

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
AUDIT REPORT
JUNE 30, 2010**

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
JUNE 30, 2010**

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VILLAGE OF CHAMA
JUNE 30, 2010**

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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
JUNE 30, 2010**

OFFICIAL 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

Tommy Baeza	Chairman
Mary Jo Pina	Vice Chairman
Leslie Hines	Commissioner
David Lucero	Commissioner
Doris Serrano	Commissioner
Mike Trujillo	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

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, the aggregate remaining fund information, and the budgetary comparisons for the general fund, and the major special revenue fund of the Village of Chama, New Mexico (Village), as of and for the year ended June 30, 2010, 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 the budgetary comparisons for the major capital project fund and all the nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

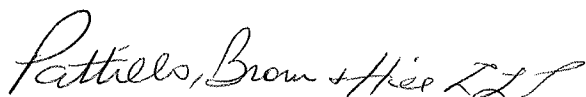
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the 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, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue 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 of the Village as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project fund and all nonmajor 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 February 24, 2011, on our consideration of the Village'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 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 basic 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 additional schedules listed as "other supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has 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 basic financial statements taken as a whole.



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

Albuquerque, New Mexico

February 24, 2011

STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 496,018	\$ 31,194	\$ 527,212	\$ 80,020
Investments	234,718	40,661	275,379	147,834
Accounts receivable (net of allowance for uncollectible)	319,643	39,915	359,558	1,276
Prepaid expense	-	-	-	9,835
Total current assets	<u>1,050,379</u>	<u>111,770</u>	<u>1,162,149</u>	<u>238,965</u>
Noncurrent assets:				
Restricted cash	-	16,783	16,783	4,804
Restricted investments	-	129,763	129,763	-
Capital assets:				
Land	64,190	3,333	67,523	32,200
Construction in progress	673,997	223,701	897,698	-
Intangible assets - water rights	-	61,100	61,100	-
Capital assets being depreciated, net	<u>1,300,158</u>	<u>4,345,402</u>	<u>5,645,560</u>	<u>1,765,386</u>
Total noncurrent assets	<u>2,038,345</u>	<u>4,780,082</u>	<u>6,818,427</u>	<u>1,802,390</u>
Total assets	<u>3,088,724</u>	<u>4,891,852</u>	<u>7,980,576</u>	<u>2,041,355</u>
LIABILITIES				
Current liabilities:				
Accounts payable	203,988	10,751	214,739	5,497
Accrued sales tax expense	-	1,703	1,703	965
Accrued interest expense	-	3,866	3,866	-
Unearned revenues	-	-	-	7,524
Internal balances	62,025	(62,025)	-	-
Current portion long term debt	-	121,426	121,426	-
Current portion landfill closure costs	-	3,550	3,550	-
Customer deposits	-	24,761	24,761	6,785
Total current liabilities	<u>266,013</u>	<u>104,032</u>	<u>370,045</u>	<u>20,771</u>
Noncurrent liabilities:				
Compensated absences	11,802	3,539	15,341	-
Revenue bonds and loans payable	-	120,000	120,000	-
Landfill (less current portion)	-	74,550	74,550	-
Total noncurrent liabilities	<u>11,802</u>	<u>198,089</u>	<u>209,891</u>	<u>-</u>
Total liabilities	<u>277,815</u>	<u>302,121</u>	<u>579,936</u>	<u>20,771</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,038,345	4,462,460	6,500,805	1,797,586
Restricted for:				
Capital projects	186,226	-	186,226	-
Debt service	-	138,166	138,166	-
Unrestricted	<u>586,338</u>	<u>(10,895)</u>	<u>575,443</u>	<u>222,998</u>
Total net assets	<u>\$ 2,810,909</u>	<u>\$ 4,589,731</u>	<u>\$ 7,400,640</u>	<u>\$ 2,020,584</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, 2010**

<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	\$ 677,527	\$ 42,708	\$ 111,191	\$ -
Public safety	289,138	227	120,134	-
Public works	131,927	-	-	663,594
Culture and recreation	210,445	37,447	31,906	-
Total governmental activities	<u>1,309,037</u>	<u>80,382</u>	<u>263,231</u>	<u>663,594</u>
Business-type activities:				
Sewer	235,099	118,252	-	17,955
Solid waste	151,973	99,362	-	-
Water	264,084	183,498	-	-
Total business-type activities	<u>651,156</u>	<u>401,112</u>	<u>-</u>	<u>17,955</u>
Total primary government	<u>\$ 1,960,193</u>	<u>\$ 481,494</u>	<u>\$ 263,231</u>	<u>\$ 681,549</u>
Component Units:				
Village of Chama Housing Authority	<u>\$ 234,301</u>	<u>\$ 63,294</u>	<u>\$ 123,478</u>	<u>\$ 126,603</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			
Governmental Activities	Business-type Activities	Total	Component Units
\$(523,628)	\$ -	\$(523,628)	\$ -
(168,777)	-	(168,777)	-
531,667	-	531,667	-
(141,092)	-	(141,092)	-
<u>(301,830)</u>	<u>-</u>	<u>(301,830)</u>	<u>-</u>
-	(98,892)	(98,892)	-
-	(52,611)	(52,611)	-
<u>-</u>	<u>(80,586)</u>	<u>(80,586)</u>	<u>-</u>
<u>-</u>	<u>(232,089)</u>	<u>(232,089)</u>	<u>-</u>
<u>(301,830)</u>	<u>(232,089)</u>	<u>(533,919)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>79,074</u>
64,532	-	64,532	-
587,661	-	587,661	-
64,708	-	64,708	-
80,471	-	80,471	-
62,191	39,776	101,967	-
3,749	2,269	6,018	1,367
7,318	10,000	17,318	-
(210,838)	210,838	-	-
<u>659,792</u>	<u>262,883</u>	<u>922,675</u>	<u>1,367</u>
357,962	30,794	388,756	80,441
<u>2,452,947</u>	<u>4,558,937</u>	<u>7,011,884</u>	<u>1,940,143</u>
<u>\$ 2,810,909</u>	<u>\$ 4,589,731</u>	<u>\$ 7,400,640</u>	<u>\$ 2,020,584</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General Fund	Fire Fund	SAP Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 296,412	\$ 22,669	\$ 122,589	\$ 54,348	\$ 496,018
Investments	-	149,658	-	85,060	234,718
Accounts receivables (net of allowance for uncollectible):	145,454	-	169,225	4,964	319,643
Due from other funds	-	-	-	822	822
	<u>441,866</u>	<u>172,327</u>	<u>291,814</u>	<u>145,194</u>	<u>1,051,201</u>
Total assets					
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	-	202,350	1,638	203,988
Due to other funds	62,847	-	-	-	62,847
Deferred revenue	18,422	-	162,631	-	181,053
	<u>81,269</u>	<u>-</u>	<u>364,981</u>	<u>1,638</u>	<u>447,888</u>
Total liabilities					
Fund Balances:					
Reserved for:					
Capital projects	-	-	(73,167)	96,762	23,595
Unreserved, undesignated reported in:					
General funds	360,597	-	-	-	360,597
Special revenue funds	-	172,327	-	46,794	219,121
	<u>360,597</u>	<u>172,327</u>	<u>(73,167)</u>	<u>143,556</u>	<u>603,313</u>
Total fund balances					
Total liabilities and fund balances	<u>\$ 441,866</u>	<u>\$172,327</u>	<u>\$ 291,814</u>	<u>\$ 145,194</u>	

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

18,422

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

2,038,345

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

(11,802)

Recognition of deferred revenue is reflected on the full accrual basis in the statement of net assets

162,631

Net assets of governmental funds \$ 2,810,909

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, 2010

	<u>General Fund</u>	<u>Fire Fund</u>	<u>SAP Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 62,605	\$ -	\$ -	\$ -	\$ 62,605
Gross receipts	561,196	-	-	26,465	587,661
Franchise	64,708	-	-	-	64,708
Lodgers' taxes	-	-	-	80,471	80,471
State shared	61,192	-	-	999	62,191
Licenses and permits	8,809	-	-	-	8,809
Intergovernmental	154,801	73,375	459,153	66,665	753,994
Charges for services	-	-	-	2,947	2,947
Fines	207	-	-	20	227
Interest on investments	261	2,387	-	1,101	3,749
Miscellaneous	<u>72,623</u>	<u>544</u>	<u>200</u>	<u>12,550</u>	<u>85,917</u>
Total revenues	<u>986,402</u>	<u>76,306</u>	<u>459,353</u>	<u>191,218</u>	<u>1,713,279</u>
EXPENDITURES					
Current operations					
General government	627,268	-	-	-	627,268
Public safety	153,801	56,990	-	39,672	250,463
Public works	109,103	-	-	108	109,211
Culture and recreation	88,285	-	-	122,160	210,445
Debt Service					
Principal	-	-	-	7,648	7,648
Interest and fiscal charges	-	-	-	58	58
Capital outlay	<u>89,643</u>	<u>-</u>	<u>355,957</u>	<u>22,401</u>	<u>468,001</u>
Total expenditures	<u>1,068,100</u>	<u>56,990</u>	<u>355,957</u>	<u>192,047</u>	<u>1,673,094</u>
Excess (deficiency) of revenues over expenditures	(81,698)	19,316	103,396	(829)	40,185
OTHER FINANCING SOURCES (USES):					
Transfer in (out)	<u>1,850</u>	<u>-</u>	<u>(209,688)</u>	<u>(3,000)</u>	<u>(210,838)</u>
Total other financing sources (uses)	<u>1,850</u>	<u>-</u>	<u>(209,688)</u>	<u>(3,000)</u>	<u>(210,838)</u>
Net changes in fund balances	(79,848)	19,316	(106,292)	(3,829)	(170,653)
FUND BALANCES, BEGINNING OF YEAR	<u>440,445</u>	<u>153,011</u>	<u>33,125</u>	<u>147,385</u>	<u>773,966</u>
FUND BALANCES, END OF YEAR	<u>\$ 360,597</u>	<u>\$ 172,327</u>	<u>\$ (73,167)</u>	<u>\$ 143,556</u>	<u>\$ 603,313</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, 2010**

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

Net change in fund balances - total governmental funds	\$(170,653)
A portion of property tax receivable is not available to pay current period expenditures and, therefore, is deferred in the funds.	1,927
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	468,001
Depreciation expense	(113,580)
The repayment of principal on long-term debt consumes the current financial resources of governmental funds. These repayments reduce long-term liabilities on the statement of net assets	7,648
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	162,631
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	<u>1,988</u>
Change in net assets of governmental activities	<u>\$ 357,962</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, 2010**

	<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	\$ 66,030	\$ 74,230	\$ 74,223	\$(7)
Gross receipts	637,309	637,309	542,284	(95,025)
Franchise	60,000	63,525	63,518	(7)
State shared	48,300	67,300	58,617	(8,683)
Licenses and permits	13,100	13,100	8,809	(4,291)
Intergovernmental	183,000	235,500	213,618	(21,882)
Fines	3,100	3,100	207	(2,893)
Interest on investments	600	600	261	(339)
Miscellaneous	110,175	113,175	72,623	(40,552)
Total revenues	<u>1,121,614</u>	<u>1,207,839</u>	<u>1,034,160</u>	<u>(173,679)</u>
EXPENDITURES				
Current operations				
General government	505,185	587,010	635,795	(48,785)
Public safety	166,402	166,402	153,801	12,601
Public works	191,440	191,440	119,043	72,397
Culture and recreation	67,836	67,836	88,285	(20,449)
Capital outlay	<u>126,000</u>	<u>126,000</u>	<u>125,282</u>	<u>718</u>
Total expenditures	<u>1,056,863</u>	<u>1,138,688</u>	<u>1,122,206</u>	<u>16,482</u>
Excess (deficiency) of revenues over expenditures	<u>3,573</u>	<u>69,151</u>	<u>(88,046)</u>	<u>(157,197)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	-	(10,000)	1,850	11,850
Total other financing sources (uses)	<u>-</u>	<u>(10,000)</u>	<u>1,850</u>	<u>11,850</u>
Net change in fund balance	<u>\$ 3,573</u>	<u>\$ 59,151</u>	<u>(86,196)</u>	<u>\$(145,347)</u>
Beginning cash balance	<u>\$ 320,583</u>	<u>\$ 320,583</u>		
RECONCILIATION TO GAAP BASIS				
Changes in receivables			(45,831)	
Changes in deferred revenue			(1,927)	
Changes in payables			54,106	
Net change in fund balance GAAP Basis			<u>\$(79,848)</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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 73,375	\$ 73,375	\$ 73,375	\$ -
Interest on investments	-	-	2,387	2,387
Miscellaneous	<u>35,000</u>	<u>35,000</u>	<u>544</u>	<u>(34,456)</u>
Total revenues	<u>108,375</u>	<u>108,375</u>	<u>76,306</u>	<u>(32,069)</u>
EXPENDITURES				
Current operations				
Public safety	<u>50,000</u>	<u>56,990</u>	<u>56,990</u>	<u>-</u>
Total expenditures	<u>50,000</u>	<u>56,990</u>	<u>56,990</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>58,375</u>	<u>51,385</u>	<u>19,316</u>	<u>(32,069)</u>
Net change in fund balance	<u>\$ 58,375</u>	<u>\$ 51,385</u>	<u>\$ 19,316</u>	<u>\$ (32,069)</u>
Beginning cash balance	<u>\$ 5,740</u>	<u>\$ 5,740</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, 2010

	<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	6,542	\$ 10,422	\$ 14,230	\$ 31,194
Investments	-	9,056	31,605	40,661
Accounts receivables (net of allowance for uncollectible):	10,075	15,587	14,253	39,915
Due from other funds	-	-	62,025	62,025
Total current assets	<u>16,617</u>	<u>35,065</u>	<u>122,113</u>	<u>173,795</u>
Noncurrent assets:				
Restricted cash	-	-	16,783	16,783
Restricted investments	11,919	-	117,844	129,763
Capital assets:				
Land	2,500	-	833	3,333
Construction in progress	46,366	-	177,335	223,701
Intangible assets - water rights	-	-	61,100	61,100
Capital assets being depreciated, net	<u>2,883,813</u>	<u>107,173</u>	<u>1,354,416</u>	<u>4,345,402</u>
Total noncurrent assets	<u>2,944,598</u>	<u>107,173</u>	<u>1,728,311</u>	<u>4,780,082</u>
Total assets	<u>2,961,215</u>	<u>142,238</u>	<u>1,850,424</u>	<u>4,953,877</u>
LIABILITIES				
Current liabilities:				
Accounts Payable	-	10,751	-	10,751
Accrued sales tax expense	534	405	764	1,703
Accrued interest expense	-	-	3,866	3,866
Capital lease obligation	-	106,426	-	106,426
Landfill payable	-	3,550	-	3,550
Bonds and notes payable	-	-	15,000	15,000
Total current liabilities	<u>534</u>	<u>121,132</u>	<u>19,630</u>	<u>141,296</u>
Current liabilities payable from restricted assets:				
Customer deposits payable	-	-	24,761	24,761
Noncurrent liabilities:				
Compensated absence	3,539	-	-	3,539
Revenue bonds and loans payable	-	-	120,000	120,000
Landfill (less current portion)	-	74,550	-	74,550
Total noncurrent liabilities	<u>3,539</u>	<u>74,550</u>	<u>120,000</u>	<u>198,089</u>
Total liabilities	<u>4,073</u>	<u>195,682</u>	<u>164,391</u>	<u>364,146</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,932,679	(2,803)	1,532,584	4,462,460
Restricted for debt service	3,539	-	134,627	138,166
Unrestricted	<u>20,924</u>	<u>(50,641)</u>	<u>18,822</u>	<u>(10,895)</u>
Total net assets	<u>\$ 2,957,142</u>	<u>\$ (53,444)</u>	<u>\$ 1,686,033</u>	<u>\$ 4,589,731</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, 2010

	<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	\$ 118,252	\$ 99,362	\$ 183,498	\$ 401,112
Total operating revenues	<u>118,252</u>	<u>99,362</u>	<u>183,498</u>	<u>401,112</u>
OPERATING EXPENSES				
Cost of sales and services	57,361	-	25,740	83,101
Administration	8,871	127,164	4,944	140,979
Other operating expenses	50,578	2,132	118,544	171,254
Depreciation	<u>118,289</u>	<u>16,438</u>	<u>108,106</u>	<u>242,833</u>
Total operating expenses	<u>235,099</u>	<u>145,734</u>	<u>257,334</u>	<u>638,167</u>
Operating income (loss)	<u>(116,847)</u>	<u>(46,372)</u>	<u>(73,836)</u>	<u>(237,055)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	104	117	2,048	2,269
Interest expense	-	(6,239)	(6,750)	(12,989)
Miscellaneous revenue	10,000	-	-	10,000
Taxes	<u>-</u>	<u>39,776</u>	<u>-</u>	<u>39,776</u>
Nonoperating revenues (expenses)	<u>10,104</u>	<u>33,654</u>	<u>(4,702)</u>	<u>39,056</u>
Income (loss) before transfers	<u>(106,743)</u>	<u>(12,718)</u>	<u>(78,538)</u>	<u>(197,999)</u>
OTHER FINANCING SOURCES (USES):				
Capital contributions	17,955	-	-	17,955
Transfers in (out)	<u>201,032</u>	<u>17,202</u>	<u>(7,396)</u>	<u>210,838</u>
Total other financing sources (uses):	<u>218,987</u>	<u>17,202</u>	<u>(7,396)</u>	<u>228,793</u>
Change in net assets	112,244	4,484	(85,934)	30,794
NET ASSETS, BEGINNING OF YEAR	<u>2,844,898</u>	<u>(57,928)</u>	<u>1,771,967</u>	<u>4,558,937</u>
NET ASSETS, END OF YEAR	<u>\$ 2,957,142</u>	<u>\$ (53,444)</u>	<u>\$ 1,686,033</u>	<u>\$ 4,589,731</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, 2010**

	<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	\$ 118,514	\$ 98,960	\$ 191,553	\$ 409,027
Cash payments to employees for services	(35,004)	(3,390)	-	(38,394)
Cash payments to suppliers for goods and services	(79,595)	(122,077)	(149,399)	(351,071)
Net cash provided (used) by operating activities	<u>3,915</u>	<u>(26,507)</u>	<u>42,154</u>	<u>19,562</u>
Cash flows from noncapital financing activities				
Transfers from other funds	211,055	17,720	25,171	253,946
Transfers to other funds	(42,491)	(518)	(94,592)	(137,601)
Net cash provided (used) by capital and related activities	<u>168,564</u>	<u>17,202</u>	<u>(69,421)</u>	<u>116,345</u>
Cash flows from capital and related financing activities				
Capital contributions	17,955	39,776	-	57,731
Insurance proceeds	10,000	-	-	10,000
(Acquisition) disposition of capital assets	(195,215)	-	-	(195,215)
Principal paid on debt	-	(21,565)	(15,000)	(36,565)
Interest paid on debt	-	(6,239)	(6,750)	(12,989)
Net cash provided (used) by capital financing activities	<u>(167,260)</u>	<u>11,972</u>	<u>(21,750)</u>	<u>(177,038)</u>
Cash flows from investing activities				
Purchase of investments	-	-	(2,049)	(2,049)
Transfer from restricted cash	11,919	-	-	11,919
Interest on investments	-	-	2,048	2,048
Net cash provided (used) by noncapital investing activities	<u>11,919</u>	<u>-</u>	<u>(1)</u>	<u>11,918</u>
Net increase (decrease) in cash and cash equivalents	<u>17,138</u>	<u>2,667</u>	<u>(49,018)</u>	<u>(29,213)</u>
Unrestricted cash and equivalents beginning of year	1,323	7,755	9,878	18,956
Restricted cash beginning of year	-	-	70,153	70,153
Total cash and equivalents beginning of year	<u>1,323</u>	<u>7,755</u>	<u>80,031</u>	<u>89,109</u>
Cash and equivalents end of year	<u>\$ 18,461</u>	<u>\$ 10,422</u>	<u>\$ 31,013</u>	<u>\$ 59,896</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income	\$(116,847)	\$(46,372)	\$(73,836)	\$(237,055)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:				
Depreciation expense	118,289	16,438	108,106	242,833
Decrease (increase) in customer receivable	262	(402)	1,351	1,211
Increase (decrease) in accounts payable	-	7,414	-	7,414
Increase (decrease) in accrued liabilities	2,211	(35)	(171)	2,005
Increase (decrease) in customer deposits	-	-	6,704	6,704
Increase (decrease) in landfill closure costs	-	(3,550)	-	(3,550)
Net cash provided by operating activities	<u>\$ 3,915</u>	<u>\$(26,507)</u>	<u>\$ 42,154</u>	<u>\$ 19,562</u>
CASH PER FINANCIAL STATEMENTS				
Cash and cash equivalents	\$ 6,542	\$ 10,422	\$ 14,230	\$ 31,194
Restricted cash	-	-	16,783	16,783
Cash and equivalents end of year	<u>\$ 6,542</u>	<u>\$ 10,422</u>	<u>\$ 31,013</u>	<u>\$ 47,977</u>

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

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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 a discretely presented component unit of the Village. Financial statements for the Chama Housing Authority may be obtained from the Chama Housing Authority, 703 W 8th, Chama New Mexico 87520.

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 and proprietary funds. 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 ***Fire Fund*** – accounts 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.

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.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are 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.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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 three months of the date acquired by the Village. Investments are certificates of deposit with maturity dates in excess of three months. For the purposes of the statement of cash flows, cash and cash equivalents include unrestricted amounts in demand deposits and certificates of deposit with a maturity date within three months of the acquisition date.

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:

<u>Assets</u>	<u>Years</u>
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

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

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

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.

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	\$ 120,212	\$ -	\$ 21,457	\$ 98,755
Cemetery	1,333	-	-	1,333
EMS	4,337	-	150	4,187
Fire	22,669	-	-	22,669
Law Enforcement	979	-	979	-
Library	14,868	-	18	14,850
Lodgers Tax	15,248	-	150	15,098
Recreation	944	6	18	932
LGD	600	-	-	600
Sewer	6,135	1,466	1,059	6,542
Solid Waste	9,763	659	-	10,422
Water Fund - Int Sinking	7,816	-	-	7,816
Water Fund	16,582	1,678	4,030	14,230
Water Fund - Meter Deposit	8,772	300	105	8,967
Capital Projects - Street	234	-	-	234
Capital Projects - SAP	178,280	-	55,691	122,589
Chama Days	7,894	10,829	326	18,397
Infrastructure	16,989	-	-	16,989
Certificates of Deposit	314,129	-	-	314,129
Savings	189,260	-	10,000	179,260
Community Bank				
Certificates of Deposit	<u>91,013</u>	<u>-</u>	<u>-</u>	<u>91,013</u>
Total Cash in Banks	<u>\$ 1,028,057</u>	<u>\$ 14,938</u>	<u>\$ 93,983</u>	<u>\$ 949,012</u>
Petty Cash				<u>125</u>
Total Cash in Books				<u>\$ 949,137</u>
As Reported in Financial Statements:				
Equity in Cash:				
Cash				\$ 527,212
Restricted Cash				16,783
Investments				275,379
Restricted Investments				<u>129,763</u>
				<u>\$ 949,137</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	\$ 65,020	\$ -	\$ 1,441	\$ 63,579
Security Deposits	4,820	-	-	4,820
Other restricted	(16)	-	-	(16)
CFP	20,396	-	4,000	16,396
Certificates of Deposit	<u>147,834</u>	<u>-</u>	<u>-</u>	<u>147,834</u>
Total Cash in Banks	<u>\$ 238,054</u>	<u>\$ -</u>	<u>\$ 5,441</u>	<u>\$ 232,613</u>
Petty Cash				<u>45</u>
Total Cash per Books				<u>\$ 232,658</u>
As Reported in Financial Statements:				
Equity in Cash				
				Cash \$ 80,020
				Restricted Cash 4,804
				Investments <u>147,834</u>
				<u>\$ 232,658</u>

Pledged Collateral

	Bank of America	Community Bank	Total
Deposits	\$ 937,044	\$ 91,013	\$ 1,028,057
FDIC	<u>250,000</u>	<u>91,013</u>	<u>341,013</u>
Total uninsured public funds	687,044	-	687,044
Collateral pledged:			
Bank of America NC			
FNCL Pool-995023, 08/01/37			
CUSIP 31416BLC0	<u>416,346</u>	<u>-</u>	<u>416,346</u>
	<u>416,346</u>	<u>-</u>	<u>416,346</u>
Uninsured and uncollateralized	<u>\$ 270,698</u>	<u>\$ -</u>	<u>\$ 270,698</u>
Collateral requirement (50% of uninsured funds)	\$ 343,522	\$ -	\$ 343,522
Pledged collateral	<u>416,346</u>	<u>-</u>	<u>416,346</u>
Over (under) collateralized	<u>\$ (72,824)</u>	<u>\$ -</u>	<u>\$ (72,824)</u>

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

Pledged Collateral – Component Unit

	<u>Bank of America</u>	<u>Total</u>
Deposits	\$ 238,054	\$ 238,054
FDIC	<u>250,000</u>	<u>250,000</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, 2010, \$687,044 of the Village's bank balance of \$1,028,057 was exposed to custodial credit risk as follows:

	<u>Bank of America</u>	<u>Community Bank</u>	<u>Total</u>
Uninsured and uncollateralized	\$ 270,698	\$ -	\$ 270,698
Uninsured and collateral held by pledging bank's trust department in the Bank's name	<u>416,346</u>	<u>-</u>	<u>416,346</u>
Total	<u>\$ 687,044</u>	<u>\$ -</u>	<u>\$ 687,044</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, 2010, \$-0- of the Component Unit's bank balance of \$238,054 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>SAP</u>	<u>Non-Major</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Water</u>	
Receivables:							
Customer accounts	\$ -	\$ -	\$ -	\$ 14,392	\$ 11,600	\$ 20,362	\$ 46,354
Property taxes	19,439	-	-	-	-	-	19,439
Franchise taxes	10,734	-	-	-	-	-	10,734
Gross receipts taxes	110,882	-	4,964	-	7,467	-	123,313
Motor vehicle fees	4,399	-	-	-	-	-	4,399
Other governments	-	<u>169,225</u>	-	-	-	-	<u>169,225</u>
Gross receivables	145,454	169,225	4,964	14,392	19,067	20,362	373,464
Less: allowance for uncollectible	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,317</u>	<u>3,480</u>	<u>6,109</u>	<u>13,906</u>
Net receivables	<u>\$ 145,454</u>	<u>\$ 169,225</u>	<u>\$ 4,964</u>	<u>\$ 10,075</u>	<u>\$ 15,587</u>	<u>\$ 14,253</u>	<u>\$ 359,558</u>

Receivables – Component Unit

Receivables as of year-end for the Village's individual component unit including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	
Customer accounts	\$ <u>1,276</u>
Gross receivables	1,276
Less: allowance for uncollectible	<u>-</u>
Net receivables	\$ <u>1,276</u>

3. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 64,190	\$ -	\$ -	\$ -	\$ 64,190
Construction in progress	<u>353,679</u>	<u>320,318</u>	<u>-</u>	<u>-</u>	<u>673,997</u>
Total capital assets not being depreciated	<u>417,869</u>	<u>320,318</u>	<u>-</u>	<u>-</u>	<u>738,187</u>
Capital assets, being depreciated:					
Buildings and improvements	1,231,533	-	-	-	1,231,533
Equipment and other	688,396	13,514	-	-	701,910
Infrastructure	<u>379,666</u>	<u>134,169</u>	<u>-</u>	<u>-</u>	<u>513,835</u>
Total capital assets being depreciated	<u>2,299,595</u>	<u>147,683</u>	<u>-</u>	<u>-</u>	<u>2,447,278</u>
Less accumulated depreciation:					
Buildings and improvements	408,222	31,708	-	-	439,930
Equipment and other	479,014	31,607	-	-	510,621
Infrastructure	<u>146,304</u>	<u>50,265</u>	<u>-</u>	<u>-</u>	<u>196,569</u>
Total accumulated depreciation	<u>1,033,540</u>	<u>113,580</u>	<u>-</u>	<u>-</u>	<u>1,147,120</u>
Total capital assets being depreciated, net	<u>1,266,055</u>	<u>34,103</u>	<u>-</u>	<u>-</u>	<u>1,300,158</u>
Governmental activities capital assets, net	<u>\$ 1,683,924</u>	<u>\$ 354,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,038,345</u>

3. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 3,333	\$ -	\$ -	\$ -	\$ 3,333
Construction in progress	578,268	22,159	-	(376,726)	223,701
Water rights	61,100	-	-	-	61,100
Total capital assets not being depreciated	<u>642,701</u>	<u>22,159</u>	<u>-</u>	<u>(376,726)</u>	<u>288,134</u>
Capital assets, being depreciated:					
Buildings and improvements	7,063,377	173,056	-	376,726	7,613,159
Equipment and other	513,707	-	-	-	513,707
Total capital assets being depreciated	<u>7,577,084</u>	<u>173,056</u>	<u>-</u>	<u>376,726</u>	<u>8,126,866</u>
Less accumulated depreciation:					
Buildings and improvements	3,286,981	219,537	-	-	3,506,518
Equipment and other	251,650	23,296	-	-	274,946
Total accumulated depreciation	<u>3,538,631</u>	<u>242,833</u>	<u>-</u>	<u>-</u>	<u>3,781,464</u>
Total capital assets being depreciated, net	<u>4,038,453</u>	<u>(69,777)</u>	<u>-</u>	<u>376,726</u>	<u>4,345,402</u>
Business-type activities capital assets, net	<u>\$ 4,681,154</u>	<u>\$(47,618)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,633,536</u>
	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Component unit					
Capital assets not being depreciated:					
Land and land rights	\$ 32,200	\$ -	\$ -	\$ -	\$ 32,200
Capital assets being depreciated:					
Buildings and improvements	2,579,618	118,896	-	-	2,698,514
Equipment and other	108,796	5,245	-	-	114,041
Total capital assets being depreciated	<u>2,688,414</u>	<u>124,141</u>	<u>-</u>	<u>-</u>	<u>2,812,555</u>
Less accumulated depreciation for:					
Buildings and improvements	909,986	54,099	-	-	964,085
Equipment and other	76,464	6,620	-	-	83,084
Total accumulated depreciation	<u>986,450</u>	<u>60,719</u>	<u>-</u>	<u>-</u>	<u>1,047,169</u>
Total capital assets being depreciated, net	<u>1,701,964</u>	<u>63,422</u>	<u>-</u>	<u>-</u>	<u>1,765,386</u>
Component unit capital assets, net	<u>\$ 1,734,164</u>	<u>\$ 63,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,797,586</u>

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

Capital Assets (continued)

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

Governmental Activities:	
General government	\$ 52,247
Public safety	38,617
Public works	<u>22,716</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 113,580</u>
Business-type Activities:	
Sewer	\$ 118,289
Solid waste	16,438
Water	<u>108,106</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 242,833</u>

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, 2010 were as follows:

Fund Description	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund	\$ -	\$ 62,847
Water Fund	62,025	
Non-Major Funds	<u>822</u>	<u>-</u>
	<u>\$ 62,847</u>	<u>\$ 62,847</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. The SAP Capital Projects fund transferred \$1,293,513 to the Sewer Fund upon completion of the wastewater treatment plant.

<u>Transfer In</u>	<u>Transfer Out</u>			Total
	SAP	Non-Major	Water	
General	\$ -	\$ 1,850	\$ -	\$ 1,850
Sewer	201,032	-	-	201,032
Solid Waste	<u>8,656</u>	<u>1,150</u>	<u>7,396</u>	<u>17,202</u>
	<u>\$ 209,688</u>	<u>\$ 3,000</u>	<u>\$ 7,396</u>	<u>\$ 220,084</u>

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

SHORT TERM DEBT:

The Village does not have any short-term debt.

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 was 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%	\$ -

Description of Business-Type activities Bonds

Water & Sewer and Utility Revenue Bonds:

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.

<u>Series</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Outstanding</u>
Revenue Bonds:				
Series 1973 - Water	\$ 92,000	1/1/2013	5.00%	\$ 15,000
Series 1982 - Water	211,000	6/6/2022	5.00%	120,000
				<u>\$ 135,000</u>

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

LONG TERM DEBT: (continued)

Description of Business-Type activities Bonds (continued)

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, 2010.

<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 1973 - Water	\$ 5,000	\$ 450	\$40/mo.	\$ 4,500	\$ 4,500
Series 1982 - Water	10,000	1,275	\$176/mo.	21,100	21,100
	<u>\$ 15,000</u>	<u>\$ 1,725</u>		<u>\$ 25,600</u>	<u>\$ 25,600</u>

At June 30, 2010 the Village had the following amounts accumulated in various water reserve funds:

<u>Required Reserves</u>	<u>Amount</u>
Bond interest and sinking	\$ 1,725
Bond reserve	25,600
Repair and replacement	<u>25,600</u>
	52,925
Actual reserve	<u>59,300</u>
Excess reserve	<u>\$ 6,375</u>

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

LONG TERM DEBT: (continued)

Bond and Loan Payable

A summary of the terms of revenue bonds outstanding for the business-type activities at June 30, 2010 follows:

Year Ending June 30,	Principal	Interest
2011	\$ 15,000	\$ 6,750
2012	15,000	6,000
2013	15,000	5,250
2014	10,000	4,500
2015	10,000	4,000
2016-2020	50,000	12,500
2021-2022	20,000	1,500
	<u>\$ 135,000</u>	<u>\$ 40,500</u>

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
2011	\$ 106,426	\$ 3,072	\$ 109,498
	<u>\$ 106,426</u>	<u>\$ 3,072</u>	<u>\$ 109,498</u>

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

LONG TERM DEBT: (continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Lease-purchase payable	\$ 7,648	\$ -	\$ 7,648	\$ -	\$ -
Compensated absences	<u>13,790</u>	<u>20,269</u>	<u>22,257</u>	<u>11,802</u>	<u>-</u>
Governmental activities- long-term liabilities	<u>\$ 21,438</u>	<u>\$ 20,269</u>	<u>\$ 29,905</u>	<u>\$ 11,802</u>	<u>\$ -</u>
Business-type activities					
Revenue bonds	\$ 150,000	\$ -	\$ 15,000	\$ 135,000	\$ 15,000
Lease-purchase payable	127,991	-	21,565	106,426	106,426
Compensated absences	<u>1,268</u>	<u>4,294</u>	<u>2,023</u>	<u>3,539</u>	<u>-</u>
Business-type activities- long-term liabilities	<u>\$ 279,259</u>	<u>\$ 4,294</u>	<u>\$ 38,588</u>	<u>\$ 244,965</u>	<u>\$ 121,426</u>

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

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 eighth year of monitoring and expects monitoring costs to approximate \$3,550 per year. Twenty-two years remain in the monitoring period. Total estimated balance at June 30, 2010 of current and long-term post closure costs are \$3,550 and \$74,550 respectively. The Village expects to defray a portion of these costs with grants from the State of New Mexico and other available sources.

3. DETAILED NOTES ON ALL FUNDS (Continued)

Restricted Net Assets/ Reserved Fund Balances

The debt agreements of the Village require restrictions of cash balances of \$98,829. The cash balances for the meter deposit accounts are also restricted in the amount of \$47,717. Therefore, a total of cash balances of \$146,546 are reported as restricted in the government-wide financial statements. That same amount is 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, 2010, 2009 and 2008 were \$37,716, \$37,232, and \$39,006, respectively, equal to the amount of the required contributions for each fiscal year.

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.

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

POST-EMPLOYMENT BENEFITS: (continued)

Retiree Health Care Act Contributions (continued)

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. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

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.

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, 2010, 2009 and 2008 were \$5,608, \$5,307, \$5,525, respectively, which equals the required contributions for each year.

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

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.

Deficit Fund Balance

The Solid Waste Enterprise Fund has a deficit fund balance of \$53,444. The deficit in this fund is due to the non-budgeted depreciation expense. The deficit will be funded by future increases in revenues and transfers from other proprietary funds.

The major SAP fund has a deficit fund balance of \$73,167. The deficit in this fund is related to the transfer of state appropriations expended for capital outlay related to sewer improvements. The deficit will be resolved by future transfers between the sewer fund and the SAP fund related to these ongoing improvements.

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. During the fiscal year ending June 30, 2009, a vehicle was purchased in the Local Corrections Fund. This vehicle will be used by the New Mexico State Police to transport prisoners. 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.

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.

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

Joint Power Agreements (continued)

An agreement between the Village and the North Central New Mexico Economic Development District (NCNMEDD) was entered into for the 2009 – 2013 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 Village's 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. The Village is waiting on the engineers for approval at which time the contractors will be paid. A payable of \$30,000 has been booked to reflect this, although part of this may be withheld for liquated damages of an indeterminate amount. As of June 30, 2010 this \$30,000 is still being withheld and the Village is still trying to get the contractor to complete their work. The Village received \$10,000 in insurance recovery for the insufficient work on the control panel/system at the Village water plant.

During the fiscal year ending June 30, 2010, the Village was in the process of contracting and building an Animal Shelter. The Village requested and received reimbursement from the state for the pre-fabricated building. In the meantime, the manufacturer of the building went bankrupt and the contractor had to find another manufacturer. The Village held onto the funds from the state until the contractor had the building reordered. Funds being held by the Village for the Animal Shelter amounted to \$141,848. As of December 31, 2010, the Animal Shelter has been substantially completed and these funds released to the contractor.

Related Party Transaction

During 2010 the Village paid \$3,920 for trucking services to Russom Trucking. The business is owned by Ron Russom, a member of the Village Council.

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

Capital Outlay Appropriations

The Village's capital outlay appropriations are as follows:

<u>Capital Project</u>	<u>Project Appropriation</u>	<u>2010 Expenditures</u>	<u>Expenditures to Date</u>	<u>Outstanding Balance</u>	<u>Appropriation Period</u>
Animal Shelter Construction	\$ 125,000	\$ 91,848	\$ 125,000	\$ -	08/03 to 06/10
Animal Shelter Construction	72,000	34,369	34,369	37,631	09/04 to 06/10
Animal Shelter Construction	50,000	50,000	50,000	-	04/05 to 06/10
Water System Construction	25,000			25,000	08/06 to 06/11
Multipurpose Facility Const.	100,000	5,691	7,249	92,751	08/06 to 06/11
Animal Shelter Construction	50,000			50,000	10/08 to 06/10
Animal Shelter Construction	75,000			75,000	04/06 to 06/10
Sewer Line Replacement	500,000	173,056	486,216	13,784	10/07 to 09/11
Sewer Treatment Construction	229,962	1,584	1,584	228,378	08/07 to 06/11
Sewer Treatment Construction	25,000			-	reverted to state
Multipurpose Facility Constr.	75,000	-	-	75,000	05/08 to 06/12
	<u>\$ 1,326,962</u>	<u>\$ 356,548</u>	<u>\$ 704,418</u>	<u>\$ 597,544</u>	

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.

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
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue Funds		
	EMS Fund	Law Enforcement Fund	Library Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,187	\$ -	\$ 14,850
Investments	1,812	-	-
Accounts receivable	-	-	-
Due from other funds	-	-	-
 Total current assets	\$ 5,999	\$ -	\$ 14,850
 LIABILITIES AND FUND BALANCES			
Current liabilities			
Accounts payable	757	-	881
 Total current liabilities	757	-	881
Fund balances			
Unreserved	5,242	-	13,969
 Total fund balances	5,242	-	13,969
 Total liabilities and fund balances	\$ 5,999	\$ -	\$ 14,850

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

Special Revenue Funds

<u>Lodger's Tax Fund</u>	<u>Recreation Fund</u>	<u>Local Corrections Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
\$ 15,098	\$ 1,057	\$ 600	\$ 1,333	\$ 37,125
-	534	4,087	4,052	10,485
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>822</u>	<u>-</u>	<u>822</u>
<u>\$ 15,098</u>	<u>\$ 1,591</u>	<u>\$ 5,509</u>	<u>\$ 5,385</u>	<u>\$ 48,432</u>
-	-	-	-	1,638
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,638</u>
<u>15,098</u>	<u>1,591</u>	<u>5,509</u>	<u>5,385</u>	<u>46,794</u>
<u>15,098</u>	<u>1,591</u>	<u>5,509</u>	<u>5,385</u>	<u>46,794</u>
<u>\$ 15,098</u>	<u>\$ 1,591</u>	<u>\$ 5,509</u>	<u>\$ 5,385</u>	<u>\$ 48,432</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>Capital Project Fund</u>		Total Nonmajor Governmental Funds
	<u>Street Fund</u>	<u>Total</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 17,223	\$ 17,223	\$ 54,348
Investments	74,575	74,575	85,060
Accounts receivable	4,964	4,964	4,964
Due from other funds	<u>-</u>	<u>-</u>	<u>822</u>
 Total current assets	 <u>\$ 96,762</u>	 <u>\$ 96,762</u>	 <u>\$ 145,194</u>
 LIABILITIES AND FUND BALANCES			
Current liabilities			
Accounts payable	<u>-</u>	<u>-</u>	<u>1,638</u>
 Total current liabilities	 <u>-</u>	 <u>-</u>	 <u>1,638</u>
Fund balances			
Unreserved	<u>96,762</u>	<u>96,762</u>	<u>143,556</u>
 Total fund balances	 <u>96,762</u>	 <u>96,762</u>	 <u>143,556</u>
 Total liabilities and fund balances	 <u>\$ 96,762</u>	 <u>\$ 96,762</u>	 <u>\$ 145,194</u>

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

STATE OF NEW MEXICO
VILLAGE OF CHAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds		
	EMS Fund	Law Enforcement Fund	Library Fund
REVENUES			
Taxes			
Gross receipts taxes	\$ -	\$ -	\$ -
Lodgers' taxes	-	-	-
State shared	-	-	-
Intergovernmental	16,759	20,000	23,731
Charges for services	-	-	3
Fines	-	-	-
Interest on investments	23	-	-
Miscellaneous	11,665	-	412
Total revenues	28,447	20,000	24,146
EXPENDITURES			
Current operations			
Public safety	19,590	20,082	-
Public works	-	-	-
Culture and recreation	-	-	13,580
Debt Service			
Principal	7,648	-	-
Interest and fiscal charges	58	-	-
Capital outlay			
	-	-	13,514
Total expenditures	27,296	20,082	27,094
Excess (deficiency) of revenues over expenditures	1,151	(82)	(2,948)
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	-	-	-
Other financing sources (uses)	-	-	-
Net changes in fund balances	1,151	(82)	(2,948)
FUND BALANCE, BEGINNING OF YEAR	4,091	82	16,917
FUND BALANCE, END OF YEAR	\$ 5,242	\$ -	\$ 13,969

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

Special Revenue Funds

Lodger's Tax Fund	Recreation Fund	Local Corrections Fund	Cemetery Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -
80,471	-	-	-	80,471
-	999	-	-	999
6,175	-	-	-	66,665
-	1,894	-	1,050	2,947
-	-	20	-	20
-	7	53	53	136
<u>373</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>12,550</u>
<u>87,019</u>	<u>2,900</u>	<u>73</u>	<u>1,203</u>	<u>163,788</u>
-	-	-	-	39,672
-	-	-	98	98
105,490	3,090	-	-	122,160
-	-	-	-	7,648
-	-	-	-	58
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,514</u>
<u>105,490</u>	<u>3,090</u>	<u>-</u>	<u>98</u>	<u>183,150</u>
(18,471)	(190)	73	1,105	(19,362)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(18,471)	(190)	73	1,105	(19,362)
<u>33,569</u>	<u>1,781</u>	<u>5,436</u>	<u>4,280</u>	<u>66,156</u>
<u>\$ 15,098</u>	<u>\$ 1,591</u>	<u>\$ 5,509</u>	<u>\$ 5,385</u>	<u>\$ 46,794</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Capital Project Fund</u>		Total Nonmajor Governmental Funds
	<u>Street Fund</u>	<u>Total</u>	
REVENUES			
Taxes			
Gross receipts taxes	\$ 26,465	\$ 26,465	\$ 26,465
Lodgers' taxes	-	-	80,471
State shared	-	-	999
Intergovernmental	-	-	66,665
Charges for services	-	-	2,947
Fines	-	-	20
Interest on investments	965	965	1,101
Miscellaneous	-	-	12,550
Total revenues	<u>27,430</u>	<u>27,430</u>	<u>191,218</u>
EXPENDITURES			
Current operations			
Public safety	-	-	39,672
Public works	10	10	108
Culture and recreation	-	-	122,160
Debt Service			
Principal	-	-	7,648
Interest and fiscal charges	-	-	58
Capital outlay	<u>8,887</u>	<u>8,887</u>	<u>22,401</u>
Total expenditures	<u>8,897</u>	<u>8,897</u>	<u>192,047</u>
Excess (deficiency) of revenues over expenditures	<u>18,533</u>	<u>18,533</u>	(829)
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	(3,000)	(3,000)	(3,000)
Other financing sources (uses)	(3,000)	(3,000)	(3,000)
Net changes in fund balances	15,533	15,533	(3,829)
FUND BALANCE, BEGINNING OF YEAR	<u>81,229</u>	<u>81,229</u>	<u>147,385</u>
FUND BALANCE, END OF YEAR	<u>\$ 96,762</u>	<u>\$ 96,762</u>	<u>\$ 143,556</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)
EMERGENCY MEDICAL SERVICES FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 17,000	\$ 17,000	\$ 16,759	\$(241)
Interest on investments	-	-	23	23
Miscellaneous	1,000	1,000	11,665	10,665
Total revenues	18,000	18,000	28,447	10,447
EXPENDITURES				
Current operations				
Public safety	17,096	21,335	19,508	1,827
Debt Service				
Principal	7,648	7,648	7,648	-
Interest and fiscal charges	58	58	58	-
Total expenditures	24,802	29,041	27,214	1,827
Excess (deficiency) of revenues over expenditures	(6,802)	(11,041)	1,233	12,274
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	6,802	6,802	-	(6,802)
Other financing sources (uses)	6,802	6,802	-	(6,802)
Net change in fund balance	\$ -	\$(4,239)	\$ 1,233	\$ 5,472
Beginning cash balance	\$ 2,978	\$ 2,978		
RECONCILIATION TO GAAP BASIS				
Changes in payables			(82)	
Net change in fund balance GAAP Basis			\$ 1,151	

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ <u>20,000</u>	\$ <u>20,000</u>	\$ <u>20,000</u>	\$ <u>-</u>
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
EXPENDITURES				
Current operations				
Public safety	<u>20,000</u>	<u>20,082</u>	<u>20,082</u>	<u>-</u>
Total expenditures	<u>20,000</u>	<u>20,082</u>	<u>20,082</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(82)</u>	<u>(82)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (82)</u>	<u>\$ (82)</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ 82</u>	<u>\$ 82</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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 23,000	\$ 23,800	\$ 23,730	\$(70)
Charges for Services	726	426	3	(423)
Miscellaneous	<u>-</u>	<u>-</u>	<u>412</u>	<u>412</u>
Total revenues	<u>23,726</u>	<u>24,226</u>	<u>24,145</u>	<u>(81)</u>
EXPENDITURES				
Current operations				
Culture and recreation	10,726	13,166	13,212	46
Capital outlay	<u>13,000</u>	<u>13,800</u>	<u>13,754</u>	<u>(46)</u>
Total expenditures	<u>23,726</u>	<u>26,966</u>	<u>26,966</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(2,740)</u>	<u>(2,821)</u>	<u>(81)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$(2,740)</u>	<u>\$(2,821)</u>	<u>\$(81)</u>
Beginning cash balance	<u>\$ 17,671</u>	<u>\$ 17,671</u>		
RECONCILIATION TO GAAP BASIS				
Changes in payables			<u>(127)</u>	
Net change in fund balance GAAP Basis			<u>\$(2,948)</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Lodgers' taxes	\$ 110,000	\$ 110,000	\$ 80,471	\$(29,529)
Intergovernmental	6,000	9,000	8,887	(113)
Miscellaneous	<u>-</u>	<u>-</u>	<u>373</u>	<u>373</u>
Total revenues	<u>116,000</u>	<u>119,000</u>	<u>89,731</u>	<u>(29,269)</u>
EXPENDITURES				
Current operations				
Culture and recreation	<u>116,000</u>	<u>122,500</u>	<u>122,011</u>	<u>489</u>
Total expenditures	<u>116,000</u>	<u>122,500</u>	<u>122,011</u>	<u>489</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(3,500)</u>	<u>(32,280)</u>	<u>(28,780)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$(3,500)</u>	<u>\$(32,280)</u>	<u>\$(28,780)</u>
Beginning cash balance	<u>\$ 47,378</u>	<u>\$ 47,378</u>		
RECONCILIATION TO GAAP BASIS				
Changes in receivables			(2,712)	
Changes in payables			<u>16,521</u>	
Net change in fund balance GAAP Basis			<u>\$(18,471)</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)
RECREATION FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
State shared	\$ 1,000	\$ 1,000	\$ 999	\$(1)
Charges for services	1,450	2,650	1,894	(756)
Interest on investments	-	-	7	7
Total revenues	2,450	3,650	2,900	(750)
EXPENDITURES				
Current operations				
Culture and recreation	2,450	3,650	3,170	480
Total expenditures	2,450	3,650	3,170	480
Excess (deficiency) of revenues over expenditures	-	-	(270)	(270)
Net change in fund balance	\$ -	\$ -	\$(270)	\$(270)
Beginning cash balance	\$ 1,334	\$ 1,334		
RECONCILIATION TO GAAP BASIS				
Changes in payables			80	
Net change in fund balance GAAP Basis			\$(190)	

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines	\$ 1,000	\$ 1,000	\$ 20	\$(980)
Interest on investments	<u>350</u>	<u>350</u>	<u>53</u>	<u>(297)</u>
Total revenues	<u>1,350</u>	<u>1,350</u>	<u>73</u>	<u>(1,277)</u>
Excess (deficiency) of revenues over expenditures	<u>1,350</u>	<u>1,350</u>	<u>73</u>	<u>(1,277)</u>
Net change in fund balance	<u>\$ 1,350</u>	<u>\$ 1,350</u>	<u>\$ 73</u>	<u>\$(1,277)</u>
Beginning cash balance	<u>\$ 580</u>	<u>\$ 580</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services	\$ 600	\$ 1,200	\$ 1,050	\$(150)
Interest on investments	-	-	53	53
Miscellaneous	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Total revenues	<u>600</u>	<u>1,200</u>	<u>1,203</u>	<u>3</u>
EXPENDITURES				
Current operations				
Public safety	<u>500</u>	<u>500</u>	<u>98</u>	<u>402</u>
Total expenditures	<u>500</u>	<u>500</u>	<u>98</u>	<u>402</u>
Excess (deficiency) of revenues over expenditures	<u>100</u>	<u>700</u>	<u>1,105</u>	<u>405</u>
Net change in fund balance	<u>\$ 100</u>	<u>\$ 700</u>	<u>\$ 1,105</u>	<u>\$ 405</u>
Beginning cash balance	<u>\$ 280</u>	<u>\$ 280</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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Gross receipts taxes	\$ 32,000	\$ 33,500	\$ 26,023	\$(7,477)
Interest on investments	-	-	965	965
	32,000	33,500	26,988	(6,512)
EXPENDITURES				
Current operations				
Public works	10	10	10	-
Capital outlay	8,990	8,990	8,887	103
	9,000	9,000	8,897	103
Excess (deficiency) of revenues over expenditures	23,000	24,500	18,091	(6,409)
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	(3,000)	(3,000)	(3,000)	-
Other financing sources (uses)	(3,000)	(3,000)	(3,000)	-
Net change in fund balance	\$ 20,000	\$ 21,500	\$ 15,091	\$(6,409)
Beginning cash balance	\$ 3,097	\$ 3,097		
RECONCILIATION TO GAAP BASIS				
Changes in receivables			442	
Net change in fund balance GAAP Basis			\$ 15,533	

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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,112,023	\$ 1,112,023	\$ 752,668	\$(359,355)
Miscellaneous	<u>-</u>	<u>-</u>	<u>200</u>	<u>200</u>
Total revenues	<u>1,112,023</u>	<u>1,112,023</u>	<u>752,868</u>	<u>(359,155)</u>
EXPENDITURES				
Capital outlay	<u>900,023</u>	<u>900,023</u>	<u>183,607</u>	<u>716,416</u>
Total expenditures	<u>900,023</u>	<u>900,023</u>	<u>183,607</u>	<u>716,416</u>
Excess (deficiency) of revenues over expenditures	<u>212,000</u>	<u>212,000</u>	<u>569,261</u>	<u>357,261</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(210,000)</u>	<u>(210,000)</u>	<u>(209,688)</u>	<u>312</u>
Other financing sources (uses)	<u>(210,000)</u>	<u>(210,000)</u>	<u>(209,688)</u>	<u>312</u>
Net change in fund balance	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 359,573</u>	<u>\$ 357,573</u>
Beginning cash balance	<u>\$ 30,657</u>	<u>\$ 30,657</u>		
RECONCILIATION TO GAAP BASIS				
Changes in receivables			(130,884)	
Changes in deferred revenue			(162,631)	
Changes in payables			<u>(172,350)</u>	
Net change in fund balance GAAP Basis			<u>\$(106,292)</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Charges for services	\$ <u>135,320</u>	\$ <u>135,320</u>	\$ <u>118,252</u>	\$(<u>17,068</u>)
Total operating revenues	<u>135,320</u>	<u>135,320</u>	<u>118,252</u>	<u>(17,068)</u>
OPERATING EXPENSES				
Cost of sales and services	75,810	75,810	57,361	18,449
Administration	29,200	29,200	8,871	20,329
Other operating expenses	<u>30,300</u>	<u>30,300</u>	<u>50,578</u>	<u>(20,278)</u>
Total operating expenses	<u>135,310</u>	<u>135,310</u>	<u>116,810</u>	<u>18,500</u>
Operating income (loss)	<u>10</u>	<u>10</u>	<u>1,442</u>	<u>1,432</u>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	-	-	104	104
Miscellaneous Revenue	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>10,104</u>	<u>10,104</u>
OTHER FINANCING SOURCES (USES)				
Capital contributions	18,000	18,000	17,955	(45)
Transfers in (out)	<u>362,000</u>	<u>362,000</u>	<u>201,032</u>	<u>(160,968)</u>
Other financing sources (uses)	<u>380,000</u>	<u>380,000</u>	<u>218,987</u>	<u>(161,013)</u>
NON-BUDGETED ITEMS				
Depreciation	<u>-</u>	<u>-</u>	<u>(118,289)</u>	<u>(118,289)</u>
Total non-budgeted items	<u>-</u>	<u>-</u>	<u>(118,289)</u>	<u>(118,289)</u>
Net income (loss)	<u>\$ 380,010</u>	<u>\$ 380,010</u>	<u>\$ 112,244</u>	<u>\$(267,766)</u>
Beginning cash balances	<u>\$ 1,323</u>	<u>\$ 1,323</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Charges for services	\$ <u>105,600</u>	\$ <u>105,600</u>	\$ <u>99,362</u>	\$(<u>6,238</u>)
Total operating revenues	<u>105,600</u>	<u>105,600</u>	<u>99,362</u>	(<u>6,238</u>)
OPERATING EXPENSES				
Administration	154,744	154,744	127,164	27,580
Other operating expenses	<u>-</u>	<u>-</u>	<u>2,132</u>	<u>2,132</u>
Total operating expenses	<u>154,744</u>	<u>154,744</u>	<u>129,296</u>	<u>29,712</u>
Operating income (loss)	(<u>49,144</u>)	(<u>49,144</u>)	(<u>29,934</u>)	<u>23,474</u>
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	-	-	117	117
Interest expense	-	-	(6,239)	(6,239)
Taxes	<u>50,000</u>	<u>50,000</u>	<u>39,776</u>	(<u>10,224</u>)
Nonoperating revenues (expenses)	<u>57,450</u>	<u>50,000</u>	<u>33,654</u>	(<u>16,346</u>)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>17,202</u>	<u>17,202</u>
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>17,202</u>	<u>17,202</u>
NON-BUDGETED ITEMS				
Depreciation	<u>-</u>	<u>-</u>	(<u>16,438</u>)	(<u>16,438</u>)
Total non-budgeted items	<u>-</u>	<u>-</u>	(<u>16,438</u>)	(<u>16,438</u>)
Net income (loss)	<u>\$ 8,306</u>	<u>\$ 856</u>	<u>\$ 4,484</u>	<u>\$ 7,892</u>
Beginning cash balances	<u>\$ 7,755</u>	<u>\$ 7,755</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 190,650	\$ 192,300	\$ 183,498	\$(8,802)
Total operating revenues	190,650	192,300	183,498	(8,802)
OPERATING EXPENSES				
Cost of sales and services	26,000	26,000	25,740	260
Administration	5,000	5,000	4,944	56
Other operating expenses	144,310	144,310	118,544	25,766
Total operating expenses	175,310	175,310	149,228	26,082
Operating income (loss)	15,340	16,990	34,270	17,280
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	-	-	2,048	2,048
Interest expense	-	-	(6,750)	(6,750)
Miscellaneous	-	-	-	-
Nonoperating revenues (expenses)	-	-	(4,702)	(4,702)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(22,500)	(22,500)	(7,396)	15,104
Other financing sources (uses)	(22,500)	(22,500)	(7,396)	15,104
NON-BUDGETED ITEMS				
Depreciation	-	-	(108,106)	(108,106)
Total non-budgeted items	-	-	(108,106)	(108,106)
Net income (loss)	\$(7,160)	\$(5,510)	\$(85,934)	\$(80,424)
Beginning cash balances	\$ 80,031	\$ 80,031		

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, 2010

ASSETS

Current assets:

Cash and cash equivalents	\$ 80,020
Investments	147,834
Accounts receivable	1,276
Prepaid expense	<u>9,835</u>

Total current assets 238,965

Noncurrent assets:

Restricted cash	4,804
Capital assets:	
Land	32,200
Capital assets being depreciated, net	<u>1,765,386</u>

Total noncurrent assets 1,802,390

Total assets 2,041,355

LIABILITIES

Current liabilities:

Accounts payable	5,497
Accrued payroll liabilities	965
Advances	<u>7,524</u>
Total current liabilities	13,986

Current liabilities payable from restricted assets:

Customer deposits payable	<u>6,785</u>
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Total liabilities 20,771

NET ASSETS

Invested in capital assets, net of related debt	1,797,586
Unrestricted	<u>222,998</u>

Total net assets \$ 2,020,584

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, 2010

OPERATING REVENUES	
Charges for services	\$ 60,361
Operating grants	123,478
Other charges	<u>2,933</u>
 Total operating revenues	 <u>186,772</u>
OPERATING EXPENSES	
Administration	138,902
Other operating expenses	34,680
Depreciation	<u>60,719</u>
 Total operating expenses	 <u>234,301</u>
 Operating income (loss)	 <u>(47,529)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	1,367
CFP grant	<u>126,603</u>
 Nonoperating revenues (expenses)	 <u>127,970</u>
 Change in net assets	 80,441
 NET ASSETS, BEGINNING OF YEAR	 <u>1,940,143</u>
 NET ASSETS, END OF YEAR	 <u>\$ 2,020,584</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF CASH FLOWS
COMPONENT UNIT - HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2010**

Cash flows from operating activities

Cash received from customers	\$ 68,433
Cash received from HUD operating grants	131,002
Cash payments to employees for services	(74,641)
Cash payments to supplies for goods and services	(110,325)
Net cash provided by operating activities	<u>14,469</u>

Cash flows from capital and related financing activities

Cash received from grants	126,603
(Acquisition) disposition of capital assets	(124,141)
Net cash provided (used) by capital financing activities	<u>2,462</u>

Cash flows from investing activities

Purchase of investments	(660)
Interest on investments	<u>1,367</u>

Net cash provided (used) by noncapital investing activities 707

Net increase (decrease) in cash and cash equivalents 17,638

Unrestricted cash and equivalents beginning of year 62,079

Restricted cash beginning of year 5,107

Total cash and equivalents beginning of year 67,186

Cash and equivalents end of year \$ 84,824

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

Operating income	\$(47,529)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:	
Depreciation expense	60,719
Decrease (increase) in customer receivable	5,532
Increase (decrease) in accounts payable	(9,548)
Increase (decrease) in prepaid rent	(1,503)
Increase (decrease) in accrued liabilities	(1,262)
Increase (decrease) in customer deposits	1,110
Increase (decrease) in prepaid expense	(574)
Increase (decrease) in advances	<u>7,524</u>
Net cash provided by operating activities	<u><u>\$ 14,469</u></u>

CASH PER FINANCIAL STATEMENTS

Cash and cash equivalents	\$ 80,020
Restricted cash	<u>4,804</u>
Cash and equivalents end of year	<u><u>\$ 84,824</u></u>

**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, 2010**

	<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	\$ 53,000	\$ 60,000	\$ 60,361	\$ 361
Operating grants	99,000	120,000	123,478	3,478
Other charges	<u>1,000</u>	<u>3,150</u>	<u>2,933</u>	<u>(217)</u>
Total operating revenues	<u>153,000</u>	<u>183,150</u>	<u>186,772</u>	<u>3,622</u>
OPERATING EXPENSE				
Administration	110,140	140,700	138,902	1,798
Other operating expenses	<u>36,000</u>	<u>36,000</u>	<u>34,680</u>	<u>1,320</u>
Total operating expenses	<u>146,140</u>	<u>176,700</u>	<u>173,582</u>	<u>3,118</u>
Operating income (loss)	<u>6,860</u>	<u>6,450</u>	<u>13,190</u>	<u>6,740</u>
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	700	1,400	1,367	(33)
CFP grant	<u>99,000</u>	<u>120,000</u>	<u>126,603</u>	<u>6,603</u>
Nonoperating revenues (expenses)	<u>99,700</u>	<u>121,400</u>	<u>127,970</u>	<u>6,570</u>
NON-BUDGETED ITEMS				
Depreciation	<u>-</u>	<u>-</u>	<u>(60,719)</u>	<u>(60,719)</u>
Total non-budgeted items	<u>-</u>	<u>-</u>	<u>(60,719)</u>	<u>(60,719)</u>
Net income (loss)	<u>\$ 106,560</u>	<u>\$ 127,850</u>	<u>\$ 80,441</u>	<u>\$ (47,409)</u>
Beginning cash balances	<u>\$ 62,079</u>	<u>\$ 62,079</u>		

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 Council
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 comparisons of the general fund and major special revenue fund, and the combining and individual funds, and related budgetary comparisons presented as supplemental information, of the Village of Chama, New Mexico (Village), as of and for the year ended June 30, 2010, which collectively comprise the Village's basic financial statements and have issued our report thereon dated February 24, 2011. 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'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

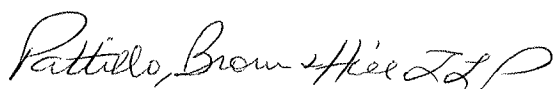
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting as findings 2006-5, 2006-8, 2007-1, 2007-3, 2010-1, 2010-2, and 2010-3. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as 2007-1, 2007-3, 2010-2, and 2010-3.

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

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



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

Albuquerque, New Mexico

February 24, 2011

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

A. Findings – Financial Statements Audit

Prior Year

- 2006-5 Lack of General Ledger/Encumbrance Accounting - Repeat
- 2006-8 Utility Deposits - Repeat
- 2007-1 Late Submission of Audit Report - Repeat
- 2007-3 Preparation of Financial Statements - Repeat
- 2008-1 Disposition of Capital Assets - Repeat
- 2008-2 Untimely Deposits - Resolved
- 2009-1 Cash Management – Component Unit - Resolved

Current Year

- 2006-5 Lack of General Ledger/Encumbrance Accounting - Repeat
- 2006-8 Utility Deposits - Repeat
- 2007-1 Late Submission of Audit Report - Repeat
- 2007-3 Preparation of Financial Statements - Repeat
- 2010-1 Utility Auto-Billing
- 2010-2 Grant Reimbursement and Expenditure
- 2010-3 Late Submission of Unaudited Financial Statements – Housing Authority

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

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

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.
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 recognizes the need to purchase new software that will allow encumbrance accounting to be utilized, but lacks the budget to purchase and maintain new software.

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

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:** NMAC 1978 6-10-2 states “The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day’s business.”
- 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.
- 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.

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

2007 – 1 Late Submission of Audit Report

Condition: The audit report was not submitted by the due date, December 1, 2010. The report was submitted to the New Mexico State Auditor on February 24, 2011.

Criteria: Section 2.2.2.9 A(1)(d) Audit Rule 2010, Requirements for Contracting and Conducting Audits of Agencies, states annual audit reports are to be received in the Office of the State Auditor on or before December 1st.

Effect: The Village's audit report is late and the Village is in noncompliance with Section 2.2.2.9.A(1)(d) of the State Auditor Rule.

Cause: Due to the late start of field work, the audit could not be completed in a timely manner.

Recommendation: Field work should be scheduled as soon after year end as possible to provide for timely completion of the audit report.

Response: The Village agrees with the recommendation.

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

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 are prepared from their trial balance and adjusted to a GAAP basis by Pattillo, Brown & Hill, L.L.P.
- Effect: The Village does not prepare their own financial statements on a GAAP basis.
- Cause: The Village does not have the financial resources to keep an experienced accountant 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.

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

2010-1 Utility Auto-Billing

Condition: The Village of Chama auto-billed their water and sewer charges, no manual meter readings were performed for any utility customers for the fiscal year ending June 30, 2010.

Criteria: NMSA 1978 3-27-4 states “A municipality owning and operating a water utility may for the purpose of maintaining and repairing water facilities levy by general ordinance a just and reasonable service charge upon volume-of-water or other reasonable basis.” The municipality cannot maintain and repair properly its utilities if the proper amount of revenues are not being collected.

Effect: Water and sewer customers were billed a set amount with no manual meter readings being taken during the year. This in effect could result in under billing customers based on actual water usage.

Cause: The Village was in the process of switching to auto reading meters with hand held units but they were unable to get these installed during the year. Rather than manually reading meters they auto billed their customers.

Recommendation: Even though the Village has had some difficulty installing their new meter reading equipment, they should continue to take manual readings. Once the new equipment is installed and operating, the manual readings can be discontinued.

Response: Management agrees with this recommendation.

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

2010-2 Grant Reimbursement and Expenditure

- Condition:** The Village requested reimbursement of grant funds for the expenditures related to the Animal Shelter. Checks were written to the contractor and the reimbursement was requested from the State. The checks to the contractor were held by the Village until the grant funds were received, at which time the Village would immediately release the checks. During this time period however, the subcontractor went bankrupt. The Village received the grant funds and continued to hold them until the contractor resolved the issue with the subcontractor. Grant funds of \$141,848 were being held as of June 30, 2010.
- Criteria:** State of New Mexico, Department of Finance and Administration, Grant Agreement states "It is understood and agreed that each particular project's funds must be expended in the amounts, purposes and by the expiration date for each particular project. It is not sufficient to encumber the funds by the expiration date."
- Effect:** The grant period for the Animal Shelter was through June 2010. Grant funds were held after this date, due to non delivery of the prefab building for the animal shelter, circumstances which were outside the control of the Village.
- Cause:** The Village was billed by the contractor and wrote a check for the animal shelter prefab building. The check was held until the grant funds were deposited. Prior to the grant funds being received, the subcontractor went bankrupt and the contractor was forced to reorder the prefab building. The Village continued to hold the grant funds until after the prefab building was reordered and delivered by the contractor.
- Recommendation:** At the time the Village became aware of the situation with the subcontractor, they should have notified the State as to the status of the grant funds and the timing of the contract completion.
- Response:** The Village tried on numerous occasions to get advice from their grant administrator on how to procedure with the grant when they were notified of the subcontractor bankruptcy. They had difficulty getting a response and proceeded as they thought best as the project was already underway.

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

2010-3 Late Submission of Unaudited Financial Statements – Housing Authority

Condition: The Village Housing Authority is required to submit to HUD (Real Estate Assessment Center) unaudited financial statements two months after the Housing Authority year end. These financial statements have not been submitted. The Chama Housing Authority has been trying to submit their unaudited financial statements but cannot stay logged onto REAC long enough to complete the input.

Criteria: UFRS 24 CFR, Part 5, Subpart H “Uniform Financial Reporting Standards” Entities to which this is applicable must provide to HUD, on an annual basis, such financial information as required by HUD. This information must be submitted to HUD annually, no later than 60 days after the end of the fiscal year of the reporting period.”

Effect: Because of the issues with submission, REAC will not penalize the Housing Authority for the late submission.

Cause: The Housing Authority has made many attempts to log onto REAC but was unable to stay logged on long enough to complete the input process. They have been working with REAC to resolve this issue.

Recommendation: The Housing Authority should continue to make every attempt to file the required reports.

Response: Management agrees and they are continuing to work with REAC to resolve this issue.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
OTHER DISCLOSURES**

EXIT CONFERENCE

An exit conference was held on January 14, 2010 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

Tommy Baeza	Chairman
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Pattillo, Brown & Hill, L.L.P.

John Gordon	CPA
Regina Gordon	CPA

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.