

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
AUDIT REPORT
JUNE 30, 2012**

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
JUNE 30, 2012**

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VILLAGE OF CHAMA
JUNE 30, 2012**

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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
JUNE 30, 2012**

OFFICIAL ROSTER

<u>Name</u>	<u>Title</u>
Archie J. Vigil	Mayor
Billy Elbrock	Councilor
Jennifer Gallegos	Councilor
Darren DeYapp	Councilor
Billy Joe Samora	Councilor

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 Hinds	Commissioner
David Becerra	Commissioner
Francis DeYapp	Commissioner
Mike Trujillo	Executive Director

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FINANCIAL STATEMENTS SECTION

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 comparison for the general fund of the Village of Chama, New Mexico (Village), as of and for the year ended June 30, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. We 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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village as of June 30, 2012, 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 January 25, 2013, 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.

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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

January 25, 2013

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 514,813	\$ 29,199	\$ 544,012	\$ 37,595
Investments	356,877	40,585	397,462	148,914
Accounts receivable (net of allowance for uncollectible)	200,641	53,733	254,374	19,846
Prepaid expense	-	-	-	8,338
Total current assets	<u>1,072,331</u>	<u>123,517</u>	<u>1,195,848</u>	<u>214,693</u>
Noncurrent assets:				
Restricted cash	-	21,208	21,208	5,569
Restricted investments	-	121,036	121,036	-
Capital assets:				
Land	64,190	3,333	67,523	32,200
Construction in progress	-	181,496	181,496	-
Intangible assets - water rights	-	61,100	61,100	-
Capital assets being depreciated, net	<u>1,944,217</u>	<u>4,690,758</u>	<u>6,634,975</u>	<u>1,792,670</u>
Total noncurrent assets	<u>2,008,407</u>	<u>5,078,931</u>	<u>7,087,338</u>	<u>1,830,439</u>
 Total assets	 <u>3,080,738</u>	 <u>5,202,448</u>	 <u>8,283,186</u>	 <u>2,045,132</u>

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	12,178	20,513	32,691	17,929
Accrued payroll liabilities	-	-	-	2,334
Accrued sales tax expense	-	1,726	1,726	-
Accrued interest expense	-	3,000	3,000	-
Internal balances	62,025	(62,025)	-	-
Current portion long term debt	-	39,351	39,351	-
Current portion landfill closure costs	-	3,550	3,550	-
Customer deposits	-	44,214	44,214	7,654
Total current liabilities	74,203	50,329	124,532	27,917
Noncurrent liabilities:				
Compensated absences	13,258	2,603	15,861	-
Capital lease obligation (less current portion)	-	38,259	38,259	-
Revenue bonds and loans payable	-	90,000	90,000	-
Landfill (less current portion)	-	67,450	67,450	-
Total noncurrent liabilities	13,258	198,312	211,570	-
Total liabilities	87,461	248,641	336,102	27,917
NET ASSETS				
Invested in capital assets, net of related debt	2,008,407	4,769,077	6,777,484	1,824,870
Restricted for:				
Capital projects	276,992	-	276,992	-
Debt service	-	132,860	132,860	-
Unrestricted	707,878	51,870	759,748	192,345
Total net assets	\$ 2,993,277	\$ 4,953,807	\$ 7,947,084	\$ 2,017,215

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

<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	\$ 641,924	\$ 46,560	\$ 47,770	\$ -
Public safety	305,159	5,288	98,623	-
Public works	182,106	-	-	196,209
Culture and recreation	<u>122,123</u>	<u>34,195</u>	<u>17,676</u>	<u>-</u>
Total governmental activities	<u>1,251,312</u>	<u>86,043</u>	<u>164,069</u>	<u>196,209</u>
Business-type activities:				
Sewer	292,310	115,086	-	-
Solid waste	153,007	94,161	-	-
Water	<u>258,629</u>	<u>191,104</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>703,946</u>	<u>400,351</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 1,955,258</u>	<u>\$ 486,394</u>	<u>\$ 164,069</u>	<u>\$ 196,209</u>
Component Units:				
Village of Chama Housing Authority	<u>\$ 251,277</u>	<u>\$ 64,931</u>	<u>\$ 73,485</u>	<u>\$ 53,543</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

Restatement

Net assets, beginning as restated

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			Component Units
Governmental Activities	Business-type Activities	Total	
\$(547,594)	\$ -	\$(547,594)	\$ -
(201,248)	-	(201,248)	-
14,103	-	14,103	-
<u>(70,252)</u>	<u>-</u>	<u>(70,252)</u>	<u>-</u>
<u>(804,991)</u>	<u>-</u>	<u>(804,991)</u>	<u>-</u>
-	(177,224)	(177,224)	-
-	(58,846)	(58,846)	-
<u>-</u>	<u>(67,525)</u>	<u>(67,525)</u>	<u>-</u>
<u>-</u>	<u>(303,595)</u>	<u>(303,595)</u>	<u>-</u>
<u>(804,991)</u>	<u>(303,595)</u>	<u>(1,108,586)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,318)</u>
88,805	-	88,805	-
726,854	-	726,854	-
55,313	-	55,313	-
82,753	-	82,753	-
56,068	43,604	99,672	-
1,399	184	1,583	604
39,429	-	39,429	-
<u>(86,604)</u>	<u>86,604</u>	<u>-</u>	<u>-</u>
<u>964,017</u>	<u>130,392</u>	<u>1,094,409</u>	<u>604</u>
<u>159,026</u>	<u>(173,203)</u>	<u>(14,177)</u>	<u>(58,714)</u>
2,811,342	5,127,010	7,938,352	2,075,929
<u>22,909</u>	<u>-</u>	<u>22,909</u>	<u>-</u>
<u>2,834,251</u>	<u>5,127,010</u>	<u>7,961,261</u>	<u>2,075,929</u>
<u>\$ 2,993,277</u>	<u>\$ 4,953,807</u>	<u>\$ 7,947,084</u>	<u>\$ 2,017,215</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>	<u>SAP Fund</u>	<u>Other Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 301,930	\$ 3,475	\$ 209,408
Investments	-	30,169	326,708
Accounts receivables (net of allowance for uncollectible)	164,557	25,782	10,302
Due from other funds	<u>-</u>	<u>-</u>	<u>822</u>
 Total assets	 <u>\$ 466,487</u>	 <u>\$ 59,426</u>	 <u>\$ 547,240</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	12,178
Due to other funds	62,847	-	-
Deferred revenue	<u>33,859</u>	<u>25,782</u>	<u>-</u>
 Total liabilities	 <u>96,706</u>	 <u>25,782</u>	 <u>12,178</u>
Fund Balances:			
Non-spendable:			
Due to other funds	62,847	-	-
Restricted for:			
Special revenue	-	-	317,496
Capital projects	-	33,644	217,566
Unassigned	<u>306,934</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>369,781</u>	<u>33,644</u>	<u>535,062</u>
 Total liabilities and fund balances	 <u>\$ 466,487</u>	 <u>\$ 59,426</u>	 <u>\$ 547,240</u>

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

**Total
Governmental
Funds**

\$ 514,813
356,877

200,641
822

\$ 1,073,153

12,178
62,847
59,641

134,666

62,847
317,496
251,210
306,934
938,487

\$ 1,073,153

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Fund Balances - Total Governmental Funds	\$	938,487
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Long term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences	(13,258)
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	3,482,379		
Less accumulated depreciation	(<u>1,473,972</u>)		2,008,407

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

25,782

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

33,859

Change in net assets of governmental activities

\$ 2,993,277

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, 2012**

	<u>General Fund</u>	<u>SAP Fund</u>	<u>Other Governmental Funds</u>
REVENUES			
Taxes:			
Property	\$ 76,218	\$ -	\$ -
Gross receipts	646,856	-	79,998
Franchise	55,313	-	-
Lodgers' taxes	-	-	82,753
State shared	56,068	-	-
Licenses and permits	8,031	-	-
Intergovernmental			
State	96,352	157,253	116,299
Charges for services	-	-	5,466
Fines	3,888	-	1,400
Interest on investments	90	79	1,230
Miscellaneous	<u>98,568</u>	<u>-</u>	<u>8,119</u>
Total revenues	<u>1,041,384</u>	<u>157,332</u>	<u>295,265</u>
EXPENDITURES			
Current operations			
General government	560,383	-	-
Public safety	186,886	-	58,542
Public works	141,039	-	4,343
Culture and recreation	44,344	-	79,050
Capital outlay	<u>137,532</u>	<u>-</u>	<u>48,798</u>
Total expenditures	<u>1,070,184</u>	<u>-</u>	<u>190,733</u>
Excess (deficiency) of revenues over expenditures	<u>(28,800)</u>	<u>157,332</u>	<u>104,532</u>
OTHER FINANCING SOURCES (USES):			
Transfer in (out)	<u>36,754</u>	<u>(94,938)</u>	<u>(28,420)</u>
Total other financing sources (uses)	<u>36,754</u>	<u>(94,938)</u>	<u>(28,420)</u>
Net changes in fund balances	<u>7,954</u>	<u>62,394</u>	<u>76,112</u>
FUND BALANCES, BEGINNING OF YEAR	<u>361,827</u>	<u>(28,750)</u>	<u>458,950</u>
FUND BALANCES, END OF YEAR	<u>\$ 369,781</u>	<u>\$ 33,644</u>	<u>\$ 535,062</u>

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

**Total
Governmental
Funds**

\$ 76,218
726,854
55,313
82,753
56,068
8,031

369,904
5,466
5,288
1,399

106,687

1,493,981

560,383
245,428
145,382
123,394
186,330

1,260,917

233,064

(86,604)

(86,604)

146,460

792,027

\$ 938,487

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**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, 2012**

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

Net change in fund balances - total governmental funds		\$ 146,460
A portion of property tax receivable is not available to pay current period expenditures and, therefore, is deferred in the funds.		12,587
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	186,330
	Depreciation expense	(174,912)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(9,626)
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>(1,813)</u>
Change in net assets of governmental activities		<u>\$ 159,026</u>

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

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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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes				
Property	\$ 71,614	\$ 75,114	\$ 75,001	\$(113)
Gross receipts	669,175	669,175	641,124	(28,051)
Franchise	50,000	57,000	56,952	(48)
State shared	59,000	59,002	54,879	(4,123)
Licenses and permits	49,500	49,500	8,031	(41,469)
Intergovernmental				
State	131,000	227,830	96,352	(131,478)
Fines	1,700	1,700	3,888	2,188
Interest on investments	1,200	1,200	90	(1,110)
Miscellaneous	35,000	35,000	98,568	63,568
Total revenues	<u>1,068,189</u>	<u>1,175,521</u>	<u>1,034,885</u>	<u>(140,636)</u>
EXPENDITURES				
Current operations				
General government	581,840	581,840	566,540	15,300
Public safety	146,824	146,824	186,886	(40,062)
Public works	181,684	249,884	141,039	108,845
Culture and recreation	48,793	48,793	44,344	4,449
Capital outlay	<u>109,000</u>	<u>109,000</u>	<u>137,532</u>	<u>(28,532)</u>
	<u>1,068,141</u>	<u>1,136,341</u>	<u>1,076,341</u>	<u>60,000</u>
Excess (deficiency) of revenues over expenditures	<u>48</u>	<u>39,180</u>	<u>(41,456)</u>	<u>(200,636)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	<u>-</u>	<u>-</u>	<u>(26,093)</u>	<u>(26,093)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(26,093)</u>	<u>(26,093)</u>
Net change in fund balance	<u>\$ 48</u>	<u>\$ 39,180</u>	<u>\$(67,549)</u>	<u>\$(226,729)</u>
Beginning cash balance	<u>\$ 306,632</u>	<u>\$ 306,632</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(67,549)	
Change in receivables			19,086	
Change in payables			69,004	
Change in deferred revenue			<u>(12,587)</u>	
Net change in fund balances GAAP basis			<u>\$ 7,954</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, 2012**

	<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	\$ 5,597	\$ 8,691	\$ 14,911	\$ 29,199
Investments	-	9,141	31,444	40,585
Accounts receivables (net of allowance for uncollectible)	13,690	17,674	22,369	53,733
Due from other funds	-	-	62,025	62,025
Total current assets	<u>19,287</u>	<u>35,506</u>	<u>130,749</u>	<u>185,542</u>
Noncurrent assets:				
Restricted cash	-	-	21,208	21,208
Restricted investments	11,987	-	109,049	121,036
Capital assets:				
Land	2,500	-	833	3,333
Construction in progress	-	-	181,496	181,496
Intangible assets - water rights	-	-	61,100	61,100
Capital assets being depreciated, net	<u>3,482,414</u>	<u>74,301</u>	<u>1,134,043</u>	<u>4,690,758</u>
Total noncurrent assets	<u>3,496,901</u>	<u>74,301</u>	<u>1,507,729</u>	<u>5,078,931</u>
 Total assets	 <u>3,516,188</u>	 <u>109,807</u>	 <u>1,638,478</u>	 <u>5,264,473</u>

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

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
LIABILITIES				
Current liabilities:				
Accounts Payable	-	20,513	-	20,513
Accrued sales tax expense	510	402	814	1,726
Accrued payroll	-	-	-	-
Accrued interest expense	-	-	3,000	3,000
Capital lease obligation	-	24,351	-	24,351
Landfill payable	-	3,550	-	3,550
Bonds and notes payable	-	-	15,000	15,000
Total current liabilities	<u>510</u>	<u>48,816</u>	<u>18,814</u>	<u>68,140</u>
Current liabilities payable from restricted assets:				
Customer deposits payable	-	-	44,214	44,214
Noncurrent liabilities:				
Compensated absence	2,603	-	-	2,603
Capital lease obligation (less current portion)	-	38,259	-	38,259
Revenue bonds and loans payable	-	-	90,000	90,000
Landfill (less current portion)	-	67,450	-	67,450
Total noncurrent liabilities	<u>2,603</u>	<u>105,709</u>	<u>90,000</u>	<u>198,312</u>
Total liabilities	<u>3,113</u>	<u>154,525</u>	<u>153,028</u>	<u>310,666</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,484,914	11,691	1,272,472	4,769,077
Restricted for debt service	2,603	-	130,257	132,860
Unrestricted	<u>25,558</u>	<u>(56,409)</u>	<u>82,721</u>	<u>51,870</u>
Total net assets	<u>\$ 3,513,075</u>	<u>\$ (44,718)</u>	<u>\$ 1,485,450</u>	<u>\$ 4,953,807</u>

**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, 2012**

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>
OPERATING REVENUES			
Charges for sales and services:			
Charges for services	\$ 115,086	\$ 94,161	\$ 191,104
Total operating revenues	<u>115,086</u>	<u>94,161</u>	<u>191,104</u>
OPERATING EXPENSES			
Cost of sales and services	28,249	-	25,740
Administration	29,135	130,960	3,624
Other operating expenses	63,558	1,654	115,534
Depreciation	<u>171,368</u>	<u>16,436</u>	<u>108,106</u>
Total operating expenses	<u>292,310</u>	<u>149,050</u>	<u>253,004</u>
Operating income (loss)	<u>(177,224)</u>	<u>(54,889)</u>	<u>(61,900)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	25	24	135
Interest expense	-	(3,957)	(5,625)
Taxes	<u>-</u>	<u>43,604</u>	<u>-</u>
Nonoperating revenues (expenses)	<u>25</u>	<u>39,671</u>	<u>(5,490)</u>
Income (loss) before transfers	<u>(177,199)</u>	<u>(15,218)</u>	<u>(67,390)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	<u>78,915</u>	<u>16,776</u>	<u>(9,087)</u>
Total other financing sources (uses):	<u>78,915</u>	<u>16,776</u>	<u>(9,087)</u>
Change in net assets	<u>(98,284)</u>	<u>1,558</u>	<u>(76,477)</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,611,359</u>	<u>(46,276)</u>	<u>1,561,927</u>
NET ASSETS, END OF YEAR	<u>\$ 3,513,075</u>	<u>\$(44,718)</u>	<u>\$ 1,485,450</u>

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

**Total
Proprietary
Fund**

\$ 400,351

400,351

53,989

163,719

180,746

295,910

694,364

(294,013)

184

(9,582)

43,604

34,206

(259,807)

86,604

86,604

(173,203)

5,127,010

\$ 4,953,807

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<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	\$ 118,613	\$ 92,525	\$ 185,102	\$ 396,240
Cash payments to employees for services	(22,785)	-	-	(22,785)
Cash payments to suppliers for goods and services	(97,182)	(125,855)	(145,212)	(368,249)
Net cash provided (used) by operating activities	<u>(1,354)</u>	<u>(33,330)</u>	<u>39,890</u>	<u>5,206</u>
Cash flows from noncapital financing activities				
Transfers from other funds	78,915	16,776	-	95,691
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(9,087)</u>	<u>(9,087)</u>
Net cash provided (used) by capital related activities	<u>78,915</u>	<u>16,776</u>	<u>(9,087)</u>	<u>86,604</u>
Cash flows from capital and related financing activities				
Capital contributions	-	43,604	-	43,604
(Acquisition) disposition of capital assets	(86,555)	-	-	(86,555)
Principal paid on debt	-	(23,100)	(15,000)	(38,100)
Interest paid on debt	<u>-</u>	<u>(3,957)</u>	<u>(5,625)</u>	<u>(9,582)</u>
Net cash provided (used) by capital financing activities	<u>(86,555)</u>	<u>16,547</u>	<u>(20,625)</u>	<u>(90,633)</u>
Cash flows from investing activities				
Purchase of investments	(25)	(24)	(136)	(185)
Interest on investments	<u>25</u>	<u>24</u>	<u>135</u>	<u>184</u>
Net cash provided (used) by noncapital investing activities	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Net increase (decrease) in cash and cash equivalents	<u>(8,994)</u>	<u>(7)</u>	<u>10,177</u>	<u>1,176</u>
Unrestricted cash and equivalents beginning of year	14,591	8,698	10,349	33,638
Restricted cash beginning of year	<u>-</u>	<u>-</u>	<u>15,593</u>	<u>15,593</u>
Total cash and equivalents beginning of year	<u>14,591</u>	<u>8,698</u>	<u>25,942</u>	<u>49,231</u>
Cash and equivalents end of year	<u>\$ 5,597</u>	<u>\$ 8,691</u>	<u>\$ 36,119</u>	<u>\$ 50,407</u>

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

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income	\$(177,224)	\$(54,889)	\$(61,900)	\$(294,013)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:				
Depreciation expense	171,368	16,436	108,106	295,910
Decrease (increase) in customer receivable	3,527	(1,636)	(10,867)	(8,976)
Increase (decrease) in accounts payable	-	10,280	-	10,280
Increase (decrease) in accrued liabilities	975	29	(314)	690
Increase (decrease) in customer deposits	-	-	4,865	4,865
Increase (decrease) in landfill closure costs	-	(3,550)	-	(3,550)
Net cash provided by operating activities	<u>\$(1,354)</u>	<u>\$(33,330)</u>	<u>\$ 39,890</u>	<u>\$ 5,206</u>
CASH PER FINANCIAL STATEMENTS				
Cash and cash equivalents	\$ 5,597	\$ 8,691	\$ 14,911	\$ 29,199
Restricted cash	<u>-</u>	<u>-</u>	<u>21,208</u>	<u>21,208</u>
Cash and equivalents end of year	<u>\$ 5,597</u>	<u>\$ 8,691</u>	<u>\$ 36,119</u>	<u>\$ 50,407</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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 is 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 information 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

The Village reports the following major governmental funds:

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

The Capital Projects – 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 funds:

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:

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

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 aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Village council – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Village council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balances (continued)

Assigned fund balance. This classification reflects the amounts constrained by the Village's "intent" to be used for specific purposes, but are neither restricted nor committed. The Village council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information (continued)

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	\$ 153,373	\$ -	\$ 32,417	\$ 120,956
Cemetery	1,684	-	-	1,684
EMS	883	-	143	740
Fire	56,402	-	9,231	47,171
Law Enforcement	1,445	-	-	1,445
Library	17,071	-	334	16,737
Lodgers Tax	42,549	-	6,150	36,399
Recreation	2,322	-	388	1,934
LGD	2,690	-	-	2,690
Sewer	7,283	893	2,579	5,597
Solid Waste	8,276	1,523	1,108	8,691
Water Fund - Int Sinking	6,316	-	-	6,316
Water Fund	17,860	632	3,581	14,911
Water Fund - Meter Deposit	15,356	-	464	14,892
Capital Projects - Street	513	1,341	1,620	234
Capital Projects - SAP	6,321	-	2,846	3,475
Chama Days	2,009	-	532	1,477
Infrastructure	99,331	-	-	99,331
Certificates of Deposit	427,162	-	-	427,162
Savings	179,497	-	-	179,497
Community Bank				
Certificates of Deposit	<u>91,336</u>	<u>-</u>	<u>-</u>	<u>91,336</u>
Total Cash in Banks	<u>\$ 1,139,679</u>	<u>\$ 4,389</u>	<u>\$ 61,393</u>	<u>\$ 1,082,675</u>
Petty Cash				<u>1,043</u>
Total Cash in Books				<u>\$ 1,083,718</u>
As Reported in Financial Statements:				
Equity in Cash:				
Cash				\$ 544,012
Restricted Cash				21,208
Investments				397,462
Restricted Investments				<u>121,036</u>
				<u>\$ 1,083,718</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	\$ 29,840	\$ -	\$ 1,602	\$ 28,238
Security Deposits	5,569	-	-	5,569
CFP	9,312	-	-	9,312
Certificates of Deposit	<u>148,914</u>	<u>-</u>	<u>-</u>	<u>148,914</u>
Total Cash in Banks	<u>\$ 193,635</u>	<u>\$ -</u>	<u>\$ 1,602</u>	\$ 192,033
Petty Cash				<u>45</u>
Total Cash per Books				<u>\$ 192,078</u>

As Reported in Financial Statements:

Equity in Cash

Cash	\$ 37,595
Restricted Cash	5,569
Investments	<u>148,914</u>
	<u>\$ 192,078</u>

Pledged Collateral

	Bank of America	Community Bank	Total
Deposits	\$ 1,048,343	\$ 91,336	\$ 1,139,679
FDIC	250,000	91,336	341,336
Dodd-Frank	<u>441,684</u>	<u>-</u>	<u>441,684</u>
Total uninsured public funds	356,659	-	356,659

Collateral pledged:

Bank of America NC

FNCL Pool-AE0478;

CUSIP 31419AQ83; 11/01/2040

<u>626,487</u>	<u>-</u>	<u>626,487</u>
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Uninsured and uncollateralized

<u>\$ (269,828)</u>	<u>\$ -</u>	<u>\$ (269,828)</u>
----------------------	-------------	----------------------

Collateral requirement

(50% of uninsured funds)

\$ 178,330	\$ -	\$ 178,330
------------	------	------------

Pledged collateral

<u>626,487</u>	<u>-</u>	<u>626,487</u>
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Over (under) collateralized

<u>\$ 448,158</u>	<u>\$ -</u>	<u>\$ 448,158</u>
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2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Pledged Collateral – Component Unit

	<u>Bank of America</u>	<u>Total</u>
Deposits	\$ 193,635	\$ 193,635
FDIC	<u>193,635</u>	<u>193,635</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, 2012, \$356,659 of the Village’s bank balance of \$1,139,679 was exposed to custodial credit risk as follows:

	<u>Bank of America</u>	<u>Community Bank</u>	<u>Total</u>
Uninsured and uncollateralized	\$(269,828)	\$ -	\$(269,828)
Uninsured and collateral held by pledging bank's trust department in the Bank's name	<u>626,487</u>	<u>-</u>	<u>626,487</u>
 Total	 <u>\$ 356,659</u>	 <u>\$ -</u>	 <u>\$ 356,659</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, 2012, none of the Component Unit’s bank balance of \$193,635 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	\$ -	\$ -	\$ -	\$ 19,557	\$ 16,446	\$ 31,956	\$ 67,959
Taxes							
Property	37,418	-	-	-	-	-	37,418
Franchise	8,941	-	-	-	-	-	8,941
Gross receipts	115,437	-	10,302	-	7,806	-	133,545
Motor vehicle fees	2,761	-	-	-	-	-	2,761
Other governments	-	<u>25,782</u>	-	-	-	-	<u>25,782</u>
Gross receivables	164,557	25,782	10,302	19,557	24,252	31,956	276,406
Less: allowance for uncollectible	-	-	-	<u>5,867</u>	<u>6,578</u>	<u>9,587</u>	<u>22,032</u>
Net receivables	<u>\$ 164,557</u>	<u>\$ 25,782</u>	<u>\$ 10,302</u>	<u>\$ 13,690</u>	<u>\$ 17,674</u>	<u>\$ 22,369</u>	<u>\$ 254,374</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	\$ 11,092
Other governments	<u>12,262</u>
Gross receivables	23,354
Less: allowance for uncollectible	<u>3,508</u>
Net receivables	<u>\$ 19,846</u>

3. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2012 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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>64,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,190</u>
Capital assets, being depreciated:					
Buildings and improvements	1,934,885	-	-	2,042	1,936,927
Equipment and other	711,557	45,519	-	20,867	777,943
Infrastructure	<u>562,508</u>	<u>140,811</u>	<u>-</u>	<u>-</u>	<u>703,319</u>
Total capital assets being depreciated	<u>3,208,950</u>	<u>186,330</u>	<u>-</u>	<u>22,909</u>	<u>3,418,189</u>
Less accumulated depreciation:					
Buildings and improvements	507,078	75,012	-	-	582,090
Equipment and other	546,265	35,435	-	-	581,700
Infrastructure	<u>245,717</u>	<u>64,465</u>	<u>-</u>	<u>-</u>	<u>310,182</u>
Total accumulated depreciation	<u>1,299,060</u>	<u>174,912</u>	<u>-</u>	<u>-</u>	<u>1,473,972</u>
Total capital assets being depreciated, net	<u>1,909,890</u>	<u>11,418</u>	<u>-</u>	<u>22,909</u>	<u>1,944,217</u>
Governmental activities capital assets, net	<u>\$ 1,974,080</u>	<u>\$ 11,418</u>	<u>\$ -</u>	<u>\$ 22,909</u>	<u>\$ 2,008,407</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	181,496	-	-	-	181,496
Water rights	61,100	-	-	-	61,100
Total capital assets not being depreciated	<u>245,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,929</u>
Capital assets, being depreciated:					
Buildings and improvements	8,496,224	75,073	-	-	8,571,297
Equipment and other	455,835	11,482	-	-	467,317
Total capital assets being depreciated	<u>8,952,059</u>	<u>86,555</u>	<u>-</u>	<u>-</u>	<u>9,038,614</u>
Less accumulated depreciation:					
Buildings and improvements	3,747,815	268,217	-	-	4,016,032
Equipment and other	304,131	27,693	-	-	331,824
Total accumulated depreciation	<u>4,051,946</u>	<u>295,910</u>	<u>-</u>	<u>-</u>	<u>4,347,856</u>
Total capital assets being depreciated, net	<u>4,900,113</u>	<u>(209,355)</u>	<u>-</u>	<u>-</u>	<u>4,690,758</u>
Business-type activities capital assets, net	<u>\$ 5,146,042</u>	<u>\$(209,355)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,936,687</u>

Capital Assets – Component Unit

	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	2,791,704	43,320	-	-	2,835,024
Equipment and other	114,041	27,543	-	-	141,584
Total capital assets being depreciated	<u>2,905,745</u>	<u>70,863</u>	<u>-</u>	<u>-</u>	<u>2,976,608</u>
Less accumulated depreciation for:					
Buildings and improvements	1,024,718	63,427	-	-	1,088,145
Equipment and other	89,438	6,355	-	-	95,793
Total accumulated depreciation	<u>1,114,156</u>	<u>69,782</u>	<u>-</u>	<u>-</u>	<u>1,183,938</u>
Total capital assets being depreciated, net	<u>1,791,589</u>	<u>1,081</u>	<u>-</u>	<u>-</u>	<u>1,792,670</u>
Component unit capital assets, net	<u>\$ 1,823,789</u>	<u>\$ 1,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,824,870</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	\$ 80,460
Public safety	59,470
Public works	<u>34,982</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 174,912</u>
Business-type Activities:	
Sewer	\$ 171,368
Solid waste	16,436
Water	<u>108,106</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 295,910</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.

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.

Transfer In	Transfer Out						Total
	General	SAP	Non-Major	Sewer	Water	Solid Waste	
General	\$ -	\$ 47,728	\$ 822	\$ 7,689	\$ 54,336	\$ -	\$ 110,575
SAP	10,055	-	30,083	30,000	-	-	70,138
Non-Major	919	744	3,367	-	-	-	5,030
Sewer	-	116,604	-	-	-	-	116,604
Solid Waste	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,776</u>	<u>-</u>	<u>16,776</u>
	10,974	165,076	34,272	37,689	71,112	-	319,123
Transfer Out	<u>(110,575)</u>	<u>(70,138)</u>	<u>(5,030)</u>	<u>(116,604)</u>	<u>-</u>	<u>(16,776)</u>	<u>(319,123)</u>
Net transfer	<u>\$(99,601)</u>	<u>\$ 94,938</u>	<u>\$ 29,242</u>	<u>\$(78,915)</u>	<u>\$ 71,112</u>	<u>\$(16,776)</u>	<u>\$ -</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 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.

Description of Business-Type activities: Bonds (continued)

<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%	\$ 5,000
Series 1982 - Water	211,000	6/6/2022	5.00%	100,000
				<u>\$ 105,000</u>

The various bond issues require that certain reserve accounts be set up to help insure the successful retirement of the bonds and to provide additional funds for unexpected repairs and /or replacements to the system. The following schedule shows, by bond issue, the amounts calculated for each reserve required as of June 30, 2012.

<u>Bond Issue</u>	<u>Next Payment Due</u>	<u>Bond and 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>

3. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT: (continued)

At June 30, 2012 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>59,444</u>
Excess reserve	<u>\$ 6,519</u>

Bond and Loan Payable

A summary of the terms of revenue bonds outstanding for the business-type activities at June 30, 2012 follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 15,000	\$ 5,250
2014	10,000	4,500
2015	10,000	4,000
2016	10,000	3,500
2017	10,000	3,000
2018-2022	<u>50,000</u>	<u>7,500</u>
	<u>\$ 105,000</u>	<u>\$ 27,750</u>

Lease Purchase-Payable

In fiscal year 2011 the Solid Waste Fund renegotiated the Grader lease purchase agreement. The lease calls for monthly payments of \$1,398 and will be paid in full in fiscal year 2015. The backhoe lease was renegotiated in fiscal year 2011. The lease calls for monthly payments of \$857 and is expected to be paid in full in fiscal year 2015. The Village has included \$246,534 in capital assets for the leases. Yearly payment requirements are as follows:

<u>Payment Requirement FYE June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 24,351	\$ 2,707	\$ 27,058
2014	25,668	1,389	27,057
2015	<u>12,591</u>	<u>188</u>	<u>12,779</u>
	<u>\$ 62,610</u>	<u>\$ 4,284</u>	<u>\$ 66,894</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, 2012, 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					
Compensated absences	\$ 11,445	\$ 18,985	\$ 17,172	\$ 13,258	\$ -
Governmental activities- long-term liabilities	<u>\$ 11,445</u>	<u>\$ 18,985</u>	<u>\$ 17,172</u>	<u>\$ 13,258</u>	<u>\$ -</u>
Business-type activities					
Revenue bonds	\$ 120,000	\$ -	\$ 15,000	\$ 105,000	\$ 15,000
Lease-purchase payable	85,710	-	23,100	62,610	24,351
Compensated absences	<u>1,679</u>	<u>3,358</u>	<u>2,434</u>	<u>2,603</u>	<u>-</u>
Business-type activities- long-term liabilities	<u>\$ 207,389</u>	<u>\$ 3,358</u>	<u>\$ 40,534</u>	<u>\$ 170,213</u>	<u>\$ 39,351</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 engineer's 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 ninth year of monitoring and expects monitoring costs to approximate \$3,550 per year. Twenty years remain in the monitoring period. Total estimated balance at June 30, 2012 of current and long-term post closure costs are \$3,550 and \$67,450 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 \$97,652. The cash balances for the meter deposit accounts are also restricted in the amount of \$44,592. Therefore, a total of cash balances of \$142,244 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:

Public Employees Retirement Association

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. The report is also available on PERA's website at www.pera.state.nm.us.

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% of the gross covered salary for regular members, fire and police members. The contribution requirements of plan members and the Village of Chama are established in State Statute 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, 2012, 2011 and 2010 were \$40,196, \$38,112, and \$37,716, respectively, which equal the amount of the required contributions for each fiscal year.

State Retiree Health Care Plan

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.

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

POST-EMPLOYMENT BENEFITS: (continued)

State Retiree Health Care Plan (continued)

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

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan and an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending 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>
FY13	2.000%	1.000%

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

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Village contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$8,094, \$7,659, \$5,608, 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 following fund had deficit fund balance at June 30, 2012:

Enterprise Funds	
Solid Waste	44,718

The deficit in the Solid Waste Enterprise 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.

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.

3. DETAILED NOTES ON ALL FUNDS (Continued)

Joint Power Agreements (continued)

The Village entered into a joint powers agreement on June 23, 1999, with the Village of Espanola, Pueblo of San Juan, the Jicarilla Apache Tribe, the County of Rio Arriba and the County of Santa Fe, to provide an enhanced 911-response system. The Village of Espanola is responsible for all operations. The agreement is to improve public emergency and law enforcement services to the citizens. The cost is indeterminate. The audit responsibility lies with the Village of Espanola. The Village is required to contribute six percent (6%) of the total budget and purchase and maintain its own in-house E-911 equipment. The agreement has no termination date.

An agreement between the Village and the North Central New Mexico Economic Development District (NCNMEDD) was entered into for the 2009 – 2013 fiscal years. 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.

The Village entered into a joint powers agreement for fiscal year 2012, with La Clinica del Pueblo de Rio Arriba (La Clinica) for ambulance service. La Clinica will assume responsibility for the operation of an ambulance service within the service area designated by the Village's certificate of public convenience and necessity, while still operating an ambulance service under its own certificate of public convenience and necessity. The Village is to pay La Clinica \$41,000 per year under this service.

Commitments and 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.

On December, 2011 the Village entered into an interim loan agreement with the New Mexico Environment Department (NMED) to accept loan and grant funds. The loan is \$100,000 and the grant is \$850,000 both of which are to be used for the planning and design of a new sewer treatment plant. None of these funds were expended in the fiscal year ending June 30, 2012

3. DETAILED NOTES ON ALL FUNDS (Continued)

Restatement

A restatement was made on the Statement of Activities for \$22,909 to capitalize an asset that had been expensed in a prior year.

Capital Outlay Appropriations

The Village’s capital outlay appropriations are as follows:

<u>Capital Project</u>	<u>Project Appropriation</u>	<u>Expenditures to Date</u>	<u>Outstanding Balance</u>	<u>Appropriation Period</u>
Sewer Line Replacement	500,000	492,894	7,106	10/07 to 09/11
Sewer Treatment Construction	229,962	155,343	74,619	reauthorized
Sewer Treatment Construction as reauthorized	92,811	92,812	-	8/11 to 6/13
Waste Water Facility	<u>42,000</u>	<u>42,000</u>	<u>-</u>	8/08 to 6/13
	<u>\$ 864,773</u>	<u>\$ 783,049</u>	<u>\$ 81,725</u>	

The term of the grants are contingent upon sufficient state appropriations and may be reverted prior to the expiration dates.

Related Party Transaction

The Councilor for the Village, Jennifer Gallegos, had an overdue utility bill of \$652 at June 30, 2012. Most of this was over 90 days old. As of the date of the audit report, this debt has been paid.

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

CEMETERY FUND – The cemetery fund, authorized by State Statute Chapter 3, Section 40-1, is used to account for the operations and maintenance of the Village's cemetery.

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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, 2012**

	Special Revenue Funds			
	EMS Fund	Fire Fund	Law Enforcement Fund	Library Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 740	\$ 47,171	\$ 1,445	\$ 16,737
Investments	1,829	208,425	-	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Total current assets	<u>\$ 2,569</u>	<u>\$ 255,596</u>	<u>\$ 1,445</u>	<u>\$ 16,737</u>
LIABILITIES AND FUND BALANCES				
Current liabilities				
Accounts payable	-	-	-	309
Total current liabilities	-	-	-	<u>309</u>
Fund balances				
Restricted for:				
Special revenue	2,569	255,596	1,445	16,428
Capital projects	-	-	-	-
Total fund balances	<u>2,569</u>	<u>255,596</u>	<u>1,445</u>	<u>16,428</u>
Total liabilities and fund balances	<u>\$ 2,569</u>	<u>\$ 255,596</u>	<u>\$ 1,445</u>	<u>\$ 16,737</u>

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

Special Revenue Funds					Capital Project Fund	Total Nonmajor Governmental Funds
Lodger's Tax Fund	Recreation Fund	Local Corrections Fund	Cemetery Fund	Total	Street Fund	
\$ 36,399	\$ 2,977	\$ 2,690	\$ 1,684	\$ 109,843	\$ 99,565	\$ 209,408
-	539	4,125	4,091	219,009	107,699	326,708
-	-	-	-	-	10,302	10,302
-	-	822	-	822	-	822
<u>\$ 36,399</u>	<u>\$ 3,516</u>	<u>\$ 7,637</u>	<u>\$ 5,775</u>	<u>\$ 329,674</u>	<u>\$ 217,566</u>	<u>\$ 547,240</u>
<u>11,622</u>	<u>247</u>	<u>-</u>	<u>-</u>	<u>12,178</u>	<u>-</u>	<u>12,178</u>
<u>11,622</u>	<u>247</u>	<u>-</u>	<u>-</u>	<u>12,178</u>	<u>-</u>	<u>12,178</u>
24,777	3,269	7,637	5,775	317,496	-	317,496
-	-	-	-	-	217,566	217,566
<u>24,777</u>	<u>3,269</u>	<u>7,637</u>	<u>5,775</u>	<u>317,496</u>	<u>217,566</u>	<u>535,062</u>
<u>\$ 36,399</u>	<u>\$ 3,516</u>	<u>\$ 7,637</u>	<u>\$ 5,775</u>	<u>\$ 329,674</u>	<u>\$ 217,566</u>	<u>\$ 547,240</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, 2012**

	Special Revenue Funds			
	EMS Fund	Fire Fund	Law Enforcement Fund	Library Fund
REVENUES				
Taxes				
Gross receipts taxes	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes	-	-	-	-
Intergovernmental				
State	8,531	70,092	20,000	17,676
Charges for services	-	-	-	-
Fines	-	-	-	-
Interest on investments	5	549	-	-
Miscellaneous	189	1,219	-	6,221
Total revenues	<u>8,725</u>	<u>71,860</u>	<u>20,000</u>	<u>23,897</u>
EXPENDITURES				
Current operations				
Public safety	8,404	47,130	3,008	-
Public works	-	-	-	-
Culture and recreation	-	-	-	8,588
Capital outlay	-	-	35,547	6,335
Total expenditures	<u>8,404</u>	<u>47,130</u>	<u>38,555</u>	<u>14,923</u>
Excess (deficiency) of revenues over expenditures	<u>321</u>	<u>24,730</u>	<u>(18,555)</u>	<u>8,974</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	-	-
Other financing sources (uses)	-	-	-	-
Net changes in fund balances	<u>321</u>	<u>24,730</u>	<u>(18,555)</u>	<u>8,974</u>
FUND BALANCE, BEGINNING OF YEAR	<u>2,248</u>	<u>230,866</u>	<u>20,000</u>	<u>7,454</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,569</u>	<u>\$ 255,596</u>	<u>\$ 1,445</u>	<u>\$ 16,428</u>

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

Special Revenue Funds					Capital Project Fund	Total Nonmajor Governmental Funds
Lodger's Tax Fund	Recreation Fund	Local Corrections Fund	Cemetery Fund	Total	Street Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,998	\$ 79,998
82,753	-	-	-	82,753	-	82,753
-	-	-	-	116,299	-	116,299
-	4,166	-	1,300	5,466	-	5,466
-	-	1,400	-	1,400	-	1,400
-	1	11	11	577	653	1,230
<u>400</u>	<u>90</u>	<u>-</u>	<u>-</u>	<u>8,119</u>	<u>-</u>	<u>8,119</u>
<u>83,153</u>	<u>4,257</u>	<u>1,411</u>	<u>1,311</u>	<u>214,614</u>	<u>80,651</u>	<u>295,265</u>
-	-	-	-	58,542	-	58,542
-	-	-	233	233	4,110	4,343
67,026	3,436	-	-	79,050	-	79,050
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,882</u>	<u>6,916</u>	<u>48,798</u>
<u>67,026</u>	<u>3,436</u>	<u>-</u>	<u>233</u>	<u>179,707</u>	<u>11,026</u>	<u>190,733</u>
<u>16,127</u>	<u>821</u>	<u>1,411</u>	<u>1,078</u>	<u>34,907</u>	<u>69,625</u>	<u>104,532</u>
<u>-</u>	<u>919</u>	<u>-</u>	<u>-</u>	<u>919</u>	<u>(29,339)</u>	<u>(28,420)</u>
<u>-</u>	<u>919</u>	<u>-</u>	<u>-</u>	<u>919</u>	<u>(29,339)</u>	<u>(28,420)</u>
<u>16,127</u>	<u>1,740</u>	<u>1,411</u>	<u>1,078</u>	<u>35,826</u>	<u>40,286</u>	<u>76,112</u>
<u>8,650</u>	<u>1,529</u>	<u>6,226</u>	<u>4,697</u>	<u>281,670</u>	<u>177,280</u>	<u>458,950</u>
<u>\$ 24,777</u>	<u>\$ 3,269</u>	<u>\$ 7,637</u>	<u>\$ 5,775</u>	<u>\$ 317,496</u>	<u>\$ 217,566</u>	<u>\$ 535,062</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
EMERGENCY MEDICAL SERVICES FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental				
State	\$ 14,000	\$ 14,000	\$ 8,531	\$(5,469)
Interest on investments	-	-	5	5
Miscellaneous	-	-	189	189
Total revenues	<u>14,000</u>	<u>14,000</u>	<u>8,725</u>	<u>(5,275)</u>
EXPENDITURES				
Current operations				
Public safety	<u>14,000</u>	<u>14,000</u>	<u>8,404</u>	<u>5,596</u>
Total expenditures	<u>14,000</u>	<u>14,000</u>	<u>8,404</u>	<u>5,596</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321</u>	<u>\$(10,871)</u>
Beginning cash balance	<u>\$ 424</u>	<u>\$ 424</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental				
State	\$ 71,000	\$ 71,000	\$ 70,092	\$(908)
Interest on investments	-	-	549	549
Miscellaneous	-	-	1,219	1,219
Total revenues	<u>71,000</u>	<u>71,000</u>	<u>71,860</u>	<u>860</u>
EXPENDITURES				
Current operations				
Public safety	<u>50,000</u>	<u>50,000</u>	<u>47,130</u>	<u>2,870</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>47,130</u>	<u>2,870</u>
Net change in fund balance	<u>\$ 21,000</u>	<u>\$ 21,000</u>	<u>\$ 24,730</u>	<u>\$(2,010)</u>
Beginning cash balance	<u>\$ 22,990</u>	<u>\$ 22,990</u>		

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

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
LAW ENFORCEMENT FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental				
State	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
EXPENDITURES				
Current operations				
Public safety	3,100	3,100	3,008	92
Capital outlay	<u>36,900</u>	<u>36,900</u>	<u>35,547</u>	<u>1,353</u>
Total expenditures	<u>40,000</u>	<u>40,000</u>	<u>38,555</u>	<u>1,445</u>
Net change in fund balance	<u>\$(20,000)</u>	<u>\$(20,000)</u>	<u>\$(18,555)</u>	<u>\$(1,445)</u>
Beginning cash balance	<u>\$ 20,000</u>	<u>\$ 20,000</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
REVENUES				
Intergovernmental				
Federal	\$ 23,000	\$ 23,000	\$ 17,676	\$(5,324)
Miscellaneous	<u>-</u>	<u>-</u>	<u>6,221</u>	<u>6,221</u>
Total revenues	<u>23,000</u>	<u>23,000</u>	<u>23,897</u>	<u>897</u>
EXPENDITURES				
Current operations				
Culture and recreation	16,000	16,000	8,588	7,412
Capital outlay	<u>7,000</u>	<u>7,000</u>	<u>6,178</u>	<u>822</u>
Total expenditures	<u>23,000</u>	<u>23,000</u>	<u>14,766</u>	<u>8,234</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,131</u>	<u>\$(7,337)</u>
Beginning cash balance	<u>\$ 7,606</u>	<u>\$ 7,606</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 9,131	
Change in payables			<u>(157)</u>	
Net change in fund balances GAAP basis			<u>\$ 8,974</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)
LODGERS' TAX FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Taxes				
Lodgers'	\$ 80,000	\$ 87,800	\$ 82,753	\$(5,047)
Miscellaneous	-	-	400	400
Total revenues	<u>80,000</u>	<u>87,800</u>	<u>83,153</u>	<u>(4,647)</u>
EXPENDITURES				
Current operations				
Culture and recreation	80,000	80,000	55,404	24,596
Total expenditures	<u>80,000</u>	<u>80,000</u>	<u>55,404</u>	<u>24,596</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 7,800</u>	<u>\$ 27,749</u>	<u>\$(29,243)</u>
Beginning cash balance	<u>\$ 8,650</u>	<u>\$ 8,650</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 27,749	
Change in payables			<u>(11,622)</u>	
Net change in fund balances GAAP basis			<u>\$ 16,127</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, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Charges for services	\$ 3,000	\$ 5,400	\$ 4,166	\$(1,234)
Interest on investments	-	-	1	1
Miscellaneous	-	-	90	90
Total revenues	<u>3,000</u>	<u>5,400</u>	<u>4,257</u>	<u>(1,143)</u>
EXPENDITURES				
Current operations				
Culture and recreation	<u>3,000</u>	<u>4,350</u>	<u>3,189</u>	<u>1,161</u>
Total expenditures	<u>3,000</u>	<u>4,350</u>	<u>3,189</u>	<u>1,161</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>1,050</u>	<u>1,068</u>	<u>18</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	<u>-</u>	<u>-</u>	<u>919</u>	<u>919</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>919</u>	<u>919</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,050</u>	<u>\$ 1,987</u>	<u>\$ 937</u>
Beginning cash balance	<u>\$ 991</u>	<u>\$ 991</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 1,987	
Change in payables			<u>(247)</u>	
Net change in fund balances GAAP basis			<u>\$ 1,740</u>	

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

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
LOCAL CORRECTIONS FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Fines	\$ 500	\$ 1,400	\$ 1,400	\$ -
Interest on investments	<u>250</u>	<u>250</u>	<u>11</u>	<u>(239)</u>
Total revenues	<u>750</u>	<u>1,650</u>	<u>1,411</u>	<u>(239)</u>
Net change in fund balance	<u>\$ 750</u>	<u>\$ 1,650</u>	<u>\$ 1,411</u>	<u>\$(239)</u>
Beginning cash balance	<u>\$ 1,290</u>	<u>\$ 1,290</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, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Charges for services	1,650	1,650	1,300	(350)
Interest on investments	<u>-</u>	<u>-</u>	<u>11</u>	<u>11</u>
Total revenues	<u>1,650</u>	<u>1,650</u>	<u>1,311</u>	<u>(339)</u>
EXPENDITURES				
Current operations				
Public works	<u>1,000</u>	<u>1,000</u>	<u>233</u>	<u>767</u>
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>233</u>	<u>767</u>
Net change in fund balance	<u>\$ 650</u>	<u>\$ 650</u>	<u>\$ 1,078</u>	<u>\$(1,106)</u>
Beginning cash balance	<u>\$ 617</u>	<u>\$ 617</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
REVENUES				
Taxes				
Gross receipts	60,000	84,425	84,424	(1)
Interest on investments	<u>1,500</u>	<u>1,500</u>	<u>653</u>	<u>(847)</u>
Total revenues	<u>61,500</u>	<u>85,925</u>	<u>85,077</u>	<u>(848)</u>
EXPENDITURES				
Current operations				
Public works	4,200	40,375	4,110	36,265
Capital outlay				
Total expenditures	<u>15,800</u>	<u>15,800</u>	<u>6,916</u>	<u>8,884</u>
	<u>20,000</u>	<u>56,175</u>	<u>11,026</u>	<u>45,149</u>
Excess (deficiency) of revenues over expenditures	<u>41,500</u>	<u>29,750</u>	<u>74,051</u>	<u>44,301</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	(40,000)	(40,000)	(29,339)	10,661
Total other financing sources (uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(29,339)</u>	<u>10,661</u>
Net change in fund balance	<u>\$ 1,500</u>	<u>\$(10,250)</u>	<u>\$ 44,712</u>	<u>\$ 54,962</u>
Beginning cash balance	<u>\$ 55,506</u>	<u>\$ 55,506</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 44,712	
Change in receivables			<u>(4,426)</u>	
Net change in fund balances GAAP basis			<u>\$ 40,286</u>	

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

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
SAP FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
REVENUES				
Intergovernmental				
State	\$ 530,000	\$ 530,000	\$ 109,029	\$(420,971)
Interest on investments	-	-	79	79
Total revenues	<u>530,000</u>	<u>530,000</u>	<u>109,108</u>	<u>(420,892)</u>
EXPENDITURES				
Capital outlay	<u>345,000</u>	<u>345,000</u>	<u>35,408</u>	<u>309,592</u>
Total expenditures	<u>345,000</u>	<u>345,000</u>	<u>35,408</u>	<u>309,592</u>
Excess (deficiency) of revenues over expenditures	<u>185,000</u>	<u>185,000</u>	<u>73,700</u>	<u>(111,300)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(124,938)</u>	<u>62</u>
Total other financing sources (uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(124,938)</u>	<u>62</u>
Net change in fund balance	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$(51,238)</u>	<u>\$(111,238)</u>
Beginning cash balance	<u>\$ 54,792</u>	<u>\$ 54,792</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(51,238)	
Change in receivables			(9,626)	
Change in payables			65,408	
Advances			48,224	
Change in deferred revenue			<u>9,626</u>	
Net change in fund balances GAAP basis			<u>\$ 62,394</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
BUDGET and ACTUAL
SEWER FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
OPERATING REVENUES				
Charges for services	\$ 135,500	\$ 135,500	\$ 115,086	\$(20,414)
Total operating revenues	<u>135,500</u>	<u>135,500</u>	<u>115,086</u>	<u>(20,414)</u>
OPERATING EXPENSES				
Cost of sales and services	42,000	42,000	28,249	13,751
Administration	29,000	29,000	29,135	(135)
Other operating expenses	<u>64,000</u>	<u>64,000</u>	<u>63,558</u>	<u>442</u>
Total operating expenses	<u>135,000</u>	<u>135,000</u>	<u>120,942</u>	<u>14,058</u>
Operating income (loss)	<u>500</u>	<u>500</u>	<u>(5,856)</u>	<u>(6,356)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	<u>-</u>	<u>-</u>	<u>25</u>	<u>25</u>
Nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>25</u>	<u>25</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>78,915</u>	<u>78,915</u>
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>78,915</u>	<u>78,915</u>
NON-BUDGETED ITEMS				
Depreciation	<u>-</u>	<u>-</u>	<u>(171,368)</u>	<u>(171,368)</u>
Total non-budgeted items	<u>-</u>	<u>-</u>	<u>(171,368)</u>	<u>(171,368)</u>
Net income (loss)	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$(98,284)</u>	<u>\$(98,784)</u>
Beginning cash balances	<u>\$ 14,591</u>	<u>\$ 14,591</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
BUDGET and ACTUAL
SOLID WASTE FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
OPERATING REVENUES				
Charges for services	\$ 94,176	\$ 94,176	\$ 94,161	\$(15)
Total operating revenues	<u>94,176</u>	<u>94,176</u>	<u>94,161</u>	<u>(15)</u>
OPERATING EXPENSES				
Administration	148,800	148,800	130,960	17,840
Other operating expenses	<u>1,700</u>	<u>1,700</u>	<u>1,654</u>	<u>46</u>
Total operating expenses	<u>150,500</u>	<u>150,500</u>	<u>132,614</u>	<u>17,886</u>
Operating income (loss)	<u>(56,324)</u>	<u>(56,324)</u>	<u>(38,453)</u>	<u>17,871</u>
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	24	24	24	-
Interest expense	(4,000)	(4,000)	(3,957)	43
Taxes	<u>44,000</u>	<u>44,000</u>	<u>43,604</u>	<u>(396)</u>
Nonoperating revenues (expenses)	<u>40,024</u>	<u>40,024</u>	<u>39,671</u>	<u>(353)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>17,000</u>	<u>17,000</u>	<u>16,776</u>	<u>(224)</u>
Other financing sources (uses)	<u>17,000</u>	<u>17,000</u>	<u>16,776</u>	<u>(224)</u>
NON-BUDGETED ITEMS				
Depreciation	<u>-</u>	<u>-</u>	<u>(16,436)</u>	<u>(16,436)</u>
Total non-budgeted items	<u>-</u>	<u>-</u>	<u>(16,436)</u>	<u>(16,436)</u>
Net income (loss)	<u>\$ 700</u>	<u>\$ 700</u>	<u>\$ 1,558</u>	<u>\$ 858</u>
Beginning cash balances	<u>\$ 8,698</u>	<u>\$ 8,698</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
BUDGET and ACTUAL
WATER FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
OPERATING REVENUES				
Charges for services	\$ 195,700	\$ 195,700	\$ 191,104	\$(4,596)
Total operating revenues	195,700	195,700	191,104	(4,596)
OPERATING EXPENSES				
Cost of sales and services	25,740	25,740	25,740	-
Administration	3,624	3,624	3,624	-
Other operating expenses	<u>115,534</u>	<u>115,534</u>	<u>115,534</u>	<u>-</u>
Total operating expenses	<u>144,898</u>	<u>144,898</u>	<u>144,898</u>	<u>-</u>
Operating income (loss)	50,802	50,802	46,206	(4,596)
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	750	750	135	(615)
Interest expense	<u>(5,700)</u>	<u>(5,700)</u>	<u>(5,625)</u>	<u>75</u>
Nonoperating revenues (expenses)	<u>(4,950)</u>	<u>(4,950)</u>	<u>(5,490)</u>	<u>(540)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(44,902)</u>	<u>(45,652)</u>	<u>(9,087)</u>	<u>36,565</u>
Other financing sources (uses)	<u>(44,902)</u>	<u>(45,652)</u>	<u>(9,087)</u>	<u>36,565</u>
NON-BUDGETED ITEMS				
Depreciation	<u>-</u>	<u>-</u>	<u>(108,106)</u>	<u>(108,106)</u>
Total non-budgeted items	-	-	(108,106)	(108,106)
Net income (loss)	<u>\$ 950</u>	<u>\$ 200</u>	<u>\$(76,477)</u>	<u>\$(76,677)</u>
Beginning cash balances	<u>\$ 10,349</u>	<u>\$ 10,349</u>		

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

COMPONENT UNIT

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF NET ASSETS
COMPONENT UNIT - HOUSING AUTHORITY
JUNE 30, 2012**

ASSETS

Current assets:

Cash and cash equivalents	\$ 37,595
Investments	148,914
Accounts receivable	19,846
Prepaid expense	<u>8,338</u>
Total current assets	<u>214,693</u>

Noncurrent assets:

Restricted cash	5,569
Capital assets:	
Land	32,200
Capital assets being depreciated, net	<u>1,792,670</u>
Total noncurrent assets	<u>1,830,439</u>
Total assets	<u>2,045,132</u>

LIABILITIES

Current liabilities:

Accounts payable	17,929
Accrued payroll liabilities	<u>2,334</u>
Total current liabilities	20,263

Current liabilities payable from restricted assets:

Customer deposits payable	<u>7,654</u>
Total liabilities	<u>27,917</u>

NET ASSETS

Invested in capital assets, net of related debt	1,824,870
Unrestricted	<u>192,345</u>
Total net assets	<u>\$ 2,017,215</u>

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**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, 2012**

OPERATING REVENUES

Charges for services	\$ 63,034
Operating grants	73,485
Other charges	<u>1,897</u>
 Total operating revenues	 <u>138,416</u>

OPERATING EXPENSES

Administration	153,866
Other operating expenses	27,629
Depreciation	<u>69,782</u>
 Total operating expenses	 <u>251,277</u>

Operating income (loss) (112,861)

NONOPERATING REVENUES (EXPENSES)

Interest revenue	604
CFP grant	<u>53,543</u>
 Nonoperating revenues (expenses)	 <u>54,147</u>

Change in net assets (58,714)

NET ASSETS, BEGINNING OF YEAR 2,075,929

NET ASSETS, END OF YEAR \$ 2,017,215

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF CASH FLOWS
COMPONENT UNIT - HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2012**

Cash flows from operating activities

Cash received from customers	\$ 85,503
Cash received from HUD operating grants	73,485
Cash payments to employees for services	(66,383)
Cash payments to supplies for goods and services	(135,220)
Net cash provided by operating activities	<u>(42,615)</u>

Cash flows from capital and related financing activities

Cash received from grants	53,543
(Acquisition) disposition of capital assets	(70,863)
Net cash provided (used) by capital financing activities	<u>(17,320)</u>

Cash flows from investing activities

Purchase of investments	(544)
Interest on investments	<u>604</u>
Net cash provided (used) by noncapital investing activities	<u>60</u>

Net increase (decrease) in cash and cash equivalents (59,875)

Unrestricted cash and equivalents beginning of year 98,163

Restricted cash beginning of year 4,876

Total cash and equivalents beginning of year 103,039

Cash and equivalents end of year \$ 43,164

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

Operating income	\$(112,861)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:	
Depreciation expense	69,782
Decrease (increase) in customer receivable	19,729
Increase (decrease) in accounts payable	(22,094)
Increase (decrease) in accrued liabilities	1,249
Increase (decrease) in customer deposits	843
Increase (decrease) in prepaid expense	<u>737</u>
Net cash provided by operating activities	<u>\$(42,615)</u>

CASH PER FINANCIAL STATEMENTS

Cash and cash equivalents	\$ 37,595
Restricted cash	<u>5,569</u>
Cash and equivalents end of year	<u>\$ 43,164</u>

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**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, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 67,000	\$ 67,000	\$ 63,034	\$(3,966)
Operating grants	73,485	73,485	73,485	-
Other charges	<u>3,700</u>	<u>3,700</u>	<u>1,897</u>	<u>(1,803)</u>
Total operating revenues	<u>144,185</u>	<u>144,185</u>	<u>138,416</u>	<u>(5,769)</u>
OPERATING EXPENSE				
Administration	159,400	159,400	153,866	5,534
Other operating expenses	<u>28,000</u>	<u>28,000</u>	<u>27,629</u>	<u>371</u>
Total operating expenses	<u>187,400</u>	<u>187,400</u>	<u>181,495</u>	<u>5,905</u>
Operating income (loss)	<u>(43,215)</u>	<u>(43,215)</u>	<u>(43,079)</u>	<u>136</u>
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	1,200	1,200	604	(596)
CFP grant	<u>-</u>	<u>-</u>	<u>53,543</u>	<u>53,543</u>
Nonoperating revenues (expenses)	<u>1,200</u>	<u>1,200</u>	<u>54,147</u>	<u>52,947</u>
NON-BUDGETED ITEMS				
Depreciation	<u>-</u>	<u>-</u>	<u>(69,782)</u>	<u>(69,782)</u>
Total non-budgeted items	<u>-</u>	<u>-</u>	<u>(69,782)</u>	<u>(69,782)</u>
Net income (loss)	<u>\$(42,015)</u>	<u>\$(42,015)</u>	<u>\$(58,714)</u>	<u>\$(16,699)</u>
Beginning cash balances	<u>\$ 98,163</u>	<u>\$ 98,163</u>		

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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 comparison of the general 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, 2012, and have issued our report thereon dated January 25, 2013. 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

Management of the Village is responsible for establishing and maintaining effective 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.

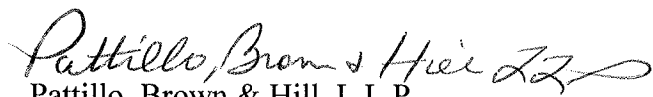
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 2007-3, 2012-1 and 2012-2. 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 2012-3.

The Village of Chama, New Mexico's responses 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
January 25, 2013

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**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 – Resolved
- 2007-3 Preparation of Financial Statements – Repeat
- 2010-1 Utility Auto-Billing – Resolved
- 2010-3 Late Submission of Unaudited Financial Statements – Housing Authority – Resolved
- 2011-1 Budget Adjustment Requests - Resolved

Current Year

- 2007-3 Preparation of Financial Statements – Repeat
- 2012-1 Documentation for Accounts Receivable – Component Unit
- 2012-2 Documentation for Customer Deposits – Component Unit
- 2012-3 Late Submission of Audit Report

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

2007 – 3

**Preparation of Financial Statements - Repeat
(significant deficiency)**

- 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**

2012-1 **Documentation for Accounts Receivable – Component Unit**
(significant deficiency)

Condition: The Housing Authority does not have an Accounts Receivable aging summary that ties to their trial balance at June 30, 2012. The trial balance reports Accounts Receivable of \$19,846 while the aging reports \$21,931. The aging also includes a credit balance to tenants in the amount of \$1,679 with no supporting documentation available.

Criteria: NMAC 2.20.5 C. state “It is the responsibility of the chief financial officer to ensure that: (1) an internal control structure exists at the state agency and is functioning properly, and (7) all accounting systems, including subsidiary systems, are recording transactions timely, completely, and accurately.”

Effect: The Housing Authority does not have an accurate subsidiary ledger of tenants that have rents due and outstanding.

Cause: The Housing Authority had hired a new Executive Director. The new Executive Director has not had the time available to research and clean up the accounts receivable aging.

Recommendation: The Executive Director and the hired accounting consultant should spend some time to research and deal with old outstanding accounts receivable and work on reconciling the report to the trial balance.

Response: Management agrees with this recommendation. The Housing Authority has started the reconciliation process and will review tenants listed on the accounts receivable aging summary and update as necessary.

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

2012-2

**Documentation for Customer Deposits – Component Unit
(significant deficiency)**

Condition: The Housing Authority does not have a subsidiary ledger for tenant security deposits that ties to their trial balances. The balance of tenant security deposits on the trial balance is \$7,654, while cash reserved for tenant security deposits is \$5,569.

Criteria: NMAC 2.20.5 C. state “It is the responsibility of the chief financial officer to ensure that: (1) an internal control structure exists at the state agency and is functioning properly, and (7) all accounting systems, including subsidiary systems, are recording transactions timely, completely, and accurately.”

Effect: The Housing Authority does not have an accurate subsidiary ledger of tenants that have rents due and outstanding.

Cause: The Housing Authority had hired a new Executive Director. The new Executive Director has not had the time available to research and clean up the subsidiary ledger for the tenant security deposits.

Recommendation: The Executive Director and the hired accounting consultant should spend some time to research and deal with the tenant security deposits and work on reconciling the subsidiary ledger to the trial balance.

Response: Management agrees with this recommendation. The Housing Authority has started the reconciliation process and will review tenants listed on the subsidiary ledger and update as necessary.

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

2012-3

**Late Submission of Audit Report
(compliance)**

- Condition:** The Village did not file their audit report by December 1, 2012, as required by the Office of the State Auditor.
- Criteria:** Section 2.2.2.9 A(1)(d) Audit Rule 2012, 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 financial statements are not available for use in a timely fashion for internal purposes and public comment.
- Cause:** Due to the late start of field work, and Village staffing issues, 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:** Management agrees with this recommendation.

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

EXIT CONFERENCE

An exit conference was held on January 25, 2013 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
Victoria Gonzales	Clerk

Village of Chama, Housing Authority

Miranda Holm	Commissioner
Mike Trujillo	Executive Director

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

Regina Gordon	CPA
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PREPARATION OF FINANCIAL STATEMENTS

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