

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
AUDIT REPORT
JUNE 30, 2014**

**STATE OF NEW MEXICO
 TOWN OF CHAMA
 JUNE 30, 2014**

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VILLAGE OF CHAMA
JUNE 30, 2014**

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
JUNE 30, 2014**

OFFICIAL ROSTER

<u>Name</u>	<u>Title</u>
Jennifer Gallegos	Mayor
Billy Elbrock	Councilor
Scott Flury	Councilor
Milnor Manzanares	Councilor
Ron Russom	Councilor

ADMINISTRATIVE OFFICIALS

Mary Jo Piña	Municipal Judge
Dennis Gallegos	Village Clerk
Kenneth C. Downes & Assoc. P.C.	Attorney

CHAMA HOUSING AUTHORITY

Tommy Baeza	Chairman
Mary Jo Piña	Vice Chairman
Miranda Holm	Commissioner
Francis DeYapp	Commissioner
Mike Trujillo	Executive Director

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FINANCIAL STATEMENTS SECTION

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INDEPENDENT AUDITORS' REPORT

Jennifer Gallegos, Mayor
and
Village Council
Village of Chama, New Mexico
and
Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

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, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental funds and the budgetary comparisons for the major capital project funds and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Chama, New Mexico, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance 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, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project funds and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 Government 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the Village's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

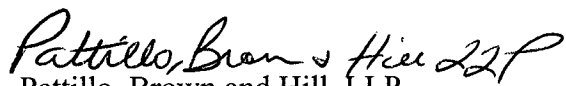
The additional schedules listed as "Other Supplementary Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to

the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.


Pattillo, Brown and Hill, LLP
Albuquerque, New Mexico
November 10, 2014

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 648,003	\$ 14,293	\$ 662,296	\$ 23,962
Investments	149,031	52,800	201,831	59,094
Accounts receivable (net of allowance for uncollectible)	243,521	54,298	297,819	4,587
Prepaid expense	-	-	-	10,669
Total current assets	1,040,555	121,391	1,161,946	98,312
Noncurrent assets				
Restricted cash	-	28,944	28,944	6,746
Restricted investments	-	109,357	109,357	-
Capital assets				
Land	64,190	3,333	67,523	32,200
Construction in progress	231,371	-	231,371	-
Intangible assets - water rights	-	61,100	61,100	-
Capital assets being depreciated, net	1,955,766	4,764,936	6,720,702	1,865,772
Total noncurrent assets	2,251,327	4,967,670	7,218,997	1,904,718
 Total assets	 3,291,882	 5,089,061	 8,380,943	 2,003,030

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	62,030	-	62,030	29,317
Accrued payroll liabilities	-	-	-	749
Accrued sales tax expense	-	1,135	1,135	-
Accrued interest expense	-	2,000	2,000	-
Current portion long term debt	-	23,270	23,270	-
Current portion landfill closure costs	-	3,550	3,550	-
Customer deposits	-	56,221	56,221	6,540
Total current liabilities	62,030	86,176	148,206	36,606
Noncurrent liabilities				
Compensated absences	6,934	-	6,934	-
Note payable	100,000	-	100,000	-
Capital lease obligation (less current portion)	-	-	-	-
Revenue bonds (less current portion)	-	70,000	70,000	-
Landfill (less current portion)	-	60,350	60,350	-
Total noncurrent liabilities	106,934	130,350	237,284	-
Total liabilities	168,964	216,526	385,490	36,606
DEFERRED INFLOWS OF RESOURCES				
Unearned grant revenue	80,000	-	80,000	-
Total deferred inflows of resources	80,000	-	80,000	-
NET POSITION				
Net investment in capital assets	2,151,327	4,736,099	6,887,426	1,897,972
Restricted for				
Capital projects	242,505	-	242,505	-
Debt service	-	138,301	138,301	-
Unrestricted	649,086	(1,865)	647,221	68,452
Total net position	\$ 3,042,918	\$ 4,872,535	\$ 7,915,453	\$ 1,966,424

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

<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	\$ 644,611	\$ 45,655	\$ 90,000	\$ -
Public safety	288,656	2,741	97,874	-
Public works	272,268	-	-	183,868
Culture and recreation	<u>160,930</u>	<u>7,738</u>	<u>18,005</u>	<u>-</u>
Total governmental activities	<u>1,366,465</u>	<u>56,134</u>	<u>205,879</u>	<u>183,868</u>
Business-type activities				
Sewer	277,019	117,597	-	-
Solid waste	143,695	99,885	-	-
Water	<u>296,822</u>	<u>177,346</u>	<u>-</u>	<u>368,659</u>
Total business-type activities	<u>717,536</u>	<u>394,828</u>	<u>-</u>	<u>368,659</u>
Total primary government	<u>\$ 2,084,001</u>	<u>\$ 450,962</u>	<u>\$ 205,879</u>	<u>\$ 552,527</u>
Component Unit				
Village of Chama Housing Authority	<u>\$ 247,529</u>	<u>\$ 114,210</u>	<u>\$ 88,581</u>	<u>\$ 43,320</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Sales

Franchise

Lodgers

Other

Investment earnings

Miscellaneous

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$(508,956)	\$ -	\$(508,956)	\$ -
(188,041)	-	(188,041)	-
(88,400)	-	(88,400)	-
<u>(135,187)</u>	<u>-</u>	<u>(135,187)</u>	<u>-</u>
<u>(920,584)</u>	<u>-</u>	<u>(920,584)</u>	<u>-</u>
-	(159,422)	(159,422)	-
-	(43,810)	(43,810)	-
<u>-</u>	<u>249,183</u>	<u>249,183</u>	<u>-</u>
<u>-</u>	<u>45,951</u>	<u>45,951</u>	<u>-</u>
<u>(920,584)</u>	<u>45,951</u>	<u>(874,633)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,418)</u>
86,557	-	86,557	-
781,301	46,337	827,638	-
66,961	-	66,961	-
82,545	-	82,545	-
54,964	-	54,964	-
897	239	1,136	173
<u>7,050</u>	<u>38</u>	<u>7,088</u>	<u>-</u>
<u>1,080,275</u>	<u>46,614</u>	<u>1,126,889</u>	<u>173</u>
<u>159,691</u>	<u>92,565</u>	<u>252,256</u>	<u>(1,245)</u>
<u>2,883,227</u>	<u>4,779,970</u>	<u>7,663,197</u>	<u>1,967,669</u>
<u>\$ 3,042,918</u>	<u>\$ 4,872,535</u>	<u>\$ 7,915,453</u>	<u>\$ 1,966,424</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>SAP Fund</u>	<u>Street Fund</u>
ASSETS			
Cash and cash equivalents	\$ 330,233	\$ 18,952	\$ 69,810
Investments	220	30,317	107,855
Accounts receivable (net of allowance for uncollectible)	<u>174,496</u>	<u>53,454</u>	<u>15,571</u>
 Total assets	 <u>\$ 504,949</u>	 <u>\$ 102,723</u>	 <u>\$ 193,236</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ <u>2,235</u>	\$ <u>53,454</u>	\$ <u>-</u>
 Total liabilities	 <u>2,235</u>	 <u>53,454</u>	 <u>-</u>
 Deferred Inflows of Resources			
Unearned grant revenue	-	-	-
Unavailable property taxes	<u>28,409</u>	<u>-</u>	<u>-</u>
	<u>28,409</u>	<u>-</u>	<u>-</u>
 Fund Balances			
Restricted for			
Special revenue	-	-	-
Capital projects	-	49,269	193,236
Unassigned	<u>474,305</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>474,305</u>	<u>49,269</u>	<u>193,236</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 504,949</u>	 <u>\$ 102,723</u>	 <u>\$ 193,236</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 229,008	\$ 648,003
10,639	149,031
-	243,521
\$ 239,647	\$ 1,040,555
\$ 6,341	\$ 62,030
6,341	62,030
80,000	80,000
-	28,409
80,000	108,409
153,306	153,306
-	242,505
-	474,305
153,306	870,116
\$ 239,647	\$ 1,040,555

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

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

Fund Balances - Total Governmental Funds		\$	870,116
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	(6,934)
	Note payable	(100,000)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
	Governmental capital assets		4,135,013
	Less accumulated depreciation	(<u>1,883,686</u>)	2,251,327
A portion of property taxes receivable is not available to pay current period expenditures and, therefore, is deferred in the funds.			<u>28,409</u>
Net position of governmental activities		\$	<u><u>3,042,918</u></u>

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

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>SAP Fund</u>	<u>Street Fund</u>
REVENUES			
Taxes:			
Property	\$ 83,087	\$ -	\$ -
Gross receipts	688,962	-	92,339
Franchise	66,961	-	-
Lodgers' taxes	-	-	-
State shared	54,964	-	-
Licenses and permits	8,891	-	-
Intergovernmental			
Federal	-	140,252	-
State	133,616	-	-
Charges for services	36,464	-	-
Fines	1,921	-	-
Interest on investments	391	93	329
Miscellaneous	7,783	-	-
Total revenues	<u>1,083,040</u>	<u>140,345</u>	<u>92,668</u>
EXPENDITURES			
Current operations			
General government	548,703	-	-
Public safety	159,477	-	-
Public works	227,646	-	125
Culture and recreation	44,565	-	-
Capital outlay	<u>58,154</u>	<u>188,571</u>	<u>114,022</u>
Total expenditures	<u>1,038,545</u>	<u>188,571</u>	<u>114,147</u>
Excess (deficiency) of revenues over expenditures	<u>44,495</u>	<u>(48,226)</u>	<u>(21,479)</u>
OTHER FINANCING SOURCES (USES):			
Debt proceeds	<u>-</u>	<u>57,200</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>57,200</u>	<u>-</u>
Net changes in fund balances	<u>44,495</u>	<u>8,974</u>	<u>(21,479)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>429,810</u>	<u>40,295</u>	<u>214,715</u>
FUND BALANCES, END OF YEAR	<u>\$ 474,305</u>	<u>\$ 49,269</u>	<u>\$ 193,236</u>

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 83,087
-	781,301
-	66,961
82,545	82,545
-	54,964
-	8,891
-	140,252
115,879	249,495
4,005	40,469
820	2,741
84	897
<u>3,300</u>	<u>11,083</u>
<u>206,633</u>	<u>1,522,686</u>
-	548,703
57,613	217,090
1,048	228,819
115,329	159,894
<u>7,350</u>	<u>368,097</u>
<u>181,340</u>	<u>1,522,603</u>
<u>25,293</u>	<u>83</u>
<u>-</u>	<u>57,200</u>
<u>-</u>	<u>57,200</u>
<u>25,293</u>	<u>57,283</u>
<u>128,013</u>	<u>812,833</u>
<u>\$ 153,306</u>	<u>\$ 870,116</u>

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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, 2014**

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

Net change in fund balances - total governmental funds	\$ 57,283
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A portion of property tax receivable is not available to pay current period expenditures and, therefore, is deferred in the funds.	3,470
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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	368,097
Depreciation expense	(212,473)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position

Issuance of long-term debt	(57,200)
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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>514</u>
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Change in net position of governmental activities	\$ <u>159,691</u>
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The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
GENERAL FUND
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Taxes				
Property	\$ 78,530	\$ 78,530	\$ 76,934	\$(1,596)
Gross receipts	702,700	702,700	688,035	(14,665)
Franchise	57,000	57,000	58,433	1,433
State shared	50,500	50,500	54,900	4,400
Licenses and permits	42,250	42,250	8,891	(33,359)
Intergovernmental				
State	100,000	140,000	133,616	(6,384)
Charges for services	15,000	15,000	36,464	21,464
Fines	3,250	3,250	1,921	(1,329)
Interest on investments	1,200	1,200	391	(809)
Miscellaneous	<u>10,500</u>	<u>10,500</u>	<u>7,783</u>	<u>(2,717)</u>
Total revenues	<u>1,060,930</u>	<u>1,100,930</u>	<u>1,067,368</u>	<u>(33,562)</u>
EXPENDITURES				
Current operations				
General government	597,014	603,837	549,972	53,865
Public safety	125,331	96,795	159,477	(62,682)
Public works	80,068	47,068	227,646	(180,578)
Culture and recreation	54,102	44,565	44,565	-
Capital outlay	<u>190,295</u>	<u>254,545</u>	<u>58,154</u>	<u>196,391</u>
Total expenditures	<u>1,046,810</u>	<u>1,046,810</u>	<u>1,039,814</u>	<u>6,996</u>
Net change in fund balance	<u>\$ 14,120</u>	<u>\$ 54,120</u>	<u>\$ 27,554</u>	<u>\$(26,566)</u>
Beginning cash and investment balance	<u>\$ 302,899</u>	<u>\$ 302,899</u>		

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

RECONCILIATION TO GAAP BASIS

Net increase (decrease) in fund balances budget basis	\$ 27,554
Change in receivables	19,142
Change in payables	1,269
Change in deferred revenue	<u>(3,470)</u>
Net change in fund balances GAAP basis	<u>\$ 44,495</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	<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	\$ 834	\$ 12,298	\$ 1,161	\$ 14,293
Investments	12,016	9,186	31,598	52,800
Accounts receivable (net of allowance for uncollectible)	<u>14,391</u>	<u>18,158</u>	<u>21,749</u>	<u>54,298</u>
Total current assets	<u>27,241</u>	<u>39,642</u>	<u>54,508</u>	<u>121,391</u>
Noncurrent assets				
Restricted cash	-	-	28,944	28,944
Restricted investments	-	-	109,357	109,357
Capital assets				
Land	2,500	-	833	3,333
Construction in progress	-	-	-	-
Intangible assets - water rights	-	-	61,100	61,100
Capital assets being depreciated, net	<u>3,260,947</u>	<u>41,429</u>	<u>1,462,560</u>	<u>4,764,936</u>
Total noncurrent assets	<u>3,263,447</u>	<u>41,429</u>	<u>1,662,794</u>	<u>4,967,670</u>
Total assets	<u>3,290,688</u>	<u>81,071</u>	<u>1,717,302</u>	<u>5,089,061</u>

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

	Sewer Fund	Solid Waste Fund	Water Fund	Total Proprietary Funds
LIABILITIES				
Current liabilities				
Accrued sales tax expense	382	22	731	1,135
Accrued interest expense	-	-	2,000	2,000
Capital lease obligation	-	13,270	-	13,270
Landfill payable	-	3,550	-	3,550
Bonds payable	-	-	10,000	10,000
Total current liabilities	<u>382</u>	<u>16,842</u>	<u>12,731</u>	<u>29,955</u>
Current liabilities payable from restricted assets				
Customer deposits payable	-	-	56,221	56,221
Noncurrent liabilities				
Landfill payable (less current portion)	-	60,350	-	60,350
Bonds payable (less current portion)	-	-	70,000	70,000
Total noncurrent liabilities	<u>-</u>	<u>60,350</u>	<u>70,000</u>	<u>130,350</u>
Total liabilities	<u>382</u>	<u>77,192</u>	<u>138,952</u>	<u>216,526</u>
NET POSITION				
Net investment in capital assets	3,263,447	28,159	1,444,493	4,736,099
Restricted for debt service	-	-	138,301	138,301
Unrestricted	<u>26,859</u>	<u>(24,280)</u>	<u>(4,444)</u>	<u>(1,865)</u>
Total net position	<u>\$ 3,290,306</u>	<u>\$ 3,879</u>	<u>\$ 1,578,350</u>	<u>\$ 4,872,535</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>
OPERATING REVENUES			
Charges for sales and services:			
Charges for services	\$ 117,597	\$ 99,885	\$ 177,346
Total operating revenues	<u>117,597</u>	<u>99,885</u>	<u>177,346</u>
OPERATING EXPENSES			
Cost of sales and services	13,908	-	26,445
Administration	978	112,627	4,315
Other operating expenses	95,122	13,347	139,441
Depreciation	<u>167,011</u>	<u>16,436</u>	<u>122,371</u>
Total operating expenses	<u>277,019</u>	<u>142,410</u>	<u>292,572</u>
Operating income (loss)	<u>(159,422)</u>	<u>(42,525)</u>	<u>(115,226)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	-	32	207
Interest expense	-	(1,285)	(4,250)
Miscellaneous revenue (expense)	(7)	21	24
Sales taxes	<u>-</u>	<u>46,337</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(7)</u>	<u>45,105</u>	<u>(4,019)</u>
Income (loss) before other financing sources (uses)	<u>(159,429)</u>	<u>2,580</u>	<u>(119,245)</u>
OTHER FINANCING SOURCES (USES):			
Capital grants - federal	-	-	368,659
Transfers in (out)	<u>(8,388)</u>	<u>16,776</u>	<u>(8,388)</u>
Total other financing sources (uses):	<u>(8,388)</u>	<u>16,776</u>	<u>360,271</u>
Change in net position	<u>(167,817)</u>	<u>19,356</u>	<u>241,026</u>
NET POSITION, BEGINNING OF YEAR	<u>3,458,123</u>	<u>(15,477)</u>	<u>1,337,324</u>
NET POSITION, END OF YEAR	<u>\$ 3,290,306</u>	<u>\$ 3,879</u>	<u>\$ 1,578,350</u>

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

**Total
Proprietary
Fund**

\$ 394,828

394,828

40,353

117,920

247,910

305,818

712,001

(317,173)

239

(5,535)

38

46,337

41,079

(276,094)

368,659

-

368,659

92,565

4,779,970

\$ 4,872,535

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<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	\$ 116,914	\$ 98,141	\$ 185,228	\$ 400,283
Cash payments to employees for services	(8,117)	-	-	(8,117)
Cash payments to suppliers for goods and services	(102,131)	(136,228)	(170,601)	(408,960)
Net cash provided (used) by operating activities	<u>6,666</u>	<u>(38,087)</u>	<u>14,627</u>	<u>(16,794)</u>
Cash flows from noncapital financing activities				
Taxes received	-	46,337	-	46,337
Transfers from other funds	-	16,776	-	16,776
Transfers to other funds	(8,388)	-	(8,388)	(16,776)
Net cash provided (used) by noncapital financing activities	<u>(8,388)</u>	<u>63,113</u>	<u>(8,388)</u>	<u>46,337</u>
Cash flows from capital and related financing activities				
Capital grants - federal	-	-	368,659	368,659
(Acquisition) disposition of capital assets	-	-	(368,575)	(368,575)
Principal paid on debt	-	(24,915)	(10,000)	(34,915)
Interest paid on debt	-	(1,285)	(4,250)	(5,535)
Net cash provided (used) by capital financing activities	<u>-</u>	<u>(26,200)</u>	<u>(14,166)</u>	<u>(40,366)</u>
Cash flows from investing activities				
Purchase of investments	-	(27)	(187)	(214)
Interest on investments	-	32	207	239
Net cash provided (used) by noncapital investing activities	<u>-</u>	<u>5</u>	<u>20</u>	<u>25</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,722)</u>	<u>(1,169)</u>	<u>(7,907)</u>	<u>(10,798)</u>
Unrestricted cash and equivalents beginning of year	2,556	13,467	14,863	30,886
Restricted cash beginning of year	-	-	23,149	23,149
Total cash and equivalents beginning of year	<u>2,556</u>	<u>13,467</u>	<u>38,012</u>	<u>54,035</u>
Cash and equivalents end of year	<u>\$ 834</u>	<u>\$ 12,298</u>	<u>\$ 30,105</u>	<u>\$ 43,237</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	\$(159,422)	\$(42,525)	\$(115,226)	\$(317,173)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:				
Depreciation expense	167,011	16,436	122,371	305,818
Decrease (increase) in customer receivable	(683)	(1,744)	49	(2,378)
Increase (decrease) in accounts payable	-	(6,382)	-	(6,382)
Increase (decrease) in accrued liabilities	(240)	(322)	(400)	(962)
Increase (decrease) in customer deposits	-	-	7,833	7,833
Increase (decrease) in landfill closure costs	-	(3,550)	-	(3,550)
Net cash provided by operating activities	<u>\$ 6,666</u>	<u>\$(38,087)</u>	<u>\$ 14,627</u>	<u>\$(16,794)</u>
CASH PER FINANCIAL STATEMENTS				
Cash and cash equivalents	\$ 834	\$ 12,298	\$ 1,161	\$ 14,293
Restricted cash	-	-	28,944	28,944
Cash and equivalents end of year	<u>\$ 834</u>	<u>\$ 12,298</u>	<u>\$ 30,105</u>	<u>\$ 43,237</u>

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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 Housing Authority and then approved by 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.

The government-wide financial statements (i.e., the statement of net position 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.

Property, franchise, sales and lodgers' 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 Project – SAP Fund** is to account for State Appropriated funds for improvements to the water and sewer system, Senior Center and various paving projects throughout the Village.

The **Capital Project – Street Fund** is 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 and state grants for street improvements.

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.

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.

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, Net Position and Fund Balance

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.

Property Taxes

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has two types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable property taxes and unavailable grant revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 position.

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.

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 Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on the use either through the enabling legislation 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.

New Accounting Pronouncements

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were

previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The Village had adopted GASB 65 for the year ending June 30, 2014.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, becomes effective in the fiscal year ending June 30, 2015. The new standard will substantially change accounting and financial reporting for the Village's participation in the Public Employees Retirement System (PERA), a cost sharing multiple-employer defined benefit retirement plan. The new standard will require the Village's financial statements that use the economic resources measurement focus and accrual accounting to recognize a liability for the Village's proportionate share of PERA's net pension liability, to recognize pension expense, and to report deferred outflows of resources and deferred inflows of resources related to pensions, for their proportionate shares of PERA's collective pension expense and collective deferred outflows of resources and deferred inflows of resources.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for Governmental and Enterprise Funds in this report are on the non-GAAP budgetary basis and actual (cash basis).

Deposits

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

Cash, Cash Equivalents

	Balance Per Bank June 30	Add Deposits In Transit	Less Outstanding Checks	Balance Per Books June 30
Washington Federal				
Checking Accounts				
General	\$ 161,863	\$ 16	\$ 13,091	\$ 148,788
Cemetery	3,913	-	-	3,913
EMS	2,797	-	-	2,797
Fire	171,738	-	105	171,633
Law Enforcement	25,606	-	9,813	15,793
Library	19,020	28	-	19,048
Lodgers' Tax	10,504	-	-	10,504
Recreation	490	-	-	490
LGD	4,830	-	-	4,830
Sewer	5,792	-	4,959	833
Solid Waste	12,188	110	-	12,298
Water Fund - Int Sinking	2,078	-	-	2,078
Water Fund	6,625	-	5,473	1,152
Water Fund - Meter Deposit	26,665	600	399	26,866
Capital Projects - Street	918	633	1,073	478
Capital Projects - SAP	18,952	-	-	18,952
Chama Days	1,599	-	-	1,599
CDBG	(2)	11	-	9
Infrastructure	69,332	-	-	69,332
Certificates of Deposit	219,437	-	-	219,437
Savings	179,846	-	-	179,846
Community Bank				
Certificates of Deposit	<u>91,752</u>	<u>-</u>	<u>-</u>	<u>91,752</u>
Total Cash in Banks	<u>\$ 1,035,943</u>	<u>\$ 1,398</u>	<u>\$ 34,913</u>	<u>\$ 1,002,428</u>

As Reported in Financial Statements:

Equity in Cash:	Cash	\$	662,296
	Restricted Cash		28,944
	Investments		201,831
	Restricted Investments		<u>109,357</u>
		\$	<u><u>1,002,428</u></u>

Cash, Cash Equivalents – Component Unit

	Balance Per Bank June 30	Add Deposits In Transit	Less Outstanding Checks	Balance Per Books June 30
Washington Federal				
Checking Accounts				
General	\$ 23,655	\$ -	\$ 2,890	\$ 20,765
Security Deposits	6,746	-	-	6,746
CFP	3,152	-	-	3,152
Certificates of Deposit	<u>59,094</u>	<u>-</u>	<u>-</u>	<u>59,094</u>
 Total Cash in Banks	 <u>\$ 92,647</u>	 <u>\$ -</u>	 <u>\$ 2,890</u>	 \$ 89,757
 Petty Cash				 <u>45</u>
 Total Cash per Books				 <u>\$ 89,802</u>

As Reported in Financial Statements:

Equity in Cash	Cash	\$	23,962
	Restricted Cash		6,746
	Investments		<u>59,094</u>
		\$	<u><u>89,802</u></u>

Pledged Collateral

	Washington Federal	Community Bank	Total
Deposits	\$ 944,191	\$ 91,752	\$ 1,035,943
FDIC	469,438	91,752	561,190
Total uninsured public funds	474,753	-	474,753
Collateral pledged:			
Bank of America NC			
FHLMC Gold PC A94288;			
Cusip 3620E0NW2; 8/20/2061			
	1,188,118	-	1,188,118
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Collateral requirement (50% of uninsured funds)	\$ 237,377	\$ -	\$ 237,377
Pledged collateral	1,188,118	-	1,188,118
Over (under) collateralized	\$ 950,742	\$ -	\$ 950,742

Pledged Collateral – Component Unit

	Washington Federal	Total
Deposits	\$ 92,647	\$ 92,647
FDIC	92,647	92,647
Total uninsured public funds	-	-
Collateral pledged:	-	-
Uninsured and uncollateralized	\$ -	\$ -

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, 2014, \$474,753 of the Village's bank balance of \$1,035,943 was exposed to custodial credit risk as follows:

	Washington Federal	Community Bank	Total
Uninsured and collateral held by pledging bank's trust department in the Bank's name	\$ 474,753	\$ -	\$ 474,753
Total	\$ 474,753	\$ -	\$ 474,753

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, 2014, none of the Component Unit’s bank balance of \$92,647 was exposed to custodial risk.

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>Street</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Water</u>	
Receivables:							
Customer	\$ -	\$ -	\$ -	\$ 20,558	\$ 17,229	\$ 31,155	\$ 68,942
Taxes							
Property	37,349	-	-	-	-	-	37,349
Franchise	17,653	-	-	-	-	-	17,653
Gross receipts	116,220	-	15,571	-	7,821	-	139,612
Motor vehicle fees	3,274	-	-	-	-	-	3,274
Other governments	-	53,454	-	-	-	-	53,454
Gross receivables	174,496	53,454	15,571	20,558	25,050	31,155	320,284
Less: allowance for uncollectible	-	-	-	6,167	6,892	9,406	22,465
Net receivables	<u>\$ 174,496</u>	<u>\$ 53,454</u>	<u>\$ 15,571</u>	<u>\$ 14,391</u>	<u>\$ 18,158</u>	<u>\$ 21,749</u>	<u>\$ 297,819</u>

Receivables – Component Unit

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

Receivables:	
Customer accounts	\$ <u>6,266</u>
Gross receivables	6,266
Less: allowance for uncollectible	<u>1,679</u>
Net receivables	<u>\$ 4,587</u>

Capital Assets

Capital asset activity for the year ended June 30, 2014 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>42,800</u>	<u>188,571</u>	<u>-</u>	<u>-</u>	<u>231,371</u>
Total capital assets not being depreciated	<u>106,990</u>	<u>188,571</u>	<u>-</u>	<u>-</u>	<u>295,561</u>
Capital assets, being depreciated:					
Buildings and improvements	1,936,927	-	-	-	1,936,927
Equipment and other	1,019,680	7,350	-	-	1,027,030
Infrastructure	<u>703,319</u>	<u>172,176</u>	<u>-</u>	<u>-</u>	<u>875,495</u>
Total capital assets being depreciated	<u>3,659,926</u>	<u>179,526</u>	<u>-</u>	<u>-</u>	<u>3,839,452</u>
Less accumulated depreciation:					
Buildings and improvements	657,102	74,490	-	-	731,592
Equipment and other	633,597	64,113	-	-	697,710
Infrastructure	<u>380,514</u>	<u>73,870</u>	<u>-</u>	<u>-</u>	<u>454,384</u>
Total accumulated depreciation	<u>1,671,213</u>	<u>212,473</u>	<u>-</u>	<u>-</u>	<u>1,883,686</u>
Total capital assets being depreciated, net	<u>1,988,713</u>	<u>(32,947)</u>	<u>-</u>	<u>-</u>	<u>1,955,766</u>
Governmental activities capital assets, net	<u>\$ 2,095,703</u>	<u>\$ 155,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,251,327</u>

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 3,333	\$ -	\$ -	\$ -	\$ 3,333
Construction in progress	16,766	-	-	(16,766)	-
Water rights	61,100	-	-	-	61,100
Total capital assets not being depreciated	<u>81,199</u>	<u>-</u>	<u>-</u>	<u>(16,766)</u>	<u>64,433</u>
Capital assets, being depreciated:					
Buildings and improvements	8,864,336	368,575	-	16,766	9,249,677
Equipment and other	467,317	-	-	-	467,317
Total capital assets being depreciated	<u>9,331,653</u>	<u>368,575</u>	<u>-</u>	<u>16,766</u>	<u>9,716,994</u>
Less accumulated depreciation:					
Buildings and improvements	4,285,830	277,264	-	-	4,563,094
Equipment and other	360,410	28,554	-	-	388,964
Total accumulated depreciation	<u>4,646,240</u>	<u>305,818</u>	<u>-</u>	<u>-</u>	<u>4,952,058</u>
Total capital assets being depreciated, net	<u>4,685,413</u>	<u>62,757</u>	<u>-</u>	<u>16,766</u>	<u>4,764,936</u>
Business-type activities capital assets, net	<u>\$ 4,766,612</u>	<u>\$ 62,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,829,369</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	2,919,420	117,259	-	-	3,036,679
Equipment and other	174,899	-	-	-	174,899
Total capital assets being depreciated	<u>3,094,319</u>	<u>117,259</u>	<u>-</u>	<u>-</u>	<u>3,211,578</u>
Less accumulated depreciation for:					
Buildings and improvements	1,158,163	73,093	-	-	1,231,256
Equipment and other	106,296	8,254	-	-	114,550
Total accumulated depreciation	<u>1,264,459</u>	<u>81,347</u>	<u>-</u>	<u>-</u>	<u>1,345,806</u>
Total capital assets being depreciated, net	<u>1,829,860</u>	<u>35,912</u>	<u>-</u>	<u>-</u>	<u>1,865,772</u>
Component unit capital assets, net	<u>\$ 1,862,060</u>	<u>\$ 35,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,897,972</u>

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

Governmental Activities:	
General government	\$ 97,737
Public safety	72,241
Public works	<u>42,495</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 212,473</u>
Business-type Activities:	
Sewer	\$ 167,011
Solid waste	16,436
Water	<u>122,371</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 305,818</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
	Sewer	Water	Solid Waste	
Solid Waste	\$ <u>8,388</u>	\$ <u>8,388</u>	\$ <u>-</u>	\$ <u>16,776</u>
Transfers out	8,388	8,388	-	16,776
Less transfers in	<u>-</u>	<u>-</u>	<u>16,776</u>	<u>16,776</u>
Net transfer	<u>\$ 8,388</u>	<u>\$ 8,388</u>	<u>\$(16,776)</u>	<u>\$ -</u>

SHORT TERM DEBT:

The Village does not have any short-term debt.

LONG TERM DEBT:

Description of Governmental-Type activities: Loans

In December 2011, the Village entered into an interim loan agreement with the New Mexico Environment Department (NMED). The loan of \$100,000 was approved by NMED to plan and design a new sewer treatment plant at an interest rate of 2% during construction. This loan is part of a grant-loan subsidy which is being funded from a federal grant to NMED from the Environmental Protection Agency (EPA). The Village has twenty-four months to initiate and achieve project completion. The first annual installment on the loan will be due within one year of the project completion date, but no later than one year after the date of the warrant of final distribution from NMED, and annually thereafter. Annual payments will be \$21,216 for 5 years. The Village has pledged the Municipal Infrastructure Gross Receipts Tax Revenues for the repayment of this agreement and note. This project has been extended through December 2015.

Description of Business-Type activities: Bonds

Water & Sewer and Utility Revenue Bonds:

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

<u>Series</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Outstanding</u>
Revenue Bonds:				
Series 1982 - Water	211,000	6/6/2022	5.00%	<u>80,000</u>
				<u>\$ 80,000</u>

The bond issue requires 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 the amounts calculated for the reserve required as of June 30, 2014.

<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 1982 - Water	\$ 10,000	\$ 1,275	\$176/mo.	\$ 21,100	\$ 21,100

At June 30, 2014 the Village had the following amounts accumulated in various water reserve funds:

<u>Required Reserves</u>	<u>Amount</u>
Bond interest and sinking	\$ 1,275
Bond reserve	21,100
Repair and replacement	<u>21,100</u>
	43,475
Actual reserve	<u>81,813</u>
Excess reserve	<u>\$ 38,338</u>

Bond and Loan Payable

A summary of the terms of revenue bonds outstanding for the business-type activities at June 30, 2014 follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 10,000	\$ 4,000
2016	10,000	3,500
2017	10,000	3,000
2018	10,000	2,500
2019	10,000	2,000
2020-2022	<u>30,000</u>	<u>3,000</u>
	<u>\$ 80,000</u>	<u>\$ 18,000</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 also 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, less accumulated depreciation of \$205,103, 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>
2015	<u>\$ 13,270</u>	<u>\$ 188</u>	<u>\$ 13,458</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Notes payable	\$ 42,800	\$ 57,200	\$ -	\$ 100,000	\$ -
Compensated absences	<u>7,448</u>	<u>16,315</u>	<u>16,829</u>	<u>6,934</u>	<u>-</u>
Governmental activities- long-term liabilities	<u>\$ 50,248</u>	<u>\$ 73,515</u>	<u>\$ 16,829</u>	<u>\$ 106,934</u>	<u>\$ -</u>
Business-type activities					
Revenue bonds	\$ 90,000	\$ -	\$ 10,000	\$ 80,000	\$ 10,000
Lease-purchase payable	<u>38,185</u>	<u>-</u>	<u>24,915</u>	<u>13,270</u>	<u>13,270</u>
Business-type activities- long-term liabilities	<u>\$ 128,185</u>	<u>\$ -</u>	<u>\$ 34,915</u>	<u>\$ 93,270</u>	<u>\$ 23,270</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 twelfth 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, 2014 of current and long-term post closure costs are \$3,550 and \$60,350 respectively. The Village expects to defray a portion of these costs with grants from the State of New Mexico and other available sources.

Restricted Net Position/ Reserved Fund Balances

The debt agreements of the Village require restricted cash balances of \$ 43,475 . The Village has restricted cash balances of \$81,813. The cash balances for the meter deposit accounts are also restricted in the amount of \$56,488. Therefore, a total of cash balances of \$138,301 are reported as restricted in the government-wide financial statements. That same amount is reported as reserved in the proprietary statement of net position.

POST-EMPLOYMENT BENEFITS:

Public Employees Retirement Association

Plan Description. Substantially all of the Village's full-time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

Funding Policy. Plan members are required to contribute 10.65% of their gross salary. The Village is required to contribute 9.15% of the gross covered salary. 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, 2014, 2013 and 2012 were \$30,262, \$38,238, and \$40,196, 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.

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 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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Village contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$5,936, \$7,738, and \$8,094, respectively, which equal the required contributions for each year.

Risk Management

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

Joint Power Agreements

The Village entered into a joint powers agreement with the New Mexico State Police Division on December 7, 2000. The agreement is for the New Mexico State Police to assist the Village in providing sufficient police coverage within the municipality limits, pursuant to NMSA 1978, Section 3-12-4(A). The Village is responsible for all operations. The Village will provide New Mexico State Police with a secretary and be responsible for all utilities for the office space. The Village will also use the funds from the Law Enforcement Grant to purchase equipment that the New Mexico State Police may use. During the fiscal year ending June 30, 2009, a vehicle was purchased in the Local Corrections Fund. This vehicle will be used by the New Mexico State Police to transport prisoners. The equipment purchased is to be returned to the Village upon termination of the agreement. The cost for the agreement is indeterminate. The audit responsibility lies with the Village. The agreement has no termination date.

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

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. In September 2014 the Village paid a penalty of \$10,000 to EPA in settlement of the violations.

In 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. The Village expended \$188,571 of the grant and loan funds during the fiscal year ending June 30, 2014.

Related Party Transactions

During the fiscal year ending June 30, 2014 the Village paid \$3,696 for trucking services to Russom Trucking. The business is owned by Ron Russom, a member of the Village Council.

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 Section 24-10A NMSA 1978, for use in the establishment and enhancement of local emergency medical services in order to reduce injury and loss of life.

LAW ENFORCEMENT FUND – To account for revenues received pursuant to the law enforcement protection fund as authorized by 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 Section 3-18-14 NMSA 1978.

LODGERS' 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 a four percent (4%) tax on lodging gross receipts within the Village of Chama. Section 3-38-15 (A) NMSA 1978 authorizes the Village to impose this tax. Monies in the Lodgers' Tax Fund may be used to build, operate, and maintain tourism related facilities.

RECREATION FUND – To account for the operations and maintenance of recreational facilities in the Village as authorized by Section 7-12-15 NMSA 1978. 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.

LOCAL CORRECTIONS FUND – To account for the collection of a mandatory correction fee for violations of any municipal ordinance as authorized by Section 35-14-11(B)(1) NMSA 1978. 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.

CEMETERY FUND – To account for the operations and maintenance of the Village's cemetery as authorized by Section 3-40-1 NMSA 1978.

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 Statue Section 59A-53-2, NMSA, 1978 compilation, requires the allotment be used only to operate fire departments.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>Special Revenue Funds</u>		
	EMS Fund	Law Enforcement Fund	Library Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,797	\$ 15,793	\$ 19,048
Investments	<u>1,838</u>	<u>-</u>	<u>-</u>
Total current assets	<u>\$ 4,635</u>	<u>\$ 15,793</u>	<u>\$ 19,048</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Current liabilities			
Accounts payable	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,395</u>
Total current liabilities	<u>-</u>	<u>-</u>	<u>1,395</u>
Deferred Inflows of Resources			
Unavailable grant revenue	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Restricted for:			
Special revenue	<u>4,635</u>	<u>15,793</u>	<u>17,653</u>
Total fund balances	<u>4,635</u>	<u>15,793</u>	<u>17,653</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,635</u>	<u>\$ 15,793</u>	<u>\$ 19,048</u>

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

Special Revenue Funds

<u>Lodgers' Tax Fund</u>	<u>Recreation Fund</u>	<u>Local Corrections Fund</u>	<u>Cemetery Fund</u>	<u>Fire Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 10,504	\$ 490	\$ 4,830	\$ 3,913	\$ 171,633	\$ 229,008
<u>-</u>	<u>542</u>	<u>4,145</u>	<u>4,114</u>	<u>-</u>	<u>10,639</u>
<u>\$ 10,504</u>	<u>\$ 1,032</u>	<u>\$ 8,975</u>	<u>\$ 8,027</u>	<u>\$ 171,633</u>	<u>\$ 239,647</u>
\$ 4,946	\$ -	\$ -	\$ -	\$ -	\$ 6,341
<u>4,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,341</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000</u>	<u>80,000</u>
<u>5,558</u>	<u>1,032</u>	<u>8,975</u>	<u>8,027</u>	<u>91,633</u>	<u>153,306</u>
<u>5,558</u>	<u>1,032</u>	<u>8,975</u>	<u>8,027</u>	<u>91,633</u>	<u>153,306</u>
<u>\$ 10,504</u>	<u>\$ 1,032</u>	<u>\$ 8,975</u>	<u>\$ 8,027</u>	<u>\$ 171,633</u>	<u>\$ 239,647</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, 2014**

	Special Revenue Funds		
	<u>EMS Fund</u>	<u>Law Enforcement Fund</u>	<u>Library Fund</u>
REVENUES			
Taxes			
Lodgers' taxes	\$ -	\$ -	\$ -
Gross receipts	-	-	-
Intergovernmental			
State	10,745	20,000	18,005
Charges for services	-	-	-
Fines	-	-	-
Interest on investments	5	6	4
Miscellaneous	19	19	836
	<u>10,769</u>	<u>20,025</u>	<u>18,845</u>
Total revenues			
EXPENDITURES			
Current operations			
Public safety	9,002	20,041	-
Public works	-	-	-
Culture and recreation	-	-	10,940
Capital outlay	-	-	7,350
	<u>9,002</u>	<u>20,041</u>	<u>18,290</u>
Total expenditures			
Net changes in fund balances	<u>1,767</u>	<u>(16)</u>	<u>555</u>
FUND BALANCE, BEGINNING OF YEAR	<u>2,868</u>	<u>15,809</u>	<u>17,098</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,635</u>	<u>\$ 15,793</u>	<u>\$ 17,653</u>

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

Special Revenue Funds					Total
<u>Lodgers' Tax Fund</u>	<u>Recreation Fund</u>	<u>Local Corrections Fund</u>	<u>Cemetery Fund</u>	<u>Fire Fund</u>	<u>Nonmajor Governmental Funds</u>
\$ 82,545	\$ -	\$ -	\$ -	\$ -	\$ 82,545
-	-	-	-	-	-
-	-	-	-	67,129	115,879
-	3,705	-	300	-	4,005
-	-	820	-	-	820
3	2	12	16	36	84
<u>2,352</u>	<u>26</u>	<u>18</u>	<u>12</u>	<u>18</u>	<u>3,300</u>
<u>84,900</u>	<u>3,733</u>	<u>850</u>	<u>328</u>	<u>67,183</u>	<u>206,633</u>
-	-	-	33	28,537	57,613
-	-	-	1,048	-	1,048
99,213	5,158	18	-	-	115,329
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,350</u>
<u>99,213</u>	<u>5,158</u>	<u>18</u>	<u>1,081</u>	<u>28,537</u>	<u>181,340</u>
(14,313)	(1,425)	832	(753)	38,646	25,293
<u>19,871</u>	<u>2,457</u>	<u>8,143</u>	<u>8,780</u>	<u>52,987</u>	<u>128,013</u>
<u>\$ 5,558</u>	<u>\$ 1,032</u>	<u>\$ 8,975</u>	<u>\$ 8,027</u>	<u>\$ 91,633</u>	<u>\$ 153,306</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)
EMS FUND
YEAR ENDED JUNE 30, 2014**

	<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	\$ 11,375	\$ 11,375	\$ 10,745	\$(630)
Interest on investments	-	-	5	5
Miscellaneous	-	-	19	19
Total revenues	<u>11,375</u>	<u>11,375</u>	<u>10,769</u>	<u>(606)</u>
EXPENDITURES				
Current operations				
Public safety	<u>7,500</u>	<u>9,003</u>	<u>9,002</u>	<u>1</u>
Total expenditures	<u>7,500</u>	<u>9,003</u>	<u>9,002</u>	<u>1</u>
Net change in fund balance	<u>\$ 3,875</u>	<u>\$ 2,372</u>	<u>\$ 1,767</u>	<u>\$(605)</u>
Beginning cash and investment balance	<u>\$ 2,868</u>	<u>\$ 2,868</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, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
State	\$ 20,000	\$ 20,035	\$ 20,000	\$(35)
Interest on investments	-	-	6	6
Miscellaneous	-	-	19	19
Total revenues	<u>20,000</u>	<u>20,035</u>	<u>20,025</u>	<u>(10)</u>
EXPENDITURES				
Current operations				
General government	-	-	-	-
Public safety	<u>20,000</u>	<u>20,011</u>	<u>20,041</u>	<u>(30)</u>
Total expenditures	<u>20,000</u>	<u>20,011</u>	<u>20,041</u>	<u>(30)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 24</u>	<u>\$(16)</u>	<u>\$(40)</u>
Beginning cash and investment balance	<u>\$ 15,809</u>	<u>\$ 15,809</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, 2014**

	<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	\$ 19,813	\$ 19,813	\$ 18,005	\$(1,808)
Interest on investments	-	-	4	4
Miscellaneous	<u>840</u>	<u>840</u>	<u>836</u>	<u>(4)</u>
Total revenues	<u>20,653</u>	<u>20,653</u>	<u>18,845</u>	<u>(1,808)</u>
EXPENDITURES				
Current operations				
Culture and recreation	13,253	13,253	13,035	218
Capital outlay	<u>7,400</u>	<u>7,400</u>	<u>7,350</u>	<u>50</u>
Total expenditures	<u>20,653</u>	<u>20,653</u>	<u>20,385</u>	<u>268</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$(1,540)</u>	<u>\$(1,540)</u>
Beginning cash and investment balance	<u>\$ 20,588</u>	<u>\$ 20,588</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(1,540)	
Change in payables			<u>2,095</u>	
Net change in fund balances GAAP basis			<u>\$ 555</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, 2014**

	<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' taxes	\$ 75,000	\$ 82,545	\$ 82,545	\$ -
Interest on investments	-	-	3	3
Miscellaneous	<u>1,000</u>	<u>4,000</u>	<u>2,352</u>	<u>(1,648)</u>
Total revenues	<u>76,000</u>	<u>86,545</u>	<u>84,900</u>	<u>(1,645)</u>
EXPENDITURES				
Current operations				
Culture and recreation	<u>76,000</u>	<u>96,800</u>	<u>96,798</u>	<u>2</u>
Total expenditures	<u>76,000</u>	<u>96,800</u>	<u>96,798</u>	<u>2</u>
Net change in fund balance	<u>\$ -</u>	<u>\$(10,255)</u>	<u>\$(11,898)</u>	<u>\$(1,643)</u>
Beginning cash and investment balance	<u>\$ 22,402</u>	<u>\$ 22,402</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(11,898)	
Change in payables			<u>(2,415)</u>	
Net change in fund balances GAAP basis			<u>\$(14,313)</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, 2014**

	<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	\$ 6,000	\$ 6,000	\$ 3,705	\$(2,295)
Interest on investments	-	-	2	2
Miscellaneous	-	-	26	26
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>3,733</u>	<u>(2,267)</u>
EXPENDITURES				
Current operations				
Culture and recreation	<u>6,000</u>	<u>6,000</u>	<u>5,158</u>	<u>842</u>
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>5,158</u>	<u>842</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$(1,425)</u>	<u>\$(1,425)</u>
Beginning cash and investment balance	<u>\$ 2,457</u>	<u>\$ 2,457</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, 2014**

	<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	\$ 1,350	\$ 1,350	\$ 820	\$(530)
Interest on investments	-	-	12	12
Miscellaneous	<u>150</u>	<u>150</u>	<u>18</u>	<u>(132)</u>
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>850</u>	<u>(650)</u>
EXPENDITURES				
Current operations				
Culture and recreation	<u>-</u>	<u>18</u>	<u>18</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>18</u>	<u>18</u>	<u>-</u>
Net change in fund balance	<u>\$ 1,500</u>	<u>\$ 1,482</u>	<u>\$ 832</u>	<u>\$(650)</u>
Beginning cash and investment balance	<u>\$ 8,143</u>	<u>\$ 8,143</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Charges for services	\$ 1,650	\$ 1,650	\$ 300	\$(1,350)
Interest on investments	-	-	16	16
Miscellaneous	<u>-</u>	<u>-</u>	<u>12</u>	<u>12</u>
Total revenues	<u>1,650</u>	<u>1,650</u>	<u>328</u>	<u>(1,322)</u>
EXPENDITURES				
Current operations				
Public safety	1,000	2,000	33	1,967
Public works	<u>-</u>	<u>-</u>	<u>1,048</u>	<u>(1,048)</u>
Total expenditures	<u>1,000</u>	<u>2,000</u>	<u>1,081</u>	<u>919</u>
Net change in fund balance	<u>\$ 650</u>	<u>\$(350)</u>	<u>\$(753)</u>	<u>\$(403)</u>
Beginning cash and investment balance	<u>\$ 8,780</u>	<u>\$ 8,780</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, 2014**

	<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	\$ 67,500	\$ 147,500	\$ 147,129	\$(371)
Interest on investments	-	-	36	36
Miscellaneous	<u>3,500</u>	<u>3,500</u>	<u>18</u>	<u>(3,482)</u>
Total revenues	<u>71,000</u>	<u>151,000</u>	<u>147,183</u>	<u>(3,817)</u>
EXPENDITURES				
Current operations				
Public safety	<u>71,000</u>	<u>151,000</u>	<u>31,537</u>	<u>119,463</u>
Total expenditures	<u>71,000</u>	<u>151,000</u>	<u>31,537</u>	<u>119,463</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,646</u>	<u>\$ 115,646</u>
Beginning cash and investment balance	<u>\$ 55,987</u>	<u>\$ 55,987</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 115,646	
Change in payables			3,000	
Unavailable grant revenue			<u>(80,000)</u>	
Net change in fund balances GAAP basis			<u>\$ 38,646</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Intergovernmental				
Federal	\$ 632,823	\$ 650,000	\$ 86,798	\$(563,202)
Interest on investments	-	-	93	93
Total revenues	<u>632,823</u>	<u>650,000</u>	<u>86,891</u>	<u>(563,109)</u>
EXPENDITURES				
Capital outlay	<u>615,000</u>	<u>615,000</u>	<u>135,117</u>	<u>479,883</u>
Total expenditures	<u>615,000</u>	<u>615,000</u>	<u>135,117</u>	<u>479,883</u>
Excess (deficiency) of revenues over expenditures	<u>17,823</u>	<u>35,000</u>	<u>(48,226)</u>	<u>(83,226)</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	<u>100,000</u>	<u>100,000</u>	<u>57,200</u>	<u>(42,800)</u>
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>57,200</u>	<u>(42,800)</u>
Net change in fund balance	<u>\$ 117,823</u>	<u>\$ 135,000</u>	<u>\$ 8,974</u>	<u>\$(126,026)</u>
Beginning cash and investment balance	<u>\$ 40,295</u>	<u>\$ 40,295</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 8,974	
Change in receivables			10,654	
Change in payables			<u>(10,654)</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)
STREET FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
REVENUES				
Taxes				
Gross receipts	\$ 75,000	\$ 92,177	\$ 92,177	\$ -
Interest on investments	<u>1,000</u>	<u>1,000</u>	<u>329</u>	<u>(671)</u>
Total revenues	<u>76,000</u>	<u>93,177</u>	<u>92,506</u>	<u>(671)</u>
EXPENDITURES				
Current operations				
Public works	130	130	125	5
Capital outlay	<u>114,870</u>	<u>114,870</u>	<u>114,022</u>	<u>848</u>
Total expenditures	<u>115,000</u>	<u>115,000</u>	<u>114,147</u>	<u>853</u>
Net change in fund balance	<u><u>\$ (39,000)</u></u>	<u><u>\$ (21,823)</u></u>	<u><u>\$ (21,641)</u></u>	<u><u>\$ 182</u></u>
Beginning cash and investment balance	<u><u>\$ 199,306</u></u>	<u><u>\$ 199,306</u></u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(21,641)	
Change in receivables			<u>162</u>	
Net change in fund balances GAAP basis			<u><u>\$(21,479)</u></u>	

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

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
BUDGET and ACTUAL
SEWER FUND
YEAR ENDED JUNE 30, 2014**

	<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	\$ 130,000	\$ 130,000	\$ 117,597	\$(12,403)
Total operating revenues	<u>130,000</u>	<u>130,000</u>	<u>117,597</u>	<u>(12,403)</u>
OPERATING EXPENSES				
Cost of sales and services	24,620	24,620	13,908	10,712
Administration	980	980	978	2
Other operating expenses	<u>96,000</u>	<u>96,000</u>	<u>95,122</u>	<u>878</u>
Total operating expenses	<u>121,600</u>	<u>121,600</u>	<u>110,008</u>	<u>11,592</u>
Operating income (loss)	<u>8,400</u>	<u>8,400</u>	<u>7,589</u>	<u>(811)</u>
NONOPERATING REVENUES (EXPENSES)				
Miscellaneous expense	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>(7)</u>
Nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>(7)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(8,400)</u>	<u>(8,400)</u>	<u>(8,388)</u>	<u>12</u>
Other financing sources (uses)	<u>(8,400)</u>	<u>(8,400)</u>	<u>(8,388)</u>	<u>12</u>
NON-BUDGETED ITEMS				
Depreciation	<u>-</u>	<u>-</u>	<u>(167,011)</u>	<u>(167,011)</u>
Total non-budgeted items	<u>-</u>	<u>-</u>	<u>(167,011)</u>	<u>(167,011)</u>
Net income (loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$(167,817)</u>	<u>\$(167,817)</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 POSITION
BUDGET and ACTUAL
SOLID WASTE FUND
YEAR ENDED JUNE 30, 2014**

	<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	\$ <u>100,000</u>	\$ <u>102,739</u>	\$ <u>99,885</u>	\$(<u>2,854</u>)
Total operating revenues	<u>100,000</u>	<u>102,739</u>	<u>99,885</u>	<u>(2,854)</u>
OPERATING EXPENSES				
Administration	135,500	136,215	112,627	23,588
Other operating expenses	<u>14,000</u>	<u>14,000</u>	<u>13,347</u>	<u>653</u>
Total operating expenses	<u>149,500</u>	<u>150,215</u>	<u>125,974</u>	<u>24,241</u>
Operating income (loss)	<u>(49,500)</u>	<u>(47,476)</u>	<u>(26,089)</u>	<u>21,387</u>
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	100	100	32	(68)
Interest expense	-	-	(1,285)	(1,285)
Miscellaneous revenue	-	-	21	21
Sales taxes	<u>50,000</u>	<u>50,000</u>	<u>46,337</u>	<u>(3,663)</u>
Nonoperating revenues (expenses)	<u>50,100</u>	<u>50,100</u>	<u>45,105</u>	<u>(4,995)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>16,776</u>	<u>16,776</u>
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>16,776</u>	<u>16,776</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>\$ 600</u>	<u>\$ 2,624</u>	<u>\$ 19,356</u>	<u>\$ 16,732</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 POSITION
BUDGET and ACTUAL
WATER FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 195,000	\$ 195,000	\$ 177,346	\$(17,654)
Total operating revenues	<u>195,000</u>	<u>195,000</u>	<u>177,346</u>	<u>(17,654)</u>
OPERATING EXPENSES				
Cost of sales and services	27,000	27,000	26,445	555
Administration	4,400	4,400	4,315	85
Other operating expenses	<u>146,500</u>	<u>160,500</u>	<u>139,441</u>	<u>21,059</u>
Total operating expenses	<u>177,900</u>	<u>191,900</u>	<u>170,201</u>	<u>21,699</u>
Operating income (loss)	<u>17,100</u>	<u>3,100</u>	<u>7,145</u>	<u>4,045</u>
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	-	-	207	207
Miscellaneous revenue			24	24
Interest expense	<u>-</u>	<u>-</u>	<u>(4,250)</u>	<u>(4,250)</u>
Nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>(4,019)</u>	<u>(4,019)</u>
OTHER FINANCING SOURCES (USES)				
Capital grants - federal	400,000	400,000	368,659	(31,341)
Transfers in (out)	<u>(14,500)</u>	<u>(14,500)</u>	<u>(8,388)</u>	<u>6,112</u>
Other financing sources (uses)	<u>385,500</u>	<u>385,500</u>	<u>360,271</u>	<u>(25,229)</u>
NON-BUDGETED ITEMS				
Depreciation	<u>-</u>	<u>-</u>	<u>(122,371)</u>	<u>(122,371)</u>
Total non-budgeted items	<u>-</u>	<u>-</u>	<u>(122,371)</u>	<u>(122,371)</u>
Net income (loss)	<u>\$ 402,600</u>	<u>\$ 388,600</u>	<u>\$ 241,026</u>	<u>\$(147,574)</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 POSITION
COMPONENT UNIT - HOUSING AUTHORITY
JUNE 30, 2014**

ASSETS

Current assets	
Cash and cash equivalents	\$ 23,962
Investments	59,094
Accounts receivable	4,587
Prepaid expense	<u>10,669</u>
Total current assets	<u>98,312</u>
Noncurrent assets	
Restricted cash	6,746
Capital assets	
Land	32,200
Capital assets being depreciated, net	<u>1,865,772</u>
Total noncurrent assets	<u>1,904,718</u>
Total assets	<u>2,003,030</u>

LIABILITIES

Current liabilities	
Accounts payable	29,317
Accrued payroll liabilities	<u>749</u>
Total current liabilities	30,066
Current liabilities payable from restricted assets	
Customer deposits payable	<u>6,540</u>
Total liabilities	<u>36,606</u>

NET POSITION

Invested in capital assets, net of related debt	1,897,972
Unrestricted	<u>68,452</u>
Total net position	<u>\$ 1,966,424</u>

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
COMPONENT UNIT - HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2014**

OPERATING REVENUES

Charges for services	\$ 63,854
Operating grants	88,581
Other charges	<u>50,356</u>
 Total operating revenues	 <u>202,791</u>

OPERATING EXPENSES

Administration	137,586
Other operating expenses	28,596
Depreciation	<u>81,347</u>
 Total operating expenses	 <u>247,529</u>

Operating income (loss) (44,738)

NONOPERATING REVENUES (EXPENSES)

Interest revenue	173
Capital fund program grant - federal	<u>43,320</u>
 Nonoperating revenues (expenses)	 <u>43,493</u>

Change in net position (1,245)

NET POSITION, BEGINNING OF YEAR 1,967,669

NET POSITION, END OF YEAR \$ 1,966,424

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF CASH FLOWS
COMPONENT UNIT - HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2014**

Cash flows from operating activities

Cash received from customers	\$ 112,314
Cash received from HUD operating grants	88,581
Cash payments to employees for services	(70,153)
Cash payments to supplies for goods and services	(79,665)
Net cash provided by operating activities	<u>51,077</u>

Cash flows from capital and related financing activities

Cash received from grants	43,320
(Acquisition) disposition of capital assets	(117,259)
Net cash provided (used) by capital financing activities	<u>(73,939)</u>

Cash flows from investing activities

Sale of investments	34,849
Interest on investments	<u>173</u>
Net cash provided (used) by noncapital investing activities	<u>35,022</u>

Net increase (decrease) in cash and cash equivalents	<u>12,160</u>
--	---------------

Unrestricted cash and equivalents beginning of year	12,736
Restricted cash beginning of year	<u>5,812</u>
Total cash and equivalents beginning of year	<u>18,548</u>

Cash and equivalents end of year	<u><u>\$ 30,708</u></u>
----------------------------------	-------------------------

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

Operating income	\$(44,738)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:	
Depreciation expense	81,347
Decrease (increase) in customer receivable	(2,341)
Increase (decrease) in accounts payable	18,704
Increase (decrease) in accrued liabilities	(1,065)
Increase (decrease) in customer deposits	445
Increase (decrease) in prepaid expense	(1,275)
Net cash provided by operating activities	<u>\$ 51,077</u>

CASH PER FINANCIAL STATEMENTS

Cash and cash equivalents	\$ 23,962
Restricted cash	<u>6,746</u>
Cash and equivalents end of year	<u>\$ 30,708</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
BUDGET and ACTUAL
COMPONENT UNIT - HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 65,000	\$ 65,000	\$ 63,854	\$(1,146)
Operating grants	63,937	88,620	88,581	(39)
Other charges	<u>2,800</u>	<u>50,400</u>	<u>50,356</u>	<u>(44)</u>
Total operating revenues	<u>131,737</u>	<u>204,020</u>	<u>202,791</u>	<u>(1,229)</u>
OPERATING EXPENSE				
Administration	156,200	213,000	137,586	75,414
Other operating expenses	<u>30,000</u>	<u>30,000</u>	<u>28,596</u>	<u>1,404</u>
Total operating expenses	<u>186,200</u>	<u>243,000</u>	<u>166,182</u>	<u>76,818</u>
Operating income (loss)	<u>(54,463)</u>	<u>(38,980)</u>	<u>36,609</u>	<u>75,589</u>
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	500	500	173	(327)
CFP grant	<u>-</u>	<u>-</u>	<u>43,320</u>	<u>43,320</u>
Nonoperating revenues (expenses)	<u>500</u>	<u>500</u>	<u>43,493</u>	<u>42,993</u>
NON-BUDGETED ITEMS				
Depreciation	<u>-</u>	<u>-</u>	<u>(81,347)</u>	<u>(81,347)</u>
Total non-budgeted items	<u>-</u>	<u>-</u>	<u>(81,347)</u>	<u>(81,347)</u>
Net income (loss)	<u><u>\$(53,963)</u></u>	<u><u>\$(38,480)</u></u>	<u><u>\$(1,245)</u></u>	<u><u>\$ 37,235</u></u>

OTHER SUPPLEMENTARY INFORMATION

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
FINANCIAL DATA SCHEDULE
HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2014**

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
111	Cash - unrestricted	\$ 23,962	\$ -	\$ 23,962
100	Total cash	<u>23,962</u>	<u>-</u>	<u>23,962</u>
122	Accounts receivable - HUD other projects			
126	Accounts receivable - tenants - dwelling rents	8,095	-	8,095
126.1	Allowance for doubtful accounts - dwelling rents	<u>(3,508)</u>	<u>-</u>	<u>(3,508)</u>
120	Total receivables, net of allowance for doubtful accounts	<u>4,587</u>	<u>-</u>	<u>4,587</u>
131	Investments - unrestricted	59,094	-	59,094
142	Prepaid expense and other assets	<u>10,669</u>	<u>-</u>	<u>10,669</u>
150	Total current assets	<u>98,312</u>	<u>-</u>	<u>98,312</u>
114	Cash - tenant security deposits	<u>6,746</u>	<u>-</u>	<u>6,746</u>
161	Land	32,200	-	32,200
162	Buildings	2,137,635	-	2,137,635
163	Furniture, equipment and machinery - dwellings	158,445	-	158,445
164	Furniture, equipment and machinery - administration	66,312	-	66,312
165	Leasehold improvements	849,187	-	849,187
166	Accumulated depreciation	<u>(1,345,807)</u>	<u>-</u>	<u>(1,345,807)</u>
160	Total capital assets, net of accumulated depreciation	<u>1,897,972</u>	<u>-</u>	<u>1,897,972</u>
180	Total non-current assets	<u>1,904,718</u>	<u>-</u>	<u>1,904,718</u>
190	Total assets	<u>\$ 2,003,030</u>	<u>\$ -</u>	<u>\$ 2,003,030</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
FINANCIAL DATA SCHEDULE
HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2014**

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
312	Accounts Payable <=90 days	\$ 29,317	-	\$ 29,317
321	Accrued wage/payroll taxes payable	749	-	749
341	Tenant Security deposits	<u>6,540</u>	<u>-</u>	<u>6,540</u>
310	Total current liabilities	<u>36,606</u>	<u>-</u>	<u>36,606</u>
508.1	Net investment in capital assets	1,897,972	-	1,897,972
512.1	Unrestricted net position	<u>68,452</u>	<u>-</u>	<u>68,452</u>
513	Total equity/net position	<u>1,966,424</u>	<u>-</u>	<u>1,966,424</u>
600	Total liabilities and equity/net position	<u>\$ 2,003,030</u>	<u>\$ -</u>	<u>\$ 2,003,030</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
FINANCIAL DATA SCHEDULE
HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2014**

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	\$ 63,854	-	\$ 63,854
70400	Tenant revenue - other	<u>1,763</u>	<u>-</u>	<u>1,763</u>
70500	Total tenant revenue	65,617	-	65,617
70600	HUD PHA operating grants	88,581	-	88,581
70610	Capital Grants	-	43,320	43,320
71100	Investment income - restricted	173	-	173
71500	Other revenue	<u>48,593</u>	<u>-</u>	<u>48,593</u>
70000	Total revenues	<u>202,964</u>	<u>43,320</u>	<u>246,284</u>
91100	Administrative salaries	28,596	-	28,596
91200	Auditing fees	2,900	-	2,900
91400	Advertising and marketing	510	-	510
91500	Employee benefit contributions - administrative	16,133	-	16,133
91600	Office expenses	15,438	-	15,438
91800	Travel	3,242	-	3,242
91900	Other operating - administrative	<u>9,313</u>	<u>-</u>	<u>9,313</u>
91000	Total operating - administrative	<u>76,132</u>	<u>-</u>	<u>76,132</u>
93100	Water	642	-	642
93200	Electricity	4,405	-	4,405
93300	Gas	<u>2,109</u>	<u>-</u>	<u>2,109</u>
93000	Total utilities	<u>7,156</u>	<u>-</u>	<u>7,156</u>
94100	Ordinary maintenance and operations - labor	21,334	-	21,334
94200	Ordinary maintenance and operations - materials and other	21,911	-	21,911
94300	Ordinary maintenance and operations - contract costs	18,539	-	18,539
94500	Employee benefit contributions - ordinary maintenance	<u>4,090</u>	<u>-</u>	<u>4,090</u>
94000	Total maintenance	<u>65,874</u>	<u>-</u>	<u>65,874</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
FINANCIAL DATA SCHEDULE
HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2014**

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
96110	Property insurance	12,843	-	12,843
96120	Liability insurance	2,374	-	2,374
96130	Workmen's compensation	1,574	-	1,574
96140	All other insurance	<u>229</u>	<u>-</u>	<u>229</u>
96100	Total insurance premiums	<u>17,020</u>	<u>-</u>	<u>17,020</u>
96900	Total operating expenses	<u>166,182</u>	<u>-</u>	<u>166,182</u>
97000	Excess of operating revenue over operating expenses	<u>36,782</u>	<u>43,320</u>	<u>80,102</u>
97400	Depreciation expense	<u>78,916</u>	<u>2,431</u>	<u>81,347</u>
90000	Total expenses	<u>245,098</u>	<u>2,431</u>	<u>247,529</u>
10000	Excess operating revenue over operating expenses	<u>(42,134)</u>	<u>40,889</u>	<u>(1,245)</u>
11030	Beginning Net Position	<u>1,967,669</u>	<u>-</u>	<u>1,967,669</u>
11040-070	Equity transfers - in (out) from (to) CFP grants	40,889	-	40,889
11040-080	Equity transfers - in (out) from (to) low rent	<u>-</u>	<u>(40,889)</u>	<u>(40,889)</u>
11040	Equity transfers	<u>40,889</u>	<u>(40,889)</u>	<u>-</u>
	Ending Net Position	<u>\$ 1,966,424</u>	<u>\$ -</u>	<u>\$ 1,966,424</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
FINANCIAL DATA SCHEDULE
HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2014**

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
11190	Unit months available	456	-	456
11210	Number of unit months leased	436	-	436
11270	Excess cash	\$ 49,462	\$ -	\$ 49,462
11620	Building purchases	\$ 67,402		
11650	Leasehold improvement and equipment purchases	\$ 6,537	\$ 43,320	\$ 49,857

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2014**

Grantor Agency and Grant Title	Federal CFDA Number	Grant ID Number	Federal Expenditures
U.S. Environmental Protection Agency			
<i>Pass Through - New Mexico Environment</i>			
<i>Department</i>			
Capitalization Grants for Clean Water			
State Revolving Funds	66.458	CWSRF 013	\$ 188,571
Department of Housing and Urban Development			
<i>Pass Through - State of New Mexico</i>			
<i>Department of Finance and Administration</i>			
ARRA-CDBG-R; Water System			
Improvements	14.253	11-C-RS-I-01-G-09	368,659
<i>Direct</i>			
Public and Indian Housing			
Capital Fund Program		NM02P047501-13	43,320
Operating	14.850	NM04700000113D	21,015
Operating	14.850	NM04700000114D	<u>67,566</u>
Total Department of Housing and Urban Development			<u>500,560</u>
Total Federal Financial Awards Expenditures			<u>\$ 689,131</u>

Note A - Significant Accounting Policies:

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

Note B - Loan subsidy:

The accompanying schedule of expenditures of federal awards includes a grant and loan subsidy from the U.S. Environmental Protection Agency. The amount of the grant was \$850,000 with the loan subsidy being \$100,000. The loan subsidy was fully expended in the fiscal year ending June 30, 2014.

INDEPENDENT AUDITORS' 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*

Jennifer Gallegos, Mayor
and
Village Council
Village of Chama, New Mexico
and
Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the 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, 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, and the budgetary comparison of the general fund, of the Village of Chama, New Mexico, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village, presented as supplemental information, and have issued our report thereon dated November 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2014-001 and 2014-002.

Compliance and Other Matters

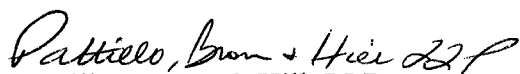
As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2013-003 and 2014-004.

Village of Chama, New Mexico's Response to Findings

The Village of Chama, New Mexico's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
November 10, 2014

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Jennifer Gallegos, Mayor
and
Village Council
Village of Chama
Chama, New Mexico
and
Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the Village of Chama, New Mexico's, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Village of Chama, New Mexico's major federal programs for the year ended June 30, 2014. The Village of Chama, New Mexico's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Village of Chama, New Mexico's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Chama, New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Village of Chama, New Mexico's compliance.

Opinion on Each Major Federal Program

In our opinion, the Village of Chama, New Mexico, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Village of Chama, New Mexico, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Village of Chama, New Mexico's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Village of Chama, New Mexico's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-005 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-006 to be a significant deficiency.

The Village of Chama's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village of Chama's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill LLP

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

Albuquerque, New Mexico

November 10, 2014

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting: Material weakness identified?	No
Significant deficiency identified not considered to be a material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weakness identified?	Yes
Significant deficiency identified not considered to be a material weakness?	Yes
Type of auditors’ report issued on compliance For major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.253	ARRA-CDBG-R; Water System Improvements

Dollar threshold used to distinguish Between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

II. Findings – Financial Statements Audit

Prior Year

- 2007-3 Preparation of Financial Statements – Resolved
- 2012-3 Late Submission of Audit Report – Resolved
- 2013-1 Deposit of Public Money – Resolved
- 2013-2 Outstanding Checks - Resolved
- 2013-3 Reconciliation of Utility Deposits – Modified and Repeated
- 2013-4 Procurement of Capital Assets – Resolved
- 2013-5 Annual Inventory – Component Unit – Resolved

Current Year

- 2014-001 Utility Auto Billing
- 2014-002 Expenditures in Excess of Budget
- 2013-003 (2013-3) Reconciliation of Utility Deposits
- 2014-004 Contractor Reporting

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

2014-001

**Utility Auto Billing
(significant deficiency)**

- Condition:** The Village of Chama auto-billed their water and sewer charges, with no manual or auto meter readings being performed for any utility customer during the year.
- Criteria:** NMSA 1978 3-27-4 states “A municipality owning and operating a water utility may for the purpose of maintaining and repairing water facilities levy by general ordinance a just and reasonable service charge upon volume-of-water or other reasonable basis.” The municipality cannot maintain and repair properly its utility infrastructure if the proper amount of revenues are not being collected.
- Effect:** Water and sewer customers were billed a set amount with no meter readings being taken during the year. This in effect could result in under billing customers based on actual water usage.
- Cause:** The Village has been using grant money to replace manual read meters with radio read meters. The Village has not had the trained staff, and software to read meters and bill customers for actual usage.
- Recommendation:** During the year meters should be read on a periodic basis and customers should be charged and billed for actual water usage.
- Response:** The Village of Chama has invested in new utility billing software and hired an employee, a certified level III Waste Water Operator, to assist with this issue. The Village is now currently reading and billing for commercial meters 1” and above and is on track to have the ability, manpower, training and software to read and bill for all meters by the summer of 2015.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

2014-002

**Expenditures in Excess of Budget
(compliance)**

- Condition:** Actual expenditures exceeded budgeted expenditures at the total fund level for the Law Enforcement Fund by \$30.
- Criteria:** The New Mexico State Statute, Section 6-6-6 NMSA 1978, requires that the Village keep expenditures within the budgeted amounts. NMAC 2.2.2.10 P(1) requires a finding when actual expenditures exceed budgeted expenditures.
- Effect:** The Village's expenditures in the above fund exceeded the approved budget by \$30 which is a violation of state statutes and can create cash short falls.
- Cause:** The Village failed to properly request a budget adjustment when expenditures in excess of the approved budget were necessary.
- Recommendation:** Budget adjustment requests should be presented to and approved by DFA before expending funds in excess of budget.
- Response:** In error, the amount requested for budget adjustment was \$11 rather than \$41. These expenditures were for bank service charges which occurred when the local Bank of America became Washington Federal.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

2013-003

Reconciliation of Utility Deposits
(other)

- Condition:** The Village utility software does not agree to the trial balance for the utility deposits. The utility deposit balance reported by the utility software is \$56,814 the utility deposit balance reported in the trial balance is \$56,221, a difference of \$593.
- Criteria:** NMAC 2.20.5.8 (C) states “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 Village does not have an accurate listing of the utility deposits.
- Cause:** During the year the Village changed utility software. During this process they have been working to resolve these differences. This had been an ongoing process with part of the prior year differences being resolved.
- Recommendation:** The Village Treasurer and the utility clerk should continue to spend time to research the difference between the trial balance and the utility software and update as necessary.
- Response:** The Village Treasurer and the utility clerk will continue to review the current utility deposits, and are working on the reconciliation.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

2014-004

**Contractor Reporting
(other)**

- Condition:** During cash disbursements testing it was noted that not all contractors were receiving 1099s. The cash disbursements testing included a sample of forty. Of that sample, one contractor had not been issued a 1099.
- Criteria:** Nonemployee compensation of \$600 or more is required to be reported on Form 1099-Misc per IRS Code Section 6041.
- Effect:** The Village is required to issue 1099s for contractors paid over \$600. Penalties up to \$100 per form can be levied by the IRS for failure to file the required information.
- Cause:** The Village over looked the information reporting required on at least one contractor. This contractor was not set up in their accounting software correctly.
- Recommendation:** The Village should ensure that when dealing with independent contractors, they are properly set up in their accounting software. This information should be reviewed in December to ensure all independent contractors are appropriately identified. Therefore at the end of the year the required information returns can be properly filed with the IRS.
- Response:** New procedures were put into place in late December 2013 to track 1099 contractors. This will not be an issue going forward.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

Section III – Findings and Questioned Costs – Major Federal Awards Program Audit

Prior Year

None

Current Year

2014-005 Cash Management

2014-006 Reporting

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

2014-005

**Cash Management
(material deficiency)**

Federal program information:

Funding agency:	U.S. Department of Housing and Urban Development
Title:	Community Development Block Grant (CDBG-R)
CFDA Number:	14.253
Award year and number:	2011, 11-C-RS-I-01-G-09

Condition:

The Village of Chama paid seven out of eight invoices to the contractor and engineer late, in excess of forty five days after the invoice date. Three of these invoices were paid after the money for the reimbursement request was deposited. Total paid to the contractor and engineer was \$463,728, with late paid invoices totaling \$310,967. Due to these late payments the Village incurred additional interest costs of \$15,000.

Criteria:

OMB A-133, Cash Management states “When entities are funded on a reimbursement basis, program cost must be paid for by entity funds before reimbursement is requested.” The grant agreement with the State of New Mexico Department of Finance and Administration further states “The grantee further agrees, in compliance with the Prompt Payment Act, Sections 57-28-1 through 57-28-11 NMSA 1978 (2001 Cum. Supp.), that the agreement between the Grantee and any contractor shall contain the following legend in clear and conspicuous type on each page of the plans including the bid plans and construction plans.” “Notice of Extended Payment Provision” “This contract allows the Grantee to make payment within 45 days after submission of an undisputed request for payment.”

Effect:

Noncompliance with the Prompt Payment Act and OMB A-133 allowed the Contractor to seek damages from the Village. The Village had to pay the Contractor an additional \$15,000 in interest due to late payment of invoices. By not following proper cash management policies, the Village could jeopardize their ability to receive additional federal funds in the future.

Questioned Costs:

None.

Cause:

During the grant period, the Village used North Central New Mexico Economic Development District (NCNMEDD) to manage this grant. During this time period the Village did not have a Treasurer. Due to this there was no Village employee that was designated to oversee the grant administrator, NCNMEDD, to ensure that grant invoices were paid timely.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

2014-005

Cash Management - continued
(material deficiency)

Recommendation: Even though the Village has hired a grant administrator, a Village employee should be appointed to oversee the grant project to insure that all requirements are being made in a timely manner and as required per the grant agreement.

Response: The Village of Chama now has a full-time Treasurer in place. The Treasurer will oversee all grants for the timeliness of payments and other grant requirements. The Village will also appoint a Village employee to oversee any outside hired grant administrators to insure that all requirements are being made in a timely manner.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

2014-006

**Reporting
(significant deficiency)**

Federal program information:

Funding agency:	U.S. Department of Housing and Urban Development
Title:	Community Development Block Grant (CDBG-R)
CFDA Number:	14.253
Award year and number:	2011, 11-C-RS-I-01-G-09

Condition: The Village of Chama was required to file periodic Progress Reports that were due each quarter during the grant period. The reporting period started with the quarter ending September 30, 2011 and the final report was for the quarter ending March 31, 2014. Of these eleven required quarterly reports, eight were filed late. Quarters September 30, 2011 to June 30, 2013 were all filed on September 25, 2013.

Criteria: OMB Circular A-133 Compliance Supplement L. Reporting states “The financial reporting requirements for subrecipients are as specified by the pass-through entity.” The grant agreement with the New Mexico Department of Finance and Administration required Progress Reports to be filed quarterly, “in order that the Division may adequately evaluate the progress of the Grant Agreement.”

Effect: The Village was not in compliance with reporting requirements based on the grant agreement with NMDFA, which could jeopardize future funding for Village projects.

Questioned Costs: None.

Cause: During the grant period, the Village used North Central New Mexico Economic Development District (NCNMEDD) to manage this grant. During this time period, the Village did not have a Treasurer. Due to this there was no Village employee that was designated to oversee the grant administrator, NCNMEDD, to ensure that grant reporting was done on a timely basis.

Recommendation: Even though the Village has hired a grant administrator, a Village employee should be appointed to oversee the grant project to insure that all requirements are being made in a timely manner and as required per the grant agreement.

Response: The Village of Chama now has a full-time Treasurer in place. The Treasurer will oversee all grants for the timeliness of reporting and other grant requirements. The Village will also appoint a Village employee to oversee any outside hired grant administrators to insure that all requirements are being made in a timely manner.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
OTHER DISCLOSURES
JUNE 30, 2014**

EXIT CONFERENCE

An exit conference was held on November 10, 2014 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

Scott Flury	Mayor Pro Tem
Marla Ulibarri	Treasurer
Gloria DeYapp	Clerk

Village of Chama, Housing Authority

Tommy Baeza	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.