u>67,727</u>)	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
SEWER FUND
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 136,814	\$ 164,548	\$ 116,948	\$(47,600)
Total operating revenues	<u>136,814</u>	<u>164,548</u>	<u>116,948</u>	<u>(47,600)</u>
OPERATING EXPENSES				
Cost of sales and services	61,772	61,935	61,877	58
Administration	37,859	46,820	30,696	16,124
Other operating expenses	36,700	53,802	20,242	33,560
Total operating expenses	<u>136,331</u>	<u>162,557</u>	<u>112,815</u>	<u>49,742</u>
Operating income (loss)	<u>483</u>	<u>1,991</u>	<u>4,133</u>	<u>2,142</u>
NONOPERATING REVENUES(EXPENSES)				
Interest revenue	-	-	1,153	1,153
Nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>1,153</u>	<u>1,153</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	-	-	(5,832)	(5,832)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(5,832)</u>	<u>(5,832)</u>
NON-BUDGETED ITEMS				
Depreciation	-	-	(95,656)	(95,656)
Total non-budgeted items	<u>-</u>	<u>-</u>	<u>(95,656)</u>	<u>(95,656)</u>
Net income (loss)	<u>\$ 483</u>	<u>\$ 1,991</u>	<u>\$(96,202)</u>	<u>\$(92,361)</u>
Beginning cash balances	<u>\$ 39,236</u>	<u>\$ 39,236</u>		

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
SOLID WASTE FUND
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 90,850	\$ 114,080	\$ 100,460	\$ (13,620)
Total operating revenues	<u>90,850</u>	<u>114,080</u>	<u>100,460</u>	<u>(13,620)</u>
OPERATING EXPENSES				
Cost of sales and services	25,268	25,456	25,360	96
Administration	91,500	117,967	126,549	(8,582)
Other operating expenses	<u>31,500</u>	<u>30,205</u>	<u>1,589</u>	<u>28,616</u>
Total operating expenses	<u>148,268</u>	<u>173,628</u>	<u>153,498</u>	<u>20,130</u>
Operating income (loss)	<u>(57,418)</u>	<u>(59,548)</u>	<u>(53,038)</u>	<u>6,510</u>
NONOPERATING REVENUES(EXPENSES)				
Investment revenue	900	1,004	797	(207)
Interest expense	-	(8,295)	(8,295)	-
Taxes	<u>56,550</u>	<u>56,550</u>	<u>40,009</u>	<u>(16,541)</u>
Nonoperating revenues (expenses)	<u>57,450</u>	<u>49,259</u>	<u>32,511</u>	<u>(16,748)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	-	-	19,376	19,376
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>19,376</u>	<u>19,376</u>
NON-BUDGETED ITEMS				
Depreciation	-	-	(17,691)	(17,691)
Total non-budgeted items	<u>-</u>	<u>-</u>	<u>(17,691)</u>	<u>(17,691)</u>
Net income (loss)	<u>\$ 32</u>	<u>\$(10,289)</u>	<u>\$(18,842)</u>	<u>\$(8,553)</u>
Beginning cash balances	<u>\$ 42,593</u>	<u>\$ 42,593</u>		

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
WATER FUND
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 193,050	\$ 180,422	\$ 183,574	\$ 3,152
Total operating revenues	<u>193,050</u>	<u>180,422</u>	<u>183,574</u>	<u>3,152</u>
OPERATING EXPENSE				
Cost of sales and services	25,740	25,740	25,740	-
Administration	-	4,681	2,770	1,911
Other operating expenses	<u>122,700</u>	<u>141,744</u>	<u>105,565</u>	<u>36,179</u>
Total operating expenses	<u>148,440</u>	<u>172,165</u>	<u>134,075</u>	<u>38,090</u>
Operating income (loss)	<u>44,610</u>	<u>8,257</u>	<u>49,499</u>	<u>41,242</u>
NONOPERATING REVENUES(EXPENSES)				
Investment revenue	1,200	1,368	8,766	7,398
Interest expense	-	(10,401)	(10,401)	-
Taxes	<u>13,050</u>	<u>13,050</u>	<u>16,692</u>	<u>3,642</u>
Nonoperating revenues (expenses)	<u>1,200</u>	<u>4,017</u>	<u>15,057</u>	<u>11,040</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	(40,076)	(40,076)	(16,162)	23,914
Total other financing sources (uses)	<u>(40,076)</u>	<u>(40,076)</u>	<u>(16,162)</u>	<u>23,914</u>
NON-BUDGETED ITEMS				
Depreciation	-	-	(107,871)	(107,871)
Total non-budgeted items	<u>-</u>	<u>-</u>	<u>(107,871)</u>	<u>(107,871)</u>
Net income (loss)	<u>\$ 5,734</u>	<u>\$ (27,802)</u>	<u>\$ (59,477)</u>	<u>\$ (31,675)</u>
Beginning cash balances	<u>\$ 278,994</u>	<u>\$ 278,994</u>		

The notes to the financial statements are an integral part of this statement.

COMPONENT UNIT

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF NET ASSETS
COMPONENT UNIT - HOUSING AUTHORITY
JUNE 30, 2008**

ASSETS

Current assets:

Cash and cash equivalents	\$	94,549
Investments		94,798
Accounts receivable		608
Prepaid expense		<u>11,669</u>

Total current assets 201,624

Noncurrent assets:

Restricted cash		5,404
Capital assets:		
Land		32,200
Capital assets being depreciated, net		<u>1,649,462</u>

Total noncurrent assets 1,687,066

Total assets 1,888,690

LIABILITIES

Current liabilities:

Accounts payable		2,228
Accrued payroll liabilities		<u>1,040</u>
Total current liabilities		<u>3,268</u>

Current liabilities payable from restricted assets:

Customer deposits payable		<u>6,393</u>
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Total liabilities 9,661

NET ASSETS

Invested in capital assets, net of related debt		1,681,662
Unrestricted		<u>197,367</u>

Total net assets \$ 1,879,029

STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS
COMPONENT UNIT - HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2008

OPERATING REVENUES	
Charges for services	\$ 52,891
Operating grants	79,460
Other charges	<u>2,702</u>
 Total operating revenues	 <u>135,053</u>
OPERATING EXPENSES	
Administration	82,399
Other operating expenses	34,000
Depreciation	<u>60,519</u>
 Total operating expenses	 <u>176,918</u>
 Operating income (loss)	 <u>(41,865)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	1,945
CFP grant	<u>3,001</u>
 Nonoperating revenues (expenses)	 <u>4,946</u>
 Change in net assets	 <u>(36,919)</u>
 NET ASSETS, BEGINNING OF YEAR	 <u>1,915,948</u>
 NET ASSETS, END OF YEAR	 <u>\$ 1,879,029</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF CASH FLOWS
COMPONENT UNIT - HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2008**

Cash flows from operating activities

Cash received from customers	\$ 57,729
Cash received from HUD operating grants	79,460
Cash payments to employees for services	(56,306)
Cash payments to supplies for goods and services	(60,129)
Net cash provided by operating activities	<u>20,754</u>

Cash flows from capital and related financing activities

Cash received from grants	3,001
(Acquisition) disposition of capital assets	(15,745)
Net cash provided (used) by capital financing activities	<u>(12,744)</u>

Cash flows from investing activities

Purchase of investments	(94,798)
Interest on investments	<u>1,945</u>

Net cash provided (used) by noncapital investing activities (92,853)

Net increase (decrease) in cash and cash equivalents (84,843)

Unrestricted cash and equivalents beginning of year 179,161

Restricted cash beginning of year 5,635

Total cash and equivalents beginning of year 184,796

Cash and equivalents end of year \$ 99,953

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income \$(41,865)

Adjustments to reconcile operating income to net cash
provided (used) in operating activities:

Depreciation expense 60,519

Decrease (increase) in customer receivable 1,818

Increase (decrease) in accounts payable 672

Increase (decrease) in accrued liabilities 948

Increase (decrease) in customer deposits 318

Increase (decrease) in prepaid expense (1,656)

Net cash provided by operating activities \$ 20,754

CASH PER FINANCIAL STATEMENTS

Cash and cash equivalents \$ 94,549

Restricted cash 5,404

Cash and equivalents end of year \$ 99,953

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET ASSETS
BUDGET(Non-GAAP Basis) and ACTUAL (Budgetary Basis)
COMPONENT UNIT - HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 55,800	\$ 55,800	\$ 52,891	\$(2,909)
Grants	-	-	79,460	79,460
Other charges	<u>120</u>	<u>120</u>	<u>2,702</u>	<u>2,582</u>
Total operating revenues	<u>55,920</u>	<u>55,920</u>	<u>135,053</u>	<u>(2,909)</u>
OPERATING EXPENSE				
Administration	96,780	96,780	82,399	14,381
Other operating expenses	<u>33,240</u>	<u>33,240</u>	<u>34,000</u>	<u>(760)</u>
Total operating expenses	<u>130,020</u>	<u>130,020</u>	<u>116,399</u>	<u>13,621</u>
Operating income (loss)	<u>(74,100)</u>	<u>(74,100)</u>	<u>18,654</u>	<u>10,712</u>
NONOPERATING REVENUES(EXPENSES)				
Investment revenue	2,520	2,520	1,945	(575)
CFP Grant	-	-	3,001	3,001
Nonoperating revenues (expenses)	<u>2,520</u>	<u>2,520</u>	<u>4,946</u>	<u>2,426</u>
NON-BUDGETED ITEMS				
Depreciation	-	-	(60,519)	(60,519)
Total non-budgeted items	<u>-</u>	<u>-</u>	<u>(60,519)</u>	<u>(60,519)</u>
Net income (loss)	<u>\$(71,580)</u>	<u>\$(71,580)</u>	<u>\$(36,919)</u>	<u>\$(47,381)</u>
Beginning cash balances	<u>\$ 184,796</u>	<u>\$ 184,796</u>		

**OTHER SUPPLEMENTARY
INFORMATION**

STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2008

	<u>Balance June 30, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2008</u>
ASSETS				
Motor Vehicle Department	\$ <u>1,006</u>	\$ <u>137,061</u>	\$ <u>138,067</u>	\$ <u>-</u>
LIABILITIES				
Deposits held for others	\$ <u>1,006</u>	\$ <u>137,061</u>	\$ <u>138,067</u>	\$ <u>-</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
FINANCIAL DATA SCHEDULE
HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2008**

Low Rent Public Housing

Assets:

111	Cash - unrestricted	\$ 189,347
114	Cash - tenant security deposits	5,404
126	Accounts receivable - tenants - dwelling rents	608
142	Prepaid expense and other assets	11,669
144	Inter-program - due from	1,285
161	Land	32,200
162	Buildings	2,061,286
163	Furniture, equipment and machinery - dwellings	75,089
164	Furniture, equipment and machinery - administration	38,769
165	Leasehold improvements	401,592
166	Accumulated depreciation	(927,274)

Liabilities:

312	Accounts Payable <=90 days	2,228
321	Accrued wage/payroll taxes payable	1,040
341	Tenant Security deposits	6,393
347	Inter-program - due to	1,285

Equity:

508.1	Invested in capital assets, net of related debt	1,681,662
512.1	Unrestricted Net Assets	197,367

Revenues:

70300	Net tenant rental revenue	52,891
70600	HUD PHA operating grants	79,460
70400	Other revenue	2,702
72000	Investment income - restricted	1,945
70000	Total revenues	136,998

Expenses:

91100	Administrative salaries	34,000
91200	Auditing Fees	3,465
91500	Employee benefit contributions - administrative	4,615
91900	Other operating - administrative	10,820
93100	Water	743
93200	Electricity	3,715
93300	Gas	1,572
94100	Ordinary maintenance and operations - labor	16,396
94200	Ordinary maintenance and operations - materials and other	10,438
94300	Ordinary maintenance and operations - contract costs	13,916
94500	Employee benefit contributions - ordinary maintenance	1,295
96120	Insurance premiums	15,424
96900	Total operating expenses	116,399
97000	Excess operating revenue over operating expenses	20,599
97400	Depreciation expense	60,519
90000	Total expenses	176,918

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
FINANCIAL DATA SCHEDULE
HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2008**

Low Rent Public Housing (Continued)

Other financing sources (uses):

10010	Operating transfers in	52,126
11030	Beginning Equity	1,866,823
11200	Unit Months Available	438
11210	Number of Unit Months Leased	427
G4100-040	Total Federal Awards Expended	79,460
G4100-030	Amount Expended - Low Rent Public Housing	79,460

Public Housing Capital Fund Program

Assets:

165	Leasehold improvements	-
166	Accumulated depreciation	-

Equity:

508.1	Invested in capital assets, net of related debt-Capital Projects	-
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Revenues:

70600	HUD PHA operating grants	3,001
70000	Total revenues	3,001

Other financing sources (uses):

10020	Operating transfers out	(52,126)
11030	Beginning Equity	49,125
G4100-040	Total Federal Awards Expended	3,001
G4100-030	Amount Expended - Public Housing Capital Fund Program	3,001

COMPLIANCE AND FINDINGS



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**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**

Archie J. Vigil, Mayor
Village Commission
Village of Chama
Chama, New Mexico
and

Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparison for the general fund and the combining and individual funds presented as supplemental information of the Village of Chama, New Mexico (Village) as of and for the year ended June 30, 2008, and have issued our report thereon, dated January 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Chama, New Mexico'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 Chama, New Mexico's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Chama, New Mexico's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. Findings 2006-5, 2006-6, 2006-8, 2007-1, 2007-3, and 2008-2.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's basic 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 *Governmental Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2006-3, 2006-6, 2007-1, 2008-1, and 2008-3.

Village of Chama, New Mexico's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Village of Chama, New Mexico's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Village Council, the Office of State Auditor, New Mexico Legislature, and the New Mexico Department of Finance and Administration and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
January 23, 2009

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF FINDINGS AND RESPONSES**

A. Findings – Financial Statements Audit

Prior Year

- 2006-3 Lack of Timesheets – Repeat
- 2006-5 Lack of General Ledger/Encumbrance Accounting – Repeat
- 2006-6 Expenditures in Excess of Budget – Modified
- 2006-8 Utility Deposits – Repeat
- 2007-1 Late Submission of Audit Report - Repeat
- 2007-2 Deposit Policy for the Chama Housing Authority - Resolved
- 2007-3 Preparation of Financial Statements - Repeat

Current Year

- 2006-3 Lack of Timesheets
- 2006-5 Lack of General Ledger/Encumbrance Accounting
- 2006-6 Expenditures in Excess of Budget
- 2006-8 Utility Deposits
- 2007-1 Late Submission of Audit Report
- 2007-3 Preparation of Financial Statements
- 2008-1 Disposition of Capital Assets
- 2008-2 Untimely Deposits
- 2008-3 Budget Adjustment Requests

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF FINDINGS AND RESPONSES**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2006 – 3

Lack of Time Sheets

Condition: Five personnel files were reviewed for the Village. None of the employees tested had timesheets filled out and in their personnel files.

Criteria: Pursuant to the Village's Personnel Policy Section 2.170, the official payroll records are kept by the Village Treasurer's Office. Each department head shall turn in on a regular basis, a signed work record for each employee within their department, noting hours worked, leave taken and overtime worked during the previous pay period to the Village Clerk.

Effect: The Village did not follow its own personnel policy. It could be difficult for the Village to accurately reflect and pay for overtime and accurately record leave taken and accrued without timesheets for each employee. With lack of good recordkeeping, the Village could be overpaying employee.

Cause: The Village did not implement the work record policy in its personnel manual.

Recommendation: The Village should prepare time sheets and maintain these time sheets with each individuals pay. The Village also has the capacity to track leave taken and accrued in their accounting software along with generating payroll checks. It is recommended that leave taken and accrued be tracked using the accounting software insuring that each employee will have a record with each payroll check of leave available and used.

Response: The Village agrees with the recommendation.

2006 – 5

Lack of General Ledger/Encumbrance Accounting

Condition: The Village of Chama needs accounting software that allows them to produce and better utilize the information needed to report to the DFA, for the audit report, and all other required reports and for them to utilize encumbrance accounting. Currently the Village does not apply encumbrance accounting.

Criteria: In order to stay within good accounting practices, encumbrance accounting and a general ledger should be used in the completion of all reports.

Effect: The Village does not have a general ledger to allow for fund accounting and does not have an accounting system that allows them to encumber funds. This makes reporting more difficult and could increase errors in reporting.

Cause: The Village's software is not capable of producing a general ledger by fund or enabling the Village to utilize encumbrance accounting.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF FINDINGS AND RESPONSES**

Recommendation: The Village should purchase software that offers the capability of producing accounting information, such as general ledger fund accounting, and allow them to utilize encumbrance accounting.

Response: The Village recognized the need to purchase new software that will allow encumbrance accounting to be utilized, but lacks the budget to purchase and maintain new software.

2006 – 6 Expenditures in Excess of Budget

Condition: The Village of Chama's expenditures exceed budget in the EMS fund by \$13,911.

Criteria: 6-6-6 NMSA 1978 requires that the Village keep expenditures within the budgeted amounts.

Effect: The Village's expenditures in the EMS fund exceeded the approved budget by the amount noted above. Cash short falls can occur due to incorrect budgets.

Cause: The Village budgeted for a new ambulance in the EMS fund. The purchase of the ambulance included a cash disbursement of \$72,800 with a lease for the remainder of \$19,899 to be paid over multiple years. The Village correctly budgeted the \$72,800 but did not budget the remainder of \$19,899 that was part of the lease agreement.

Recommendation: When budgeting for capital purchases, the budgeted amount should include the total cost of the equipment regardless of whether the payments will all be made in the current year or in multiple years.

Response: The Village agrees with this recommendation.

2006 – 8 Utility Deposits

Condition: The Village's schedule of customer deposits from the Casselle System, cash in the bank for customer deposits and general ledger liability balance do not agree.

Criteria: 2.2.2 NMAC 10(I) discusses the need for the Village to maintain good accounting practices. These balances between Casselle, cash in bank for customer deposits, and the general ledger liability balance should be reconciled on a periodic basis and any differences should be resolved.

Effect: Because the village is not reconciling these accounts on a periodic basis the Village may not be able to correctly refund customer deposits. The Village could either over reimburse or under reimburse a customer with no recourse to collect an over reimbursement.

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Cause: The Village provides the customers with a receipt at the time the deposit is made. The Village records the date of the deposit in the customer file of the utility billing software. At the time service is disconnected the Village retrieves the copy of the customer's receipt from storage and marks the copy as refunded. The deposit account was not reconciled. The Finance Department and the Utility Department believed the other was tracking this information.

Recommendation: The Treasurer's Office has prepared a list of deposits from the receipt books from storage. The Clerk and Treasurer need to compare this list with the schedule of customer deposits in the Casselle System. Once the correct balance is determined the general ledger and cash accounts should be adjusted accordingly. The customer deposit list should be reconciled monthly with the bank balance and general ledger liability balance.

Response: Management agrees with the recommendation and will work between departments to correct the list and reconcile the general ledger.

2007 – 1 Late Submission of Audit Report

Condition: The audit report was submitted to the State Auditor on February 9, 2008 after the due date of December 1st.

Criteria: Section 2.2.2.9.A of the State Audit Rule sets the due date for audit reports for municipalities as December 1st.

Effect: The Village's audit report is late and the Village is in noncompliance with Section 2.2.2.9.A of the State Auditor Rule 2007.

Cause: The Village was unable to provide a complete and balanced capital asset listing to the auditor in a time frame that would allow for timely filing of the report.

Recommendation: Capital asset listings should be updated monthly so that they are complete at the time the audit begins.

Response: The Village agrees with the recommendation.

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2007 – 3 Preparation of Financial Statements

Condition: The Village of Chama does not prepare their own financial statements.

Criteria: SAS 112 implies that the Village of Chama should have sufficient expertise in selecting and applying accounting principles in conformity with generally accepted accounting principles. The financial statements must be prepared from their trial balance and adjusted to a GAAP basis by Pattillo, Brown & Hill, L.L.P. Because the trial balance is not maintained on a GAAP basis these numbers could be misleading to the Village Council during the year when reviewing the financial condition of the Village.

Effect: The Village does not prepare their own financial statements on a GAAP basis. Because the Village's trial balance is not maintained on a GAAP basis these numbers could be misleading to the Village Council during the year when reviewing the financial condition of the Village. This also implies that the Village does not have the capability to select and apply generally accepted accounting principles.

Cause: The Village does not have the financial resources to keep a CPA on staff and the Treasurer is required to maintain the trial balance.

Recommendation: The Village should continue to maintain the trial balance on a cash basis, reconciling all accounts each month. The auditor should propose entries to convert the trial balance to a GAAP basis. These entries should be reviewed and approved by the Treasurer and other responsible parties.

Response: The Village agrees with this recommendation.

2008 – 1 Disposition of Capital Assets

Condition: The Village of Chama removed and junked or auctioned off capital assets. The Village did not notify the State Auditor of the assets to be auctioned off. Thoses assets removed from the inventory listing were as follows:

Description	Book Value
Valor Telephone System	\$ 2,073
1995 Nissan	-
1987 Ford Ambulance	-
2 Air Compressors	20,745
1991 Ford Industrial Tractor	949
Vehicle	-
Ford Industrial Tractor	-

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Criteria: NMAC 2.2.2.10 V requires the Village to notify the State Auditor in writing at least 30 days prior to any disposition of property.

Effect: The Village is removing assets from the inventory listing without proper authorization of the State Auditor. This could result in assets purchased with public funds being improperly disposed of prior to their useful lives or impairment.

Cause: The Village was unaware of this requirement to notify the State Auditor in writing when disposing of capital assets.

Recommendation: The Village should notify the State Auditor in writing, 30 days prior to anticipated dispositions of capital assets.

Response: The Village agrees with this recommendation.

2008 – 2 **Untimely Deposits**

Condition: During cash receipts testing, four of the tested receipts were not deposited within a 24 hour period. Eighteen days of receipts were tested for timely deposit into a bank account.

Criteria: Chapter 4.3 of the Budget and Finance Manual issued by the New Mexico Department of Finance and Administration (DFA), all monies receipted must be deposited within 24 hours.

Effect: Receipts collected by the Village that are not being deposited on a timely basis are suspect to loss or misplacement.

Cause: The Village deposits most receipts on a timely basis. Occasionally a deposit will be late due to a lack of personnel available to make the deposit due to illness or leave.

Recommendation: The Village should continue to make the best effort possible to deposit receipts within a 24 hour time period

Response: The Village agrees with this recommendation.

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2008 – 3

Budget Adjustment Requests

- Condition:** Two budget adjustment requests (BARs) were selected for testing. Of the BARs tested it was noted that the Village was making expenditures prior to BAR approval by the Department of Finance and Administration (DFA).
- Criteria:** NMSA 6.3.25 lists the procedures to be followed to amend a budget.
- Effect:** The Village expended monies prior to approval by DFA. Expenditures are not being properly managed and approved. Per state statute any employee or public official violating this ordinance may be subject to legal action by DFA.
- Cause:** The Village finance director was not aware that they needed to wait for DFA approval before expending monies for requested budget adjustments.
- Recommendation:** Budgets should be monitored and requests for budget adjustments should be made prior to the necessity to expend the requested funds.
- Response:** The Village agrees with this recommendation.

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EXIT CONFERENCE

An exit conference was held on January 23, 2009 with the Village of Chama Housing Authority and the Village of Chama. The audit and findings were discussed. The following individuals were present during the meeting:

Village of Chama

Archie J. Vigil	Mayor
Barbara Daggett	Treasurer

Village of Chama, Housing Authority

Doris Serrano	Commissioner
Sylvia Vigil	Executive Director

Pattillo, Brown & Hill, L.L.P.

Regina Gordon	CPA
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PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the auditors, Pattillo, Brown and Hill, L.L.P., Certified Public Accountants; however the financial statements are the responsibility of the management.