

STATE OF NEW MEXICO
VILLAGE OF CHAMA
AUDIT REPORT
JUNE 30, 2017



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

TABLE OF CONTENTS

	<u>Page Number</u>
<u>INTRODUCTORY SECTION</u>	
Official Roster	1
<u>FINANCIAL STATEMENTS SECTION</u>	
Independent Auditors' Report	5
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	8
Statement of Activities	10
Fund Financial Statements	
Balance Sheet-Governmental Funds.....	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances Budget (Non-GAAP Basis) and Actual (Budgetary Basis):	
General Fund	20
Fire Fund	21
Statement of Net Position – Proprietary Funds.	22
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26
Notes to the Financial Statements	29
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of the Village's Proportionate Share of Net Pension Liability	62
Schedule of Village Contributions	63
Notes to Pension Required Supplementary Information	64
<u>SUPPLEMENTARY INFORMATION</u>	
Nonmajor Governmental Funds	67

TABLE OF CONTENTS (continued)

Combining and Individual Fund Financial Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	70
<u>COMPONENT UNIT</u>	
Statement of Net Position – Housing Authority.....	75
Statement of Revenues, Expenses and Changes in Fund Net Position – Housing Authority	77
Statement of Cash Flows – Housing Authority	78
Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual Housing Authority.....	80
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
Financial Data Schedule – Housing Authority.....	82
<u>COMPLIANCE SECTION</u>	
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 <i>Government Auditing Standards</i>	88
Schedule of Findings and Responses.....	90
Exit Conference	93

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
OFFICIAL ROSTER
JUNE 30, 2017**

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
Marla Ulibarri	Treasurer
Maggie Valdez	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
Donnie Carrillo	Commissioner
Mike Trujillo	Executive Director

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FINANCIAL STATEMENTS SECTION

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INDEPENDENT AUDITORS' REPORT

To Timothy Keller
New Mexico State Auditor
and
Village Mayor
and
Village Council
Village of Chama, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue fund of the Village of Chama (Village) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements 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, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Schedule of the Village's Proportionate Share of the Net Pension Liability, and Schedule of Village Contributions* on pages 62-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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 other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate 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 other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in related 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 20, 2017 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
November 20, 2017

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 914,613	172,676	1,087,289	26,843
Investments	150,841	53,238	204,079	37,481
Accounts receivable (net of allowance for uncollectible)	129,518	59,829	189,347	35,823
Due from other governments	172,744	1,009,292	1,182,036	12,301
Total current assets	<u>1,367,716</u>	<u>1,295,035</u>	<u>2,662,751</u>	<u>112,448</u>
Noncurrent assets				
Restricted cash	31,554	49,762	81,316	7,967
Restricted investments	-	109,529	109,529	-
Capital assets				
Land	64,190	13,333	77,523	32,200
Construction in progress	1,996,810	6,284,418	8,281,228	-
Intangible assets - water rights	-	61,100	61,100	-
Capital assets being depreciated, net	1,787,758	3,834,173	5,621,931	1,745,888
Total noncurrent assets	<u>3,880,312</u>	<u>10,352,315</u>	<u>14,232,627</u>	<u>1,786,055</u>
DEFERRED OUTFLOWS				
Pension related	264,798	-	264,798	-
Total assets and deferred outflows	<u>5,512,826</u>	<u>11,647,350</u>	<u>17,160,176</u>	<u>1,898,503</u>

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities				
Accounts payable	9,220	520,607	529,827	37,059
Accrued payroll liabilities	12,680	2,000	14,680	5,851
Current portion compensated absences	3,086	-	3,086	-
Current portion long term debt	34,262	14,982	49,244	-
Current portion landfill closure costs	-	7,320	7,320	-
Customer deposits	-	72,837	72,837	6,181
Total current liabilities	59,248	617,746	676,994	49,091
Noncurrent liabilities				
Compensated absences	4,630	-	4,630	-
Long term debt	332,247	121,426	453,673	-
Net pension liability	746,109	-	746,109	-
Landfill (less current portion)	-	113,433	113,433	-
Total noncurrent liabilities	1,082,986	234,859	1,317,845	-
Total liabilities	1,142,234	852,605	1,994,839	49,091
DEFERRED INFLOWS OF RESOURCES				
Pension related	11,357	-	11,357	-
Total deferred inflows of resources	11,357	-	11,357	-
NET POSITION				
Net investment in capital assets	3,482,249	10,056,616	13,538,865	1,778,088
Restricted for:				
Special revenue	121,240	-	121,240	-
Debt Service	-	159,291	159,291	-
Capital projects	478,115	-	478,115	-
Unrestricted	277,631	578,838	856,469	71,324
Total net position	\$ 4,359,235	10,794,745	15,153,980	1,849,412

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

<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				
General government	\$ 865,323	46,412	-	-
Public safety	244,984	-	-	-
Public works	448,597	-	290,399	119,787
Culture and recreation	110,250	7,847	-	-
Interest on long term debt	9,655	-	-	-
Total governmental activities	<u>1,678,809</u>	<u>54,259</u>	<u>290,399</u>	<u>119,787</u>
Business-type activities				
Sewer	314,000	128,851	-	7,898,717
Solid waste	131,740	116,142	-	-
Water	327,874	230,692	-	-
Total business-type activities	<u>773,614</u>	<u>475,685</u>	<u>-</u>	<u>7,898,717</u>
Total primary government	<u>\$ 2,452,423</u>	<u>529,944</u>	<u>290,399</u>	<u>8,018,504</u>
Component Unit				
Village of Chama Housing Authority	<u>\$ 261,532</u>	<u>67,273</u>	<u>105,296</u>	<u>54,467</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Sales

Lodgers

Other

Transfers in (out)

Investment earnings

Miscellaneous

Total general revenues and transfers

Change in net position

Net position, beginning

Restatement (Note 14)

Net position, as restated

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	
(818,911)	-	(818,911)	-
(244,984)	-	(244,984)	-
(38,411)	-	(38,411)	-
(102,403)	-	(102,403)	-
(9,655)	-	(9,655)	-
<u>(1,214,364)</u>	<u>-</u>	<u>(1,214,364)</u>	<u>-</u>
-	7,713,568	7,713,568	-
-	(15,598)	(15,598)	-
-	(97,182)	(97,182)	-
-	7,600,788	7,600,788	-
<u>(1,214,364)</u>	<u>7,600,788</u>	<u>6,386,424</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,496)</u>
184,353	-	184,353	-
438,246	76,149	514,395	-
109,049	-	109,049	-
564,834	-	564,834	-
71,615	(71,615)	-	-
1,712	329	2,041	226
44,124	-	44,124	-
<u>1,413,933</u>	<u>4,863</u>	<u>1,418,796</u>	<u>226</u>
<u>199,569</u>	<u>7,605,651</u>	<u>7,805,220</u>	<u>(34,270)</u>
4,439,790	3,189,094	7,628,884	1,883,682
(280,124)	-	(280,124)	-
<u>4,159,666</u>	<u>3,189,094</u>	<u>7,348,760</u>	<u>1,883,682</u>
<u>\$ 4,359,235</u>	<u>10,794,745</u>	<u>15,153,980</u>	<u>1,849,412</u>

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	100 General Fund	202 Fire Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 521,031	13,559	380,023	914,613
Restricted cash	-	31,554	-	31,554
Investments	222	-	150,619	150,841
Property taxes receivable	112,674	-	16,844	129,518
Due from other governments	156,768	-	15,976	172,744
	<u>156,768</u>	<u>-</u>	<u>15,976</u>	<u>172,744</u>
Total assets	<u>\$ 790,695</u>	<u>45,113</u>	<u>563,462</u>	<u>1,399,270</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	-	9,220	9,220
Accrued liabilities	12,680	-	-	12,680
Total liabilities	<u>12,680</u>	<u>-</u>	<u>9,220</u>	<u>21,900</u>
Deferred Inflows of Resources				
Unavailable property taxes	110,051	-	-	110,051
Total deferred inflows of resources	<u>110,051</u>	<u>-</u>	<u>-</u>	<u>110,051</u>
Fund Balances				
Restricted for:				
Special revenue	-	45,113	76,127	121,240
Capital projects	-	-	478,115	478,115
Debt Service	-	-	-	-
Unassigned	667,964	-	-	667,964
Total fund balances	<u>667,964</u>	<u>45,113</u>	<u>554,242</u>	<u>1,267,319</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 790,695</u>	<u>45,113</u>	<u>563,462</u>	<u>1,399,270</u>

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

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

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

Fund Balances - Total Governmental Funds	\$ 1,267,319
Defined benefit pension plan deferred outflows and inflows are not financial resources and, therefore, are not reported in the funds.	264,798
Defined benefit pension plan deferred inflows and inflows are not financial obligations and, therefore, are not reported in the funds.	(11,357)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	6,248,389
Less accumulated depreciation	(2,399,631)
Certain liabilities, including bonds payable and current and long-term portions of accrued compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	
Net pension liability	(746,109)
Compensated absences	(7,716)
Bonds and notes payable	(366,509)
A portion of property taxes receivable is not available to pay current period expenditures and, therefore, is deferred in the funds.	<u>110,051</u>
Net position of governmental activities	<u>\$ 4,359,235</u>

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

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	100 General Fund	202 Fire Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 100,278	-	-	100,278
Gross receipts	438,246	-	-	438,246
Lodgers' taxes	-	-	109,049	109,049
Other tax	463,551	-	101,283	564,834
Licenses and permits	11,432	-	-	11,432
Intergovernmental				
Federal	-	-	-	-
State	90,000	152,836	167,350	410,186
Charges for services	33,999	-	7,847	41,846
Fines	981	-	-	981
Interest on investments	341	308	1,063	1,712
Miscellaneous	29,210	6,520	8,394	44,124
	<u>1,168,038</u>	<u>159,664</u>	<u>394,986</u>	<u>1,722,688</u>
Total revenues				
EXPENDITURES				
Current operations				
General government	597,189	-	116,081	713,270
Public safety	64,295	138,685	13,053	216,033
Public works	296,178	-	121,659	417,837
Culture and recreation	76,287	-	30,345	106,632
Capital outlay	25,374	42,832	32,194	100,400
Debt service	-	14,163	19,600	33,763
Interest expense	-	8,039	1,616	9,655
	<u>1,059,323</u>	<u>203,719</u>	<u>334,548</u>	<u>1,597,590</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	108,715	(44,055)	60,438	125,098
OTHER FINANCING SOURCES (USES):				
Transfer in (out)	(497)	-	72,112	71,615
Total other financing sources (uses)	(497)	-	72,112	71,615
Net changes in fund balances	<u>108,218</u>	<u>(44,055)</u>	<u>132,550</u>	<u>196,713</u>
FUND BALANCES, BEGINNING OF YEAR	559,746	894	470,602	1,031,242
Restatement (Note 14)	-	88,274	(48,910)	39,364
FUND BALANCES, AS RESTATED	<u>559,746</u>	<u>89,168</u>	<u>421,692</u>	<u>1,070,606</u>
FUND BALANCES, END OF YEAR	<u>\$ 667,964</u>	<u>45,113</u>	<u>\$ 554,242</u>	<u>\$ 1,267,319</u>

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

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
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, 2017**

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

Net change in fund balances - total governmental funds	\$ 196,713
Net pension expense	(37,142)

A portion of property tax receivable is not available to pay current period expenditures and, therefore, is deferred in the funds.	84,075
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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	100,400
Depreciation expense	(180,941)

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:

Debt service payments	33,763
Compensated absences	<u>2,701</u>

Change in net position of governmental activities	<u><u>\$ 199,569</u></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
GENERAL FUND 100
STATEMENT OF REVENUES AND EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 89,363	89,363	101,803	12,440
Gross receipts	348,282	368,282	372,335	4,053
Franchise	63,071	63,071	64,234	1,163
State shared	345,113	361,313	484,226	122,913
Licenses and permits	10,454	10,454	11,432	978
Intergovernmental				
State	96,840	96,840	90,000	(6,840)
Charges for services	34,857	34,857	35,787	930
Fines	600	600	981	381
Interest on investments	300	300	341	41
Miscellaneous	11,900	11,900	34,115	22,215
<i>Total revenues</i>	<u>1,000,780</u>	<u>1,036,980</u>	<u>1,195,254</u>	<u>158,274</u>
EXPENDITURES				
Current:				
General government	480,543	676,236	596,171	80,065
Public safety	59,800	64,295	64,295	-
Public works	185,341	256,627	256,629	(2)
Sanitation	108,311	96,811	64,923	31,888
Culture and recreation	68,782	76,288	76,287	1
Miscellaneous	57,457	63,867	-	63,867
<i>Total expenditures</i>	<u>960,234</u>	<u>1,234,124</u>	<u>1,058,305</u>	<u>175,819</u>
<i>Net change in fund balance</i>	40,546	(197,144)	136,949	334,093
<i>Cash balance, beginning of year</i>	<u>384,600</u>	<u>384,600</u>	<u>384,600</u>	<u>-</u>
<i>Cash balance, end of year</i>	<u>\$ 425,146</u>	<u>187,456</u>	<u>521,549</u>	<u>334,093</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			(134,431)	
Adjustments to expenditures			<u>106,217</u>	
Net change in fund balance (GAAP)			<u>\$ 108,218</u>	

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

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
FIRE FUND 202
STATEMENT OF REVENUES AND EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
State	\$ 55,501	75,501	111,083	35,582
Interest on investments	-	-	31	31
Miscellaneous	500	500	67,474	66,974
Total revenues	<u>56,001</u>	<u>76,001</u>	<u>178,588</u>	<u>102,587</u>
EXPENDITURES				
Current:				
Public safety	62,000	181,517	138,685	42,832
Capital outlay	-	-	42,832	(42,832)
Total expenditures	<u>62,000</u>	<u>181,517</u>	<u>181,517</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(5,999)</u>	<u>(105,516)</u>	<u>(2,929)</u>	<u>102,587</u>
<i>Other financing sources (uses)</i>				
Transfers in (out)	<u>(22,202)</u>	<u>19,202</u>	<u>-</u>	<u>(19,202)</u>
Total other financing sources (uses)	<u>(22,202)</u>	<u>19,202</u>	<u>-</u>	<u>(19,202)</u>
Net change in fund balance	(28,201)	(86,314)	(2,929)	102,587
Cash balance, beginning of year	<u>89,167</u>	<u>89,167</u>	<u>89,167</u>	<u>-</u>
Cash balance, end of year	<u>\$ 60,966</u>	<u>2,853</u>	<u>86,238</u>	<u>102,587</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			(18,924)	
Adjustments to expenditures			<u>(22,202)</u>	
Net change in fund balance (GAAP)			<u>\$ (44,055)</u>	

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

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

	301 Sewer Fund	302 Solid Waste Fund	303 Water Fund	Total Proprietary Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 53,344	47,701	71,631	172,676
Investments	12,042	9,278	31,918	53,238
Accounts receivable (net of allowance for uncollectible)	1,019,856	24,447	24,818	1,069,121
Total current assets	<u>1,085,242</u>	<u>81,426</u>	<u>128,367</u>	<u>1,295,035</u>
Noncurrent assets				
Restricted cash	-	-	49,762	49,762
Restricted investments	-	-	109,529	109,529
Capital assets				
Land	2,500	-	10,833	13,333
Buildings	5,797,353	-	3,424,452	9,221,805
Machinery and Equipment	101,545	271,647	121,996	495,188
Construction in progress	6,222,086	62,332	-	6,284,418
Intangible assets - water rights	-	-	61,100	61,100
Accumulated depreciation	(3,162,388)	(252,271)	(2,468,161)	(5,882,820)
Total noncurrent assets	<u>8,961,096</u>	<u>81,708</u>	<u>1,309,511</u>	<u>10,352,315</u>
Total assets	<u>10,046,338</u>	<u>163,134</u>	<u>1,437,878</u>	<u>11,647,350</u>

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

	301 Sewer Fund	302 Solid Waste Fund	303 Water Fund	Total Proprietary Funds
LIABILITIES				
Current liabilities				
Accounts payable	520,607	-	-	520,607
Accrued expenses	-	-	2,000	2,000
Landfill payable	-	7,320	-	7,320
Notes payable	-	4,982	-	4,982
Bonds payable	-	-	10,000	10,000
Total current liabilities	<u>520,607</u>	<u>12,302</u>	<u>12,000</u>	<u>544,909</u>
Current liabilities payable from restricted assets				
Customer deposits payable	-	-	72,837	72,837
Noncurrent liabilities				
Landfill payable (less current portion)	-	113,433	-	113,433
Notes payable (less current portion)	-	81,426	-	81,426
Bonds payable (less current portion)	-	-	40,000	40,000
Total noncurrent liabilities	<u>-</u>	<u>194,859</u>	<u>40,000</u>	<u>234,859</u>
Total liabilities	<u>520,607</u>	<u>207,161</u>	<u>124,837</u>	<u>852,605</u>
NET POSITION				
Net investment in capital assets	8,961,096	-	1,100,220	10,061,316
Restricted for debt service	-	-	159,291	159,291
Unrestricted	564,635	(44,027)	53,530	574,138
Total net position	<u>\$ 9,525,731</u>	<u>(44,027)</u>	<u>1,313,041</u>	<u>10,794,745</u>

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**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, 2017**

	301	302	303	Total
	Sewer	Solid	Water	Proprietary
	Fund	Waste	Fund	Fund
	Fund	Fund	Fund	Fund
OPERATING REVENUES				
Charges for sales and services:				
Charges for services	\$ 128,851	116,142	230,692	475,685
Total operating revenues	128,851	116,142	230,692	475,685
OPERATING EXPENSES				
Cost of sales and services	1,320	-	-	1,320
Administration	107,270	24,395	142,979	274,644
Other operating expenses	39,603	101,581	55,210	196,394
Depreciation	165,807	5,536	126,685	298,028
Total operating expenses	314,000	131,512	324,874	770,386
Operating income (loss)	(185,149)	(15,370)	(94,182)	(294,701)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	-	41	288	329
Interest expense	-	(228)	(3,000)	(3,228)
Sales taxes	7,895	57,022	11,232	76,149
Total nonoperating revenues (expenses)	7,895	56,835	8,520	73,250
Income (loss) before contributions and transfers	(177,254)	41,465	(85,662)	(221,451)
OTHER FINANCING SOURCES (USES):				
Capital grants - state	7,898,717	-	-	7,898,717
Transfers in (out)	14,073	(85,668)	(20)	(71,615)
Total other financing sources (uses)	7,912,790	(85,668)	(20)	7,827,102
Change in net position	7,735,536	(44,203)	(85,682)	7,605,651
NET POSITION, BEGINNING OF YEAR	1,790,195	176	1,398,723	3,189,094
NET POSITION, END OF YEAR	\$ 9,525,731	\$ (44,027)	\$ 1,313,041	\$ 10,794,745

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

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<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	\$ 158,945	122,287	230,996	512,228
Cash payments to suppliers for goods and services	<u>(829,605)</u>	<u>(125,771)</u>	<u>(198,189)</u>	<u>(1,153,565)</u>
Net cash provided (used) by operating activities	<u>(670,660)</u>	<u>(3,484)</u>	<u>32,807</u>	<u>(641,337)</u>
Cash flows from noncapital financing activities				
Taxes received	7,895	57,022	11,232	76,149
Transfers from other funds	14,073	-	-	14,073
Transfers to other funds	<u>-</u>	<u>(85,668)</u>	<u>(20)</u>	<u>(85,688)</u>
Net cash provided by noncapital financing activities	<u>21,968</u>	<u>(28,646)</u>	<u>11,212</u>	<u>4,534</u>
Cash flows from capital and related financing activities				
Capital grants - state	6,889,425	-	-	6,889,425
(Acquisition) disposition of capital assets	<u>(6,222,086)</u>	<u>-</u>	<u>-</u>	<u>(6,222,086)</u>
Principal paid on debt	<u>-</u>	<u>(12,494)</u>	<u>(10,000)</u>	<u>(22,494)</u>
Interest paid on debt	<u>-</u>	<u>(228)</u>	<u>(3,000)</u>	<u>(3,228)</u>
Net cash provided (used) by capital financing activities	<u>667,339</u>	<u>(12,722)</u>	<u>(13,000)</u>	<u>641,617</u>
Cash flows from investing activities				
Purchase of investments	(4)	(40)	(166)	(210)
Interest on investments	<u>-</u>	<u>41</u>	<u>288</u>	<u>329</u>
Net cash provided (used) by noncapital investing activities	<u>(4)</u>	<u>1</u>	<u>122</u>	<u>119</u>
Net increase in cash and cash equivalents	<u>18,643</u>	<u>(44,851)</u>	<u>31,141</u>	<u>4,933</u>
Unrestricted cash and equivalents beginning of year	34,701	92,552	45,073	172,326
Restricted cash beginning of year	<u>-</u>	<u>-</u>	<u>45,179</u>	<u>45,179</u>
Total cash and equivalents beginning of year	<u>34,701</u>	<u>92,552</u>	<u>90,252</u>	<u>217,505</u>
Cash and equivalents end of year	<u>\$ 53,344</u>	<u>47,701</u>	<u>121,393</u>	<u>222,438</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 (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (185,149)	(15,370)	(94,182)	(294,701)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:				
Depreciation expense	165,807	5,536	126,685	298,028
Decrease (increase) in customer receivable	30,094	6,145	(4,571)	31,668
Increase (decrease) in accounts payable	(681,412)	-	-	(681,412)
Increase (decrease) in accrued liabilities	-	-	-	-
Increase (decrease) in customer deposits	-	-	4,875	4,875
Increase (decrease) in landfill closure costs	-	205	-	205
Net cash provided by operating activities	<u>\$ (670,660)</u>	<u>(3,484)</u>	<u>32,807</u>	<u>(641,337)</u>
CASH PER FINANCIAL STATEMENTS				
Cash and cash equivalents	\$ 53,344	47,701	71,631	172,676
Restricted cash	-	-	49,762	49,762
Cash and equivalents end of year	<u>\$ 53,344</u>	<u>47,701</u>	<u>121,393</u>	<u>222,438</u>

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 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 is presented to assist in the understanding of the Village’s financial statements. The financial statements and notes are the representation of the Village’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.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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.

B. 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.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Village reports the following major governmental funds:

General Fund (100) 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.

Fire Fund (202) – 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.

The Village reports the following major proprietary funds:

Sewer Fund (301) is used to account for the activities of the Village's sewer operations.

Solid Waste Fund (302) 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.

Water Fund (303) 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*.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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.

C. 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.

**STATE OF NEW MEXICO
 VILLAGE OF CHAMA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Net Position and Fund Balance (Continued)

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA's. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Net Position and Fund Balance (Continued)

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 one type of item, 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. 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.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Net Position and Fund Balance (Continued)

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

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

Net 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.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 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.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employee Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 3. CASH AND CASH EQUIVALENTS – GOVERNMENTAL AND PROPRIETARY FUNDS

	Balance Per Bank June 30	Add Deposits In Transit	Less Outstanding Checks	Balance Per Books June 30
Washington Federal				
Checking Accounts				
General - 100	\$ 157,089	160	17,146	140,103
General - 100	365,744	-	-	365,744
Chama Days - 100	15,184	-	-	15,184
Capital Projects - SAP - 402	51,428	-	4,791	46,637
Infrastructure - 403	222,121	-	-	222,121
Infrastructure - 403	3,063	1,852	2,308	2,607
Capital Projects - Street - 403	50,040	-	6	50,034
EMS-201	507	-	-	507
Fire - 202	15,213	-	1,654	13,559
Fire - 202	31,554	-	-	31,554
Law Enforcement-203	495	-	-	495
Library-204	14,590	46	30	14,606
Lodgers' Tax-205	30,435	675	772	30,338
Recreation -206	3,421	-	61	3,360
LGD-207	4,850	-	-	4,850
Cemetery-208	4,468	-	-	4,468
Sewer - 301	54,574	1,089	2,319	53,344
Solid Waste - 302	46,347	1,354	-	47,701
Water Fund - 303	75,011	1,604	5,488	71,127
Water Fund - Int Sinking - 303	6,320	-	-	6,320
Water Fund - Meter Deposit	43,792	-	350	43,442

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 3. CASH AND CASH EQUIVALENTS – GOVERNMENTAL AND PROPRIETARY FUNDS (CONTINUED)

	<u>Balance Per Bank June 30</u>	<u>Add Deposits In Transit</u>	<u>Less Outstanding Checks</u>	<u>Balance Per Books June 30</u>
Washington Federal				
Certificates of Deposit -Governmental				
General Fund - 100	222	-	-	222
EMS - 201	1,856	-	-	1,856
Recreation Fund - 206	548	-	-	548
LG Corrections - 207	4,187	-	-	4,187
Cemetery - 208	4,156	-	-	4,156
SAP Fund - 402	30,624	-	-	30,624
Infrastructure Fund - 403	109,248	-	-	109,248
Certificates of Deposit - Proprietary				
Solid Waste - 302	9,278	-	-	9,278
Water Fund - 303	31,918	-	-	31,918
Water Fund - 303	29,622	-	-	29,622
Community Bank				
Certificates of Deposit				
Sewer Fund - 301	214	-	-	214
Sewer Fund - 301	11,828	-	-	11,828
Water Fund - 303	32,039	-	-	32,039
Water Fund - 303	47,698	-	-	47,698
Water Fund - 303	170	-	-	170
Total Cash in Banks	\$ <u>1,510,358</u>	<u>6,780</u>	<u>34,925</u>	<u>1,482,213</u>

As Reported in Financial Statements:

Equity in Cash:	Cash	\$ 1,087,289
	Restricted Cash	81,316
	Investments	204,079
	Restricted Investments	<u>109,529</u>
		<u>\$ 1,482,213</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 3. CASH AND CASH EQUIVALENTS – GOVERNMENTAL AND PROPRIETARY FUNDS (CONTINUED)

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	\$ 31,544	-	7,898	23,646
Security Deposits	7,967	-	-	7,967
CFP	3,152	-	-	3,152
Certificates of Deposit	<u>37,481</u>	<u>-</u>	<u>-</u>	<u>37,481</u>
Total Cash in Banks	\$ <u>80,144</u>	<u>-</u>	<u>7,898</u>	72,246
Petty Cash				<u>45</u>
Total Cash per Books				\$ <u>72,291</u>
 As Reported in Financial Statements:				
Equity in Cash				
				Cash \$ 26,843
				Restricted Cash 7,967
				Investments <u>37,481</u>
				\$ <u>72,291</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 3. CASH AND CASH EQUIVALENTS – GOVERNMENTAL AND PROPRIETARY FUNDS (CONTINUED)

Pledged Collateral

	Washington Federal	Community Bank	Total
Deposits	\$ 1,418,409	91,949	1,510,358
FDIC	250,000	91,949	341,949
Total uninsured public funds	1,168,409	-	1,168,409
Collateral pledged:			
Washington Federal			
FNMA PL#BC2636;			
Cusip 3140EW4W2;11/1/2046			
	1,617,566	-	1,617,566
Uninsured and uncollateralized	\$ -	-	-
Collateral requirement (50% of uninsured funds)	584,205	-	584,205
Pledged collateral	1,617,566	-	1,617,566
Over (under) collateralized	\$ 1,033,361	-	1,033,361

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, 2017, none of the Village’s bank balance of \$1,510,358 was exposed to custodial credit risk.

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, 2017, none of the Component Unit’s bank balance of \$80,144 was exposed to custodial risk.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 4. 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>Other Non-major</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Water</u>	
Receivables:						
Customer	\$ -	-	16,731	31,339	34,224	82,294
Taxes						
Property	112,674	16,844	-	-	-	129,518
Other governments	<u>156,768</u>	<u>15,976</u>	<u>1,009,292</u>	<u>-</u>	<u>-</u>	<u>1,182,036</u>
Gross receivables	269,442	32,820	1,026,023	31,339	34,224	1,393,848
Less: allowance for uncollectible	<u>-</u>	<u>-</u>	<u>6,167</u>	<u>6,892</u>	<u>9,406</u>	<u>22,465</u>
Net receivables	<u>\$ 269,442</u>	<u>32,820</u>	<u>1,019,856</u>	<u>24,447</u>	<u>24,818</u>	<u>1,371,383</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>39,992</u>
Gross receivables	39,992
Less: allowance for uncollectible	<u>4,169</u>
Net receivables	\$ <u><u>35,823</u></u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 64,190	-	-	64,190
Construction in progress	2,323,847	-	(327,037)	1,996,810
Total capital assets not being depreciated	<u>2,388,037</u>	<u>-</u>	<u>(327,037)</u>	<u>2,061,000</u>
Capital assets, being depreciated:				
Buildings and improvements	1,936,927	369,869	-	2,306,796
Equipment and other	1,025,530	57,568	(78,000)	1,005,098
Infrastructure	875,495	-	-	875,495
Total capital assets being depreciated	<u>3,837,952</u>	<u>427,437</u>	<u>(78,000)</u>	<u>4,187,389</u>
Less accumulated depreciation:				
Buildings and improvements	(878,178)	(72,896)	-	(951,074)
Equipment and other	(813,832)	(51,915)	78,000	(787,747)
Infrastructure	(604,680)	(56,130)	-	(660,810)
Total accumulated depreciation	<u>(2,296,690)</u>	<u>(180,941)</u>	<u>78,000</u>	<u>(2,399,631)</u>
Total capital assets being depreciated, net	<u>1,541,262</u>	<u>246,496</u>	<u>-</u>	<u>1,787,758</u>
Governmental activities capital assets, net	<u>\$ 3,929,299</u>	<u>246,496</u>	<u>(327,037)</u>	<u>3,848,758</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 13,333	-	-	13,333
Construction in progress	62,332	6,222,086	-	6,284,418
Water rights	61,100	-	-	61,100
Total capital assets not being depreciated	<u>136,765</u>	<u>6,222,086</u>	<u>-</u>	<u>6,358,851</u>
Capital assets, being depreciated:				
Buildings and improvements	9,249,677	-	-	9,249,677
Equipment and other	467,317	-	-	467,317
Total capital assets being depreciated	<u>9,716,994</u>	<u>-</u>	<u>-</u>	<u>9,716,994</u>
Less accumulated depreciation:				
Buildings and improvements	(5,145,780)	(283,686)	-	(5,429,466)
Equipment and other	(439,013)	(14,342)	-	(453,355)
Total accumulated depreciation	<u>(5,584,793)</u>	<u>(298,028)</u>	<u>-</u>	<u>(5,882,821)</u>
Total capital assets being depreciated, net	<u>4,132,201</u>	<u>(298,028)</u>	<u>-</u>	<u>3,834,173</u>
Business-type activities capital assets, net	<u>\$ 4,268,966</u>	<u>5,924,058</u>	<u>-</u>	<u>10,193,024</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 5. CAPITAL ASSETS (CONTINUED)

Capital Assets – Component Unit

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Component unit				
Capital assets not being depreciated:				
Land and land rights	\$ 32,200	-	-	32,200
Capital assets being depreciated:				
Buildings and improvements	3,094,445	140,168	(90,701)	3,143,912
Equipment and other	174,899	3,187	-	178,086
Total capital assets being depreciated	<u>3,269,344</u>	<u>143,355</u>	<u>(90,701)</u>	<u>3,321,998</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,388,365)	(73,195)	-	(1,461,560)
Equipment and other	(114,550)	-	-	(114,550)
Total accumulated depreciation	<u>(1,502,915)</u>	<u>(73,195)</u>	<u>-</u>	<u>(1,576,110)</u>
Total capital assets being depreciated, net	<u>1,766,429</u>	<u>70,160</u>	<u>(90,701)</u>	<u>1,745,888</u>
Component unit capital assets, net	<u>\$ 1,798,629</u>	<u>70,160</u>	<u>(90,701)</u>	<u>1,778,088</u>

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

Governmental Activities:

General government	\$ 117,612
Public safety	28,951
Public works	30,760
Culture & recreation	3,618
Total Depreciation Expense - Governmental Activities	<u>\$ 180,941</u>

Business-type Activities:

Sewer	\$ 165,807
Solid waste	5,536
Water	126,685
Total Depreciation Expense - Business-type Activities	<u>\$ 298,028</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 6. INTERFUND ACTIVITY

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:

Fund	Transfers In	Transfers Out
General-100 \$	300,604	(301,101)
201	23	(3)
203	500	-
301	14,073	-
302	100	(85,768)
303	12,728	(12,748)
402	67,311	-
403	4,281	-
\$	<u>399,620</u>	<u>(399,620)</u>

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.

NOTE 7. DEBT AND OTHER LONG TERM LIABILITIES

SHORT TERM DEBT:

The Village does not have any short-term debt.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. DEBT AND OTHER LONG TERM LIABILITIES (CONTINUED)

LONG TERM DEBT:

Description of Governmental-Type activities: Loans

Sewer Treatment Plant Loan:

In August of 2015, the Village entered into a revised 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 had twenty-four months to initiate and achieve project completion; the project was certified as completed in July of 2015. The first annual installment on the loan was 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. The Village made its first installment of \$21,216 in fiscal year 2016. Annual payments will be \$21,216 for the remaining 4 years. The Village has pledged the Municipal Infrastructure Gross Receipts Tax Revenues for the repayment of this agreement and note.

	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>		<u>Outstanding</u>
\$	100,000	7/8/2020	2.00%	\$	61,184

Fire Station Loan:

In December of 2014, the Village entered into a loan and intercept agreement with the New Mexico Finance Authority (NMFA). The loan of \$332,494 was approved by NMFA to expand the fire station at a blended interest rate of 2.93%. The Village had three years to initiate and achieve project completion; the project was certified as completed on March 13, 2015. The annual debt service payment is \$22,201. Principal and interest are payable each May 1, through the year 2034. The Village has pledged the State Fire Protection Fund Revenues for the repayment of this agreement and note.

	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>		<u>Outstanding</u>
\$	332,464	5/1/2035	2.9362%	\$	305,325

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. DEBT AND OTHER LONG TERM LIABILITIES (CONTINUED)

Loans Payable

A summary of the terms of long term debt outstanding for the governmental-type activities at June 30, 2017 follows:

Sewer Treatment Plant Loan:

Year Ending June 30,	Principal	Interest
2018	\$ 19,992	1,224
2019	20,392	824
2020	20,800	416
	<u>\$ 61,184</u>	<u>2,464</u>

Fire Station Loan:

Year Ending June 30,	Principal	Interest
2018	\$ 14,270	7,631
2019	14,409	7,509
2020	14,576	7,359
2021	14,774	7,177
2022	15,002	6,966
2023	15,541	6,724
2024-2035	216,753	48,075
	<u>\$ 305,325</u>	<u>91,441</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. DEBT AND OTHER LONG TERM LIABILITIES (CONTINUED)

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>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Outstanding</u>
211,000	6/6/2022	5.00%	\$ 50,000

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, 2017.

<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

A Water Fund Loan from the New Mexico Finance Authority dated January 30, 2015 was issued in the amount of \$98,000 at a fixed coupon rate of .25% to provide funds for the design and construction of a treatment pond and a new water tank. Principal and interest payments are due and payable each June 1 through the year 2034.

<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Outstanding</u>
\$ 98,000	6/1/2034	0.25%	\$ 86,408

At June 30, 2017 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	21,100
	<u>43,475</u>
Actual reserve	159,291
Excess reserve	<u>\$ 115,816</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. DEBT AND OTHER LONG TERM LIABILITIES (CONTINUED)

Bond and Loan Payable

A summary of the terms of long term debt outstanding for the business-type activities at June 30, 2017 follows:

Revenue Bond:

Year Ending June 30,	Principal	Interest
2018	\$ 10,000	2,500
2019	10,000	2,000
2020	10,000	1,500
2021	10,000	1,000
2022	10,000	500
	<u>\$ 50,000</u>	<u>7,500</u>

Water Loan:

Year Ending June 30,	Principal	Interest
2018	\$ 4,982	216
2019	4,994	204
2020	5,007	191
2021	5,019	179
2022	5,032	166
2023-2034	61,374	1,168
	<u>\$ 86,408</u>	<u>2,124</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. DEBT AND OTHER LONG TERM LIABILITIES (CONTINUED)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Notes payable	\$ 400,272	-	33,763	366,509	34,262
Compensated absences	10,417	-	2,701	7,716	-
Governmental activities- long-term liabilities	<u>\$ 410,689</u>	<u>-</u>	<u>36,464</u>	<u>374,225</u>	<u>34,262</u>
Business-type activities					
Revenue bonds	\$ 60,000	-	10,000	50,000	10,000
Solid Waste fund loan	91,378	-	4,970	86,408	4,982
Business-type activities- long-term liabilities	<u>\$ 151,378</u>	<u>-</u>	<u>14,970</u>	<u>136,408</u>	<u>14,982</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 \$7,115 per year. Total estimated balance at June 30, 2017 of current and long-term post closure costs are \$7,320 and \$113,433 respectively. The Village expects to defray a portion of these costs with grants from the State of New Mexico and other available sources.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 8. RESTRICTED NET POSITION/RESERVED FUND BALANCES

The government-wide statement of net position reports \$758,646 of restricted net position, of which \$121,240 is restricted by enabling legislation, \$478,115 is restricted for capital projects.

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT

Plan description

The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits Provided

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

Contributions – See PERA’s compressive annual financial report for Contribution provided description

PERA Contribution Rates and Pension Factors as of July 1, 2016						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Village of Chama reported a liability of \$746,109 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The Village of Chama’s proportion of the net pension liability was based on a projection of the Village of Chama’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Village of Chama’s proportion was 0.0467%, which was a decrease of 0.0005% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Village of Chama recognized pension expense of \$37,142. At June 30, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,278	7,282
Changes in assumptions	43,751	124
Net difference between projected and actual earnings on pension plan investments	137,283	3,951
Changes in proportion and differences between Village’s contributions and proportionate share of contributions	4,007	-
Village’s contributions subsequent to the measurement date	<u>42,479</u>	<u>-</u>
Total	<u>\$ 264,798</u>	<u>11,357</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

\$42,479 reported as deferred outflows of resources related to pensions resulting from the Village’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	46,507
2019	46,507
2020	83,329
2021	34,619
Thereafter	-

Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level of percentage pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.48 annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for the first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years 2.75% all other years
Mortality assumption	RP-2000 Mortality tables (Combined table for healthy post-retirement, Employee table for active member, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50 %	7.39 %
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	<u>20.00</u>	7.35
Total	<u><u>100.00 %</u></u>	

Discount rate

A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Village of Chama’s proportionate share of the net pension liability to changes in the discount rate

The following presents the Village of Chama’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the Village of Chama’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Village's proportionate share of the net pension liability	<u>\$ 1,112,382</u>	<u>746,109</u>	<u>442,303</u>

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

Payables to the pension plan

The Village accrued \$1,332 in PERA benefits at June 30, 2017.

NOTE 10. RETIREE HEALTH CARE ACT

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 (NMRHCA). The NMRHCA 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 NMRHCA Board was established by the New Mexico 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 NMRHCA on the person's behalf, unless that person retires before the employer's NMRHCA 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 NMRHCA 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 NMRHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical, plus basic life plan, plus an additional participation fee of five dollars (\$5) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100 percent 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 NMRHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the NMRHCA 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 NMRHCA fund in the amount determined to be appropriate by the board.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 10. RETIREE HEALTH CARE ACT (CONTINUED)

The New Mexico 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 (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5 percent of each participating employee's annual salary; and each participating employee was required to contribute 1.25 percent of their salary. For employees that were not members of an enhanced plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2 percent of each participating employee's annual salary; each participating employee was required to contribute 1 percent of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, 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, 2017, 2016 and 2015 were \$7,236, \$7,197, and \$6,859, respectively, which equal the required contributions for each year.

NOTE 11. 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.

NOTE 12. JOINT POWERS AGREEMENTS

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

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 12. JOINT POWERS AGREEMENTS (CONTINUED)

The Village entered into a joint powers agreement on June 23, 1999, with the Village of Espanola, Pueblo of San Juan, the Jicarilla Apache Tribe, the Village of Rio Arriba and the Village 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.

NOTE 13. DEFICIT NET POSITION

The Solid Waste fund has a deficit net position of \$44,027 at June 30, 2017. The deficit net position will be monitored by the Village and collection efforts for overdue and nonpaying solid waste customers will continue.

NOTE 14. RESTATEMENT

The Fire fund is being restated by \$88,274. The Fire fund had a loan agreement that was funded in a prior fiscal year with program funds being held by NMFA. Funds held by NMFA at June 30, 2016 were \$88,274. The Lodgers’ Tax fund and the Street fund are being restated by \$30,476 and \$18,434, respectively. The restatement is to write off prior year accounts receivables that were never collected.

The statement of net position is being restated by \$319,488 to reflect the loan balance for the Fire Station addition. The loan was funded in a prior year.

	June 30, 2016, as previously reported	Restatement of Net Position	July 1, 2016 as restated
Governmental net position	\$ 4,439,790	(280,124)	4,159,666
Non-major governmental funds			
Fire Fund	894	88,274	89,168
Lodger's Tax Fund	73,982	(30,476)	43,506
Street Fund	312,952	(18,434)	294,518

NOTE 15. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Statement No. 76, which supersedes Statement No. 55, aims to identify, in the context of the current governmental financial reporting environment, the hierarchy of U.S. GAAP, which consists of the sources of accounting principles used to prepare the financial statements of state and local government entities in conformity with U.S. GAAP, as well as the framework for selecting those principles. The Village adopted GASB Statements No. 76 during fiscal year 2015, with no significant impact to the Village’s financial statements.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 16. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are either not applicable to the Village or are not yet effective at June 30, 2017.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

GASB Statement No. 82, *Pension Issues (an amendment of GASB Statements No. 67, No. 68, and No. 73)*

GASB Statement No. 83, *Certain Asset Retirement Obligations*

GASB Statement No. 84, *Fiduciary Activities*

GASB Statement No. 85, *Omnibus 2017*

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

GASB Statement No. 87, *Leases*

The Village will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The Village believes that the above listed new GASB pronouncements will not have a significant financial impact to the Village or in issuing its financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
VILLAGE OF CHAMA
SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2017

Public Employees Retirement Association of New Mexico
Schedule of the Village of Chama's Proportionate Share of the Net Pension Liability
For Last 10 Fiscal Years*
(Dollars in Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Village's Proportion of the Net Pension Liability (Asset)	0.0465%	0.0472%	0.0467%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Village's Proportionate Share of Net Pension Liability (Asset)	\$ 363	481	746	-	-	-	-	-	-
Village's Covered-Employee Payroll	\$ 404	420	482	-	-	-	-	-	-
Village's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	111.29%	87.32%	64.61%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.29%	76.99%	69.18%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trial is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Village of Chama is not available prior to fiscal year 2015, the year the statement's requirements became effective.

STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF VILLAGE CONTRIBUTIONS
June 30, 2017

Public Employees Retirement Association of New Mexico
Schedule of the Village of Chama's Contributions
Last Ten Fiscal Years*
(Dollars in Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually Required Contribution	\$ 35	34	42	-	-	-	-	-	-	-
Contributions in Relation to the Contractually Required Contribution	35	34	42	-	-	-	-	-	-	-
Contribution Deficiency (Excess)*	\$ -	-	-	-	-	-	-	-	-	-

Increase (Decrease) in Pension Expense over Recognition Periods

Year	Total Amount Deferred	Amortization Years	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2015	\$ 142	5	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	2				
2016	12	5			12	13	13	(26)				
2017	212	5				47	47	83	35			
2018	-	5										
2019	-	5										
2020	-	5										
2021	-	5										
2022	-	5										
2023	-	5										
2024	-	5										
	\$ 366		\$ 35	47	95	95	95	59	35			

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Village of Chama is not available prior to fiscal year 2015, the year the statement's requirements became effective

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

Changes of Benefit Terms. The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www/saonm.org>

Assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at:
<http://www.nmpera.org/>

Other. The pension schedules in the required supplementary information are intended to show information for ten years. Additional information will be presented as it becomes available.

SUPPLEMENTARY INFORMATION

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
FUND DESCRIPTIONS
JUNE 30, 2017**

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 Village 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.

CAPITAL PROJECT FUNDS

SAP Fund - To account for State Appropriated funds for improvements to the water and sewer system, Senior Center and various paving projects throughout the Village.

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

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue Funds				
	201	203	204	205	206
	EMS Fund	Law Enforcement Fund	Library Fund	Lodgers' Tax Fund	Recreation Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 507	495	14,606	30,338	3,360
Restricted cash	-	-	-	-	-
Investments	1,856	-	-	-	548
Property taxes receivable	-	-	-	-	-
Due from other governments	-	-	-	15,976	-
Total current assets	<u>\$ 2,363</u>	<u>495</u>	<u>14,606</u>	<u>46,314</u>	<u>3,908</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Current liabilities					
Accounts payable	\$ -	-	-	9,220	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,220</u>	<u>-</u>
Fund balances					
Restricted for:					
Special revenue	2,363	495	14,606	37,094	3,908
Capital projects	-	-	-	-	-
Total fund balances	<u>2,363</u>	<u>495</u>	<u>14,606</u>	<u>37,094</u>	<u>3,908</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,363</u>	<u>495</u>	<u>14,606</u>	<u>46,314</u>	<u>3,908</u>

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

Special Revenue Funds			Capital Project Funds			Total Nonmajor Governmental Funds
207 Local Corrections Fund	208 Cemetery Fund	Total	402 SAP Fund	403 Street Fund	Total	
4,850	4,468	58,624	46,637	274,762	321,399	380,023
-	-	-	-	-	-	-
4,187	4,156	10,747	30,624	109,248	139,872	150,619
-	-	-	-	16,844	16,844	16,844
-	-	15,976	-	-	-	15,976
<u>9,037</u>	<u>8,624</u>	<u>85,347</u>	<u>77,261</u>	<u>400,854</u>	<u>478,115</u>	<u>563,462</u>
-	-	9,220	-	-	-	9,220
-	-	9,220	-	-	-	9,220
9,037	8,624	76,127	-	-	-	76,127
-	-	-	77,261	400,854	478,115	478,115
<u>9,037</u>	<u>8,624</u>	<u>76,127</u>	<u>77,261</u>	<u>400,854</u>	<u>478,115</u>	<u>554,242</u>
<u>9,037</u>	<u>8,624</u>	<u>85,347</u>	<u>77,261</u>	<u>400,854</u>	<u>478,115</u>	<u>563,462</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, 2017**

	Special Revenue Funds				
	201	203	204	205	206
	EMS Fund	Law Enforcement Fund	Library Fund	Lodgers' Tax Fund	Recreation Fund
REVENUES					
Taxes					
Lodgers' taxes	\$ -	-	-	109,049	-
Other taxes	-	-	-	-	-
Intergovernmental					
State	8,913	20,000	18,650	-	-
Charges for services	-	-	832	-	7,015
Interest on investments	8	-	8	22	2
Miscellaneous	4,200	-	2,569	1,625	-
Total revenues	<u>13,121</u>	<u>20,000</u>	<u>22,059</u>	<u>110,696</u>	<u>7,017</u>
EXPENDITURES					
Current operations					
General Government	-	-	-	116,081	-
Public safety	13,048	5	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	23,224	1,027	6,094
Capital outlay	-	32,194	-	-	-
Debt service	-	-	-	-	-
Interest expense	-	-	-	-	-
Total expenditures	<u>13,048</u>	<u>32,199</u>	<u>23,224</u>	<u>117,108</u>	<u>6,094</u>
Excess (deficiency) of revenues over expenditures	<u>73</u>	<u>(12,199)</u>	<u>(1,165)</u>	<u>(6,412)</u>	<u>923</u>
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	20	500	-	-	-
Total Other financing sources (uses)	<u>20</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>93</u>	<u>(11,699)</u>	<u>(1,165)</u>	<u>(6,412)</u>	<u>923</u>
FUND BALANCE, BEGINNING OF YEAR	2,270	12,194	15,771	73,982	2,985
Restatement	-	-	-	(30,476)	-
FUND BALANCES, AS RESTATED	<u>2,270</u>	<u>12,194</u>	<u>15,771</u>	<u>43,506</u>	<u>2,985</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,363</u>	<u>495</u>	<u>14,606</u>	<u>37,094</u>	<u>3,908</u>

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

Special Revenue Funds			Capital Project Funds			Total Nonmajor Governmental Funds
207 Local Corrections Fund	208 Cemetery Fund	Total	402 SAP Fund	403 Street Fund	Total	
-	-	109,049	-	-	-	109,049
-	-	-	-	101,283	101,283	101,283
-	-	47,563	119,787	-	119,787	167,350
-	-	7,847	-	-	-	7,847
18	18	76	215	772	987	1,063
-	-	8,394	-	-	-	8,394
18	18	172,929	120,002	102,055	222,057	394,986
-	-	116,081	-	-	-	116,081
-	-	13,053	-	-	-	13,053
-	-	-	121,659	-	121,659	121,659
-	-	30,345	-	-	-	30,345
-	-	32,194	-	-	-	32,194
-	-	-	19,600	-	19,600	19,600
-	-	-	1,616	-	1,616	1,616
-	-	191,673	142,875	-	142,875	334,548
18	18	(18,744)	(22,873)	102,055	79,182	60,438
-	-	520	67,311	4,281	71,592	72,112
-	-	520	67,311	4,281	71,592	72,112
18	18	(18,224)	44,438	106,336	150,774	132,550
9,019	8,606	124,827	32,823	312,952	345,775	470,602
-	-	(30,476)	-	(18,434)	(18,434)	(48,910)
9,019	8,606	94,351	32,823	294,518	327,341	421,692
9,037	8,624	76,127	77,261	400,854	478,115	554,242

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COMPONENT UNIT

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF NET POSITION
COMPONENT UNIT - HOUSING AUTHORITY
JUNE 30, 2017**

ASSETS

Current assets	
Cash and cash equivalents	\$ 26,843
Investments	37,481
Accounts receivable, net	35,823
Prepaid expense	<u>12,301</u>
Total current assets	<u>112,448</u>
Noncurrent assets	
Restricted cash	7,967
Capital assets	
Land	32,200
Capital assets being depreciated, net	<u>1,745,888</u>
Total noncurrent assets	<u>1,786,055</u>
Total assets	<u>1,898,503</u>

LIABILITIES

Current liabilities	
Accounts payable	37,059
Accrued payroll liabilities	<u>5,851</u>
Total current liabilities	<u>42,910</u>
Current liabilities payable from restricted assets	
Customer deposits payable	<u>6,181</u>
Total liabilities	<u>49,091</u>

NET POSITION

Invested in capital assets, net of related debt	1,778,088
Unrestricted	<u>71,324</u>
Total net position	<u>\$ 1,849,412</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, 2017

OPERATING REVENUES

Charges for services	\$ 67,273
Operating grants	<u>105,296</u>
Total operating revenues	<u>172,569</u>

OPERATING EXPENSES

Administration	155,327
Other operating expenses	33,010
Depreciation	<u>73,195</u>
Total operating expenses	<u>261,532</u>

Operating (loss) (88,963)

NONOPERATING REVENUES (EXPENSES)

Interest revenue	226
Capital grants	<u>54,467</u>
Nonoperating revenues (expenses)	<u>54,693</u>

Change in net position (34,270)

NET POSITION, BEGINNING OF YEAR 1,883,682

NET POSITION, END OF YEAR \$ 1,849,412

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
STATEMENT OF CASH FLOWS
COMPONENT UNIT - HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2017**

Cash flows from operating activities

Cash received from customers	\$ 34,367
Cash received from HUD operating grants	105,296
Cash payments to employees for services	(80,559)
Cash payments to supplies for goods and services	(77,008)
Net cash provided by operating activities	<u>(17,904)</u>

Cash flows from capital and related financing activities

Cash received from capital grants	54,467
(Acquisition) disposition of capital assets	(52,654)
Net cash provided by capital financing activities	<u>1,813</u>

Cash flows from investing activities

Sale of investments	14,873
Interest on investments	226
	<u>15,099</u>

Net cash provided by noncapital investing activities 15,099

Net (decrease) in cash and cash equivalents (992)

Unrestricted cash and equivalents beginning of year 28,676

Restricted cash beginning of year 7,126

Total cash and equivalents beginning of year 35,802

Cash and equivalents end of year \$ 34,810

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

Operating income	\$ (88,963)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:	
Depreciation expense	73,195
Decrease (increase) in customer receivable	(31,877)
Increase (decrease) in accounts payable	30,901
Increase (decrease) in accrued liabilities	553
Increase (decrease) in customer deposits	(1,029)
Increase (decrease) in prepaid expense	(684)
Net cash provided by operating activities	<u>\$ (17,904)</u>

CASH PER FINANCIAL STATEMENTS

Cash and cash equivalents	\$ 26,843
Restricted cash	7,967
Cash and equivalents end of year	<u>\$ 34,810</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 67,600	67,600	67,273	(327)
Operating grants	94,000	94,000	105,296	11,296
Total operating revenues	161,600	161,600	172,569	10,969
OPERATING EXPENSE				
Administration	155,800	155,800	155,327	473
Other operating expenses	33,000	33,000	33,010	(10)
Total operating expenses	188,800	188,800	188,337	463
Operating income (loss)	(27,200)	(27,200)	(15,768)	11,432
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	200	200	226	26
CFP grant	-	-	54,467	54,467
Nonoperating revenues (expenses)	200	200	54,693	54,493
NON-BUDGETED ITEMS				
Depreciation	-	-	(73,195)	(73,195)
Total non-budgeted items	-	-	(73,195)	(73,195)
Net (loss)	\$ (27,000)	(27,000)	(34,270)	(7,270)

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
VILLAGE OF CHAMA
FINANCIAL DATA SCHEDULE
HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2017

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
111	Cash - unrestricted	\$ 26,843	-	26,843
100	Total cash	<u>26,843</u>	<u>-</u>	<u>26,843</u>
122	Accounts receivable - HUD other projects	34,757	-	34,757
126	Accounts receivable - tenants - dwelling rents	5,183	-	5,183
126.1	Allowance for doubtful accounts - dwelling rents	(4,169)	-	(4,169)
129	Accrued interest receivable	52	-	52
120	Total receivables, net of allowance for doubtful accounts	<u>35,823</u>	<u>-</u>	<u>35,823</u>
131	Investments - unrestricted	37,481	-	37,481
142	Prepaid expense and other assets	12,301	-	12,301
150	Total current assets	<u>112,448</u>	<u>-</u>	<u>112,448</u>
114	Cash - tenant security deposits	7,967	-	7,967
161	Land	32,200	-	32,200
162	Buildings	2,134,481	-	2,134,481
163	Furniture, equipment and machinery - dwellings	94,216	-	94,216
164	Furniture, equipment and machinery - administration	66,312	-	66,312
165	Leasehold improvements	1,026,990	-	1,026,990
166	Accumulated depreciation	(1,576,111)	-	(1,576,111)
160	Total capital assets, net of accumulated depreciation	<u>1,778,088</u>	<u>-</u>	<u>1,778,088</u>
180	Total non-current assets	<u>1,786,055</u>	<u>-</u>	<u>1,786,055</u>
190	Total assets	<u>\$ 1,898,503</u>	<u>-</u>	<u>1,898,503</u>

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
312	Accounts Payable <=90 days	37,059	-	37,059
321	Accrued wage/payroll taxes payable	5,851	-	5,851
341	Tenant Security deposits	6,181	-	6,181
310	Total current liabilities	<u>49,091</u>	<u>-</u>	<u>49,091</u>
508.1	Net investment in capital assets	1,778,088	-	1,778,088
512.1	Unrestricted net position	71,324	-	71,324
513	Total equity/net position	<u>1,849,412</u>	<u>-</u>	<u>1,849,412</u>
600	Total liabilities and equity/net position	<u>\$ 1,898,503</u>	<u>-</u>	<u>1,898,503</u>

STATE OF NEW MEXICO
VILLAGE OF CHAMA
FINANCIAL DATA SCHEDULE
HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2017

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	\$ 64,744	-	64,744
70400	Tenant revenue - other	2,529	-	2,529
70500	Total tenant revenue	67,273	-	67,273
70600	HUD PHA operating grants	100,296	5,000	105,296
70610	Capital Grants	5,000	49,467	54,467
71100	Investment income - restricted	226	-	226
70000	Total revenues	172,795	54,467	227,262
91100	Administrative salaries	33,010	-	33,010
91200	Auditing fees	4,400	-	4,400
91400	Advertising and marketing	744	-	744
91500	Employee benefit contributions - administrative	19,962	-	19,962
91600	Office expenses	8,672	-	8,672
91800	Travel	2,296	-	2,296
91900	Other operating - administrative	10,230	-	10,230
91000	Total operating - administrative	79,314	-	79,314
93100	Water	2,629	-	2,629
93200	Electricity	6,165	-	6,165
93300	Gas	1,835	-	1,835
93000	Total utilities	10,629	-	10,629
94100	Ordinary maintenance and operations - labor	21,664	-	21,664
94200	Ordinary maintenance and operations - materials and other	16,638	-	16,638
94300	Ordinary maintenance and operations - contract costs	29,698	-	29,698
94500	Employee benefit contributions - ordinary maintenance	5,923	-	5,923
94000	Total maintenance	73,923	-	73,923

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
96110	Property insurance	14,367	-	14,367
96120	Liability insurance	2,623	-	2,623
96130	Workmen's compensation	2,100	-	2,100
96140	All other insurance	-	-	-
96100	Total insurance premiums	<u>19,090</u>	<u>-</u>	<u>19,090</u>
96400	Bad debt - tenant rents	<u>5,381</u>	<u>-</u>	<u>5,381</u>
96200	Other general	<u>5,381</u>	<u>-</u>	<u>5,381</u>
96900	Total operating expenses	<u>188,337</u>	<u>-</u>	<u>188,337</u>
97000	Excess of operating revenue over operating expenses	<u>(15,542)</u>	<u>54,467</u>	<u>38,925</u>
97400	Depreciation expense	<u>70,830</u>	<u>2,365</u>	<u>73,195</u>
90000	Total expenses	<u>259,167</u>	<u>2,365</u>	<u>261,532</u>
10000	Excess operating revenue over operating expenses	<u>(86,372)</u>	<u>52,102</u>	<u>(34,270)</u>
11030	Beginning Net Position	<u>1,883,682</u>	<u>-</u>	<u>1,883,682</u>
11040-070	Equity transfers - in (out) from (to) CFP grants	-	(52,102)	(52,102)
11040-080	Equity transfers - in (out) from (to) low rent	<u>52,102</u>	<u>-</u>	<u>52,102</u>
11040	Equity transfers	<u>52,102</u>	<u>(52,102)</u>	<u>-</u>
	Ending Net Position	<u>\$ 1,849,412</u>	<u>-</u>	<u>1,849,412</u>

STATE OF NEW MEXICO
 VILLAGE OF CHAMA
 FINANCIAL DATA SCHEDULE
 HOUSING AUTHORITY
 FOR THE YEAR ENDED JUNE 30, 2017

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
11190	Unit months available	456		
11210	Number of unit months leased	401		
11270	Excess cash	\$ 47,119		
11620	Building purchases	\$ -	-	
11650	Leasehold improvement and equipment purchases	\$ 3,188	49,467	52,655

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S 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**

To Timothy Keller
New Mexico State Auditor
and
Village Mayor
and
Village Council
Village of Chama, 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, business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and the major special revenue fund of the Village of Chama (Village) as of and for the year ended June 30, 2017, 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 20, 2017.

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. We did not identify any deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-001.

The Village's Response to Findings

The Village's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were 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 result 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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
November 20, 2017

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

II. Findings – Financial Statement Audit

2017-001 Budgeted Deficit in Excess of Beginning Cash (Compliance)

Condition: One of the special revenue funds, EMS, had a budgeted deficit in excess of beginning cash balances. The final budget for the EMS fund had a budgeted deficit in excess of beginning cash in the amount of \$3,609.

Criteria: NMAC 2.2.2.10 R (2)(b) states “If budgeted expenditures exceed budgeted revenues (after prior-year cash balance and any applicable federal receivables used to balance the budget), that fact shall be reported in a finding.

Effect: The Village over budgeted the Fire and EMS funds. This created a situation in which the Village could over spend available cash balances.

Cause:

Recommendation: As the Village prepares the budgets, budgeted deficits should be compared to beginning cash balances. Also during the year as the Village amends their budgets, any additional budgeted deficits should again be compared to the beginning cash balances.

Management

Response: Management was unaware that the EMS fund had a budgeted deficit in excess of beginning cash. In the future this will be monitored and reviewed during the budgeting process.

Party responsible

for corrective action: The Treasurer is responsible for preparing and amending budgets.

Estimated timeline

to complete: Immediate. Budgets for the fiscal year ending June 30, 2018 will be reviewed for any budgeted deficits in excess of beginning cash.

**STATE OF NEW MEXICO
VILLAGE OF CHAMA
SUMMARY OF PRIOR YEAR FINDINGS
JUNE 30, 2017**

Prior Year
2016-001

Payroll Documentation (Compliance and Other Matter) – Resolved

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**STATE OF NEW MEXICO
VILLAGE OF CHAMA
EXIT CONFERENCE
JUNE 30, 2017**

EXIT CONFERENCE

An exit conference was held on October 20, 2017 with the Village of Chama and the Village of Chama Housing Authority. The overall results of the audit and the related finding was discussed. The following individuals were present during the meeting:

Village of Chama

Darren DeYapp	Councilor
Ernest Vigil	Councilor
Kristina Archuleta	Treasurer
Maggie Valdez	Village Clerk

Village of Chama, Housing Authority

Tommy Baeza	Chairman
Mike Trujillo	Executive Director

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

Regina Gordon, CPA	Audit Manager
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PREPARATION OF FINANCIAL STATEMENTS

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