

STATE OF NEW MEXICO
VILLAGE OF MELROSE

Audit Report

For the Year Ended June 30, 2008

RONNY FOUTS
CERTIFIED PUBLIC ACCOUNTANT
Melrose, New Mexico

6122

STATE OF NEW MEXICO
Village of Melrose

Official Roster
For the year ended June 30, 2008

BOARD OF TRUSTEES

Lance A. Pyle..... Mayor
Darrel Bostwick Trustee
Scott Burnett Trustee
H.P. Cargile..... Trustee
Tuck N. Monk..... Trustee

ADMINISTRATIVE OFFICIAL

Cathy Christesson..... Clerk/Treasurer

STATE OF NEW MEXICO
Village of Melrose

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June 30, 2008

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FINANCIAL SECTION

RONNY FOUTS
CERTIFIED PUBLIC ACCOUNTANT
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INDEPENDENT AUDITOR'S REPORT

Hector Balderas, State Auditor
The Village Council and
Village of Melrose
Melrose, New Mexico

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village as of June 30, 2008 and the respective changes in financial position thereof, and the respective budgetary comparisons for the major capital project funds, debt service funds, and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated , 2008, on our consideration of Village of Melrose's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.

The Village of Melrose has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the basic financial statements and the combining and individual financial statements and budgetary comparisons presented as supplemental information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements that collectively compromise the Village's basic financial statements. The additional schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Ronny Fouts, CPA
Melrose, New Mexico
November 19, 2009

Basic Financial Statements

STATE OF NEW MEXICO
 VILLAGE OF MELROSE
 STATEMENT OF NET ASSETS
 June 30, 2008

| | Governmental Activities | Business-Type Activities | Total Primary Government |
|---|-------------------------|--------------------------|-----------------------------|
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$ 398,629 | \$ 123,330 | \$ 521,959 |
| Receivables | | 20,445 | 20,445 |
| Due from other governments | 28,078 | 1,117 | 29,195 |
| Non-Current: | | | |
| Restricted Cash | | 154,504 | 154,504 |
| Capital Assets, Net | 5,297,806 | 1,863,699 | 7,161,505 |
| Total Assets | \$ 5,724,513 | \$ 2,163,095 | \$ 7,887,608 |
| <u>LIABILITIES</u> | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 2,637 | \$ - | \$ 2,637.0 |
| Accrued Interest Payable | 165 | 4,774 | 4,939 |
| Current Portion of Long-term Liabilities | 15,576 | 14,000 | 29,576 |
| Noncurrent Liabilities: | | | |
| Bonds | 32,241 | 178,000 | 210,241 |
| Compensated Absences | 16,125 | 2,321 | 18,446 |
| Customer Deposits | - | 9,687 | 9,687 |
| Total Liabilities | \$ 66,744 | \$ 208,782 | \$ 275,526 |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | 5,249,824 | 1,666,925 | 6,916,749 |
| Unrestricted | 407,945 | 287,388 | 695,333 |
| Total Net Assets | \$ 5,657,769 | \$ 1,954,313 | \$ 7,612,082 |

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

STATE OF NEW MEXICO
 VILLAGE OF MELROSE
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2008

| Functions/Programs | Expenses | Program Revenues | | Capital Grants and Contributions |
|---------------------------------------|-------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental Activities: | | | | |
| General Government | \$ 118,828 | \$ - | \$ - | \$ - |
| Public Safety | 235,534 | 44,448 | 54,031 | - |
| Public Works | 4,210 | - | - | - |
| Culture and Recreation | 27,441 | - | - | - |
| Streets | 242,856 | - | - | - |
| Interest on Long term obligations | 1,257 | - | - | - |
| Total Governmental Activities | \$ 630,126 | \$ 44,448 | \$ 54,031 | \$ - |
| Business-Type Activities: | | | | |
| Water | \$ 87,886 | \$ 98,883 | \$ - | \$ 3,397 |
| Sewer | 32,719 | 24,590 | - | 86,974 |
| Solid Waste | 90,055 | 57,864 | - | 20,000 |
| Total Business-Type Activities | \$ 210,660 | \$ 181,337 | \$ - | \$ 110,371 |

- General Revenues:
- Intergovernmental
- Property Taxes
- Franchise Taxes
- NM Gross Receipts Taxes
- Cigarette Taxes
- Gasoline Taxes
- Motor Vehicle
- Licenses and Permits
- Other State
- Miscellaneous Income

Total Revenue

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The Accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets

| Governmental Activities | Business-Type Activities | Total Primary Government |
|----------------------------|-----------------------------|-----------------------------|
| \$ (118,828) | \$ - | \$ (118,828) |
| (137,055) | - | (137,055) |
| (4,210) | - | (4,210) |
| (27,441) | - | (27,441) |
| (242,856) | - | (242,856) |
| (1,257) | - | (1,257) |
| <u>\$ (531,647)</u> | <u>\$ -</u> | <u>\$ (531,647)</u> |
| \$ - | \$ 14,394 | \$ 10,997 |
| - | 78,845 | 78,845 |
| - | (12,191) | (12,191) |
| <u>\$ -</u> | <u>\$ 81,048</u> | <u>\$ 77,651</u> |
| \$ 268,840 | \$ - | \$ 268,840 |
| 10,170 | - | 10,170 |
| 5,498 | - | 5,498 |
| 129,474 | 12,594 | 142,068 |
| 2,815 | - | 2,815 |
| 14,513 | - | 14,513 |
| 1,721 | - | 1,721 |
| 7,488 | - | 7,488 |
| 1,021 | - | 1,021 |
| 9,972 | 14,321 | 24,293 |
| <u>451,512</u> | <u>26,915</u> | <u>478,427</u> |
| (80,135) | 107,963 | 27,828 |
| <u>5,737,904</u> | <u>1,846,350</u> | <u>7,584,254</u> |
| <u>\$ 5,657,769</u> | <u>\$ 1,954,313</u> | <u>\$ 7,612,082</u> |

Fund Financial Statements





STATE OF NEW MEXICO
 VILLAGE OF MELROSE
 Balance Sheet
 Governmental Funds
 June 30, 2008

| | <u>General Fund</u> | <u>Fire Protection</u> | <u>EMS</u> |
|---|---------------------|------------------------|------------------|
| <u>ASSETS</u> | | | |
| Pooled Cash and Investments | \$ 281,148 | \$ 26,587 | \$ 57,501 |
| Receivables: | | | |
| Due from Other Governments | 25,356 | - | - |
| | <hr/> | | |
| Total Assets | <u>\$ 306,504</u> | <u>\$ 26,587</u> | <u>\$ 57,501</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | |
| Liabilities: | | | |
| Accounts Payable | \$ - | \$ - | \$ - |
| Deferred Revenue | 12,616 | - | - |
| Total Liabilities | <u>12,616</u> | <u>-</u> | <u>-</u> |
| Fund Balance: | | | |
| Unreserved: | | | |
| Desig. for Subsequent Years' Expenditures | | | |
| Reported in: | - | - | - |
| General Fund | 293,888 | - | - |
| Special Revenue Funds | - | 26,587 | 57,501 |
| Capital Projects Funds | - | - | - |
| | <hr/> | | |
| Total Fund Balance | <u>293,888</u> | <u>26,587</u> | <u>57,501</u> |
| | <hr/> | | |
| Total Liabilities and Fund Balance | <u>\$ 306,504</u> | <u>\$ 26,587</u> | <u>\$ 57,501</u> |

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

| Senior Citizens Projects | Other Governmental Funds | Total Governmental Funds |
|-----------------------------|--------------------------------|--------------------------------|
| \$ - | \$ 33,393 | \$ 398,629 |
| 2,637 | 85 | 28,078 |
| <u>\$ 2,637</u> | <u>\$ 33,478</u> | <u>\$ 426,707</u> |
| \$ 2,637 | \$ - | \$ 2,637 |
| - | - | 12,616 |
| <u>2,637</u> | <u>-</u> | <u>15,253</u> |
| - | - | - |
| - | - | - |
| - | - | 293,888 |
| - | 33,478 | 117,566 |
| - | - | - |
| <u>-</u> | <u>33,478</u> | <u>411,454</u> |
| <u>\$ 2,637</u> | <u>\$ 33,478</u> | <u>\$ 426,707</u> |

STATE OF NEW MEXICO
 VILLAGE OF MELROSE
 Reconciliation of the Balance Sheet - All
 Governmental funds to the
 Statement of Net Assets
 June 30, 2008

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

| | | |
|---|----------|---------------------|
| Total Fund Balances - Governmental Funds | | \$ 411,454 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 5,297,806 |
| Property taxes receivable will be collected during the year ended June 30, 2008 but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. | | 12,616 |
| Long term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term and other liabilities at year end consist of: | | |
| Bonds Payable | (47,817) | |
| Compensated absences | (16,125) | |
| Accrued interest on bonds | (165) | (64,107) |
| Net assets of governmental activities | | <u>\$ 5,657,769</u> |

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





STATE OF NEW MEXICO
VILLAGE OF MELROSE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For Year Ended June 30, 2008

| | General Fund | Fire Protection | EMS | Senior Citizens Projects |
|--|-------------------|------------------|------------------|-----------------------------|
| Revenues: | | | | |
| Intergovernmental | \$ 129,277 | \$ 68,882 | \$ 11,117 | \$ 59,564 |
| Property Taxes | 10,129 | - | - | - |
| Franchise Taxes | 5,498 | - | - | - |
| NM Gross Receipts Taxes | 129,474 | - | - | - |
| Cigarette Taxes | 1,935 | - | - | - |
| Gasoline Taxes | 14,513 | - | - | - |
| Motor Vehicle Taxes | 1,721 | - | - | - |
| State Grant | 33,431 | - | - | - |
| Fines & Fees | - | - | - | - |
| Licenses and Permits | 1,021 | - | - | - |
| Charge for Services | 20,386 | - | 15,781 | - |
| Miscellaneous | 1,742 | 5,954 | - | - |
| Total Revenue | 349,127 | 74,836 | 26,898 | 59,564 |
| Expenditures | | | | |
| Current: | | | | |
| General Government | \$ 105,443 | \$ - | \$ - | \$ - |
| Public Safety | 61,316 | 62,076 | 16,916 | - |
| Public Works | - | - | - | - |
| Culture and Recreation | 26,479 | - | - | - |
| Streets and Drainage | 71,008 | - | - | - |
| Capital Outlay | - | - | 5,419 | 59,564 |
| Total Expenditures | 264,246 | 62,076 | 22,335 | 59,564 |
| Excess (deficiency) of revenues over expenditures | 84,881 | 12,760 | 4,563 | - |
| Other financing sources (uses) | | | | |
| Operating transfers in | \$ - | \$ - | \$ - | \$ - |
| Operating transfers out | - | - | - | - |
| Total other financing sources(uses) | - | - | - | - |
| Net change in fund balance | 84,881 | 12,760 | 4,563 | - |
| Fund Balance at beginning of year | 209,007 | 13,827 | 52,938 | - |
| Fund Balance at end of year | \$ 293,888 | \$ 26,587 | \$ 57,501 | \$ - |

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

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| \$ - | \$ 268,840 |
| - | 10,129 |
| - | 5,498 |
| - | 129,474 |
| 880 | 2,815 |
| - | 14,513 |
| - | 1,721 |
| 20,600 | 54,031 |
| 7,488 | 7,488 |
| - | 1,021 |
| 8,281 | 44,448 |
| 2,276 | 9,972 |
| <hr/> 39,525 | <hr/> 549,950 |

| | |
|--------------|---------------|
| \$ - | \$ 105,443 |
| 40,776 | 181,084 |
| 4,210 | 4,210 |
| 962 | 27,441 |
| - | 71,008 |
| - | 64,983 |
| <hr/> 45,948 | <hr/> 454,169 |

| | |
|------------------------|-------------------------|
| (6,423) | 95,781 |
| <hr/> \$ - | <hr/> - |
| - | - |
| (6,423) | 95,781 |
| <hr/> 39,901 | <hr/> 315,673 |
| <hr/> \$ 33,478 | <hr/> \$ 411,454 |

STATE OF NEW MEXICO
 VILLAGE OF MELROSE
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balance - All Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2008

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

| | | |
|--|----|-----------------|
| Net Change - Total Governmental Funds | \$ | 95,781 |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.</p> | | |
| Depreciation Expense | | (256,233) |
| Capital Outlay | | 64,983 |
| <p>Accrued interest payable is an expenditure in the statement of activities but it is not an expenditure in the governmental funds statements</p> | | |
| Accrued interest payable | | 53 |
| <p>Repayment of long term liabilities is an expenditure in governmental funds but it reduces long term liabilities in the statement of net assets and does not effect the statement of activities</p> | | |
| Long term liabilities payment | | 15,241 |
| Compensated absences is not an expense in the funds statements | | - |
| Property taxes not included in funds statements | | 41 |
| Rounding | | (1) |
| Change in net assets of governmental activities | \$ | <u>(80,135)</u> |

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



Major Funds

MAJOR FUNDS

GENERAL FUND— to account for all financial resources of the general government, except those required to be accounted for in another fund.

MUNICIPAL STREETS FUND – to account for the collection of one-half of one percent gross receipts tax for the purpose of improving the Village streets. Funding is provided under State Statute 7-16.9 and 7-13-1 through 7-13-18 NMSA 1978 Compilation.

FIRE PROTECTION FUND – This fund accounts for the operations and maintenance of the fire department. Financing is provided by state collected taxes for fire protection. State Statute 59A-53-1 NMSA 1978 Compilation.

GAS TAX FUND— to account for the receipts of State of New Mexico gasoline taxes and expenditures to maintain the roads of the Village.



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Statement of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
General Fund
For the Year Ended June 30, 2008

| | Budgeted Amounts | | | Variance- Favorable (Unfavorable) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Property Taxes | \$ 9,269 | \$ 10,170 | \$ 10,170 | \$ - |
| Franchise Taxes | 4,700 | 5,520 | 5,519 | (1) |
| NM Gross Receipts Taxes | 134,300 | 135,800 | 131,874 | (3,926) |
| Cigarette Taxes | 1,650 | 1,765 | 1,765 | - |
| Gasoline Taxes | 19,500 | 19,500 | 14,272 | (5,228) |
| Motor vehicle | 1,975 | 1,975 | 1,725 | (250) |
| Licenses and Permits | 1,170 | 1,170 | 1,021 | (149) |
| Charges for Services | 26,220 | 30,238 | 20,386 | (9,852) |
| Other State Grants | 165,876 | 195,876 | 33,431 | (162,445) |
| Small Cities Assistance | 120,075 | 129,277 | 129,277 | - |
| Miscellaneous | - | - | 1,742 | 1,742 |
| Total Revenues | \$ 484,735 | \$ 531,291 | \$ 351,182 | \$ (180,109) |
| Expenditures: | | | | |
| General Government | \$ 152,322 | \$ 150,516 | \$ 109,655 | \$ 40,861 |
| Public Safety | 85,596 | 86,596 | 61,316 | 25,280 |
| Public Works | - | - | - | - |
| Culture and Recreation | 55,918 | 57,418 | 26,479 | 30,939 |
| Streets and Drainage | 186,723 | 216,723 | 71,008 | 145,715 |
| Capital Outlay | - | - | - | - |
| Total Expenditures | 480,559 | 511,253 | 268,458 | 242,795 |
| Excess (deficiency) of revenues over expenditures | 4,176 | 20,038 | 82,724 | 62,686 |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Cash Balance at beginning of year | 200,166 | 200,166 | 200,166 | - |
| Cash Balance at end of year | \$ 204,342 | \$ 220,204 | \$ 282,890 | \$ 62,686 |

RECONCILIATION TO GAAP BASIS:

| | |
|--------------------------------------|-------------------|
| Revenue: | |
| Actual per budgetary basis | \$ 351,182 |
| Change in Due from Other Governments | (2,055) |
| Change in Deferred Taxes | (41) |
| Actual per GAAP | <u>\$ 349,127</u> |
| Expenditures | |
| Actual per budgetary basis | \$ 268,458 |
| Change in payables | (4,212) |
| Actual per GAAP | <u>\$ 264,246</u> |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Statement of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Fire Protection Fund
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variance-Favorable (Unfavorable) |
|--|-------------------|-------------------|------------------|-------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| State Fire Allotment | \$ 68,882 | \$ 68,882 | \$ 68,882 | \$ - |
| Miscellaneous | 66,700 | 66,700 | 5,925 | (60,775) |
| Total Revenues | \$ 135,582 | \$ 135,582 | \$ 74,807 | \$ (60,775) |
| Expenditures: | | | | |
| Public Safety | 108,608 | 108,608 | 46,383 | 62,225 |
| Capital Outlay | 16,228 | 16,228 | 16,228 | - |
| Total Expenditures | 124,836 | 124,836 | 62,611 | 62,225 |
| Excess (deficiency) of revenues over expenditures | 10,746 | 10,746 | 12,196 | 1,450 |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Cash Balance at beginning of year | 14,391 | 14,391 | 14,391 | - |
| Cash balance at end of year | \$ 25,137 | \$ 25,137 | 26,587 | \$ 1,450 |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Revenue: | | | | |
| Actual per budgetary basis | | | | \$ 74,807 |
| Change in Due from Other Governments | | | - | - |
| Actual per GAAP | | | | \$ 74,807 |
| Expenditures | | | | |
| Actual per budgetary basis | | | | \$ 62,611 |
| Change in payables | | | - | - |
| Actual per GAAP | | | \$ 26,587 | \$ 62,611 |

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



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Proprietary Funds
Statement of Fund Net Assets
For the Year Ended June 30, 2008

| | Water | Sewer | Solid Waste | Totals |
|--|---------------------|-------------------|-------------------|---------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalent | \$ 59,249 | \$ 45,841 | \$ 18,240 | \$ 123,330 |
| Receivables (net of allowance for uncollectible accounts) | | | | |
| Accounts | 13,636 | 2,397 | 4,412 | 20,445 |
| Taxes | 852 | - | 265 | 1,117 |
| Total Current Assets | 73,737 | 48,238 | 22,917 | 144,892 |
| Restricted Assets | | | | |
| Restricted Cash | 154,504 | - | - | 154,504 |
| Total Restricted Assets | 154,504 | - | - | 154,504 |
| Non-Current Assets | | | | |
| Capital Assets | 1,293,988 | 1,044,915 | 115,960 | 2,454,863 |
| Less: Accumulated Depreciaton | (185,973) | (382,927) | (22,264) | (591,164) |
| Total Non-Current Assets | 1,108,015 | 661,988 | 93,696 | 1,863,699 |
| Total Assets | \$ 1,336,256 | \$ 710,226 | \$ 116,613 | \$ 2,163,095 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - |
| Accrued Interest | 4,774 | - | - | 4,774 |
| Current Portion of Long-Term Debt | 14,000 | - | - | 14,000 |
| Total Liabilities | 18,774 | - | - | 18,774 |
| Noncurrent Liabilities | | | | |
| Bonds | 178,000 | - | - | 178,000 |
| Compensated Absences | - | - | 2,321 | 2,321 |
| Customer Deposits | 9,687 | - | - | 9,687 |
| Total | 187,687 | - | 2,321 | 190,008 |
| Total Liabilities | 206,461 | - | 2,321 | 208,782 |
| NET ASSETS | | | | |
| Invested in Capital Assets net of related debt | 911,241 | 661,988 | 93,696 | 1,666,925 |
| Unrestricted | 218,554 | 48,238 | 20,596 | 287,388 |
| Total Net Assets | \$ 1,129,795 | \$ 710,226 | \$ 114,292 | \$ 1,954,313 |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

| | Water | Sewer | Solid Waste | Totals |
|--|----------------|----------------|-----------------|----------------|
| Operating Revenues | | | | |
| Charges for Services | \$ 97,913 | \$ 24,590 | \$ 57,864 | \$ 180,367 |
| Connection Fees | 970 | - | - | 970 |
| Miscellaneous | 13,843 | 322 | - | 14,165 |
| Total Operating Revenues | 112,726 | 24,912 | 57,864 | 195,502 |
| Operating Expenses | | | | |
| Personal Services | 1,746 | - | 34,890 | 36,636 |
| Operating Expenses | 50,274 | 10,994 | 47,573 | 108,841 |
| Depreciation | 26,292 | 21,725 | 7,592 | 55,609 |
| Total Operating Expenses | 78,312 | 32,719 | 90,055 | 201,086 |
| Operating Income/Loss | 34,414 | (7,807) | (32,191) | (5,584) |
| Non-Operating Revenues (Expenses) | | | | |
| Taxes | 9,402 | - | 3,192 | 12,594 |
| Grants | 3,397 | 86,974 | 20,000 | 110,371 |
| Interest Income | 156 | - | - | 156 |
| Interest Expense | (9,574) | - | - | (9,574) |
| Total Nonoperating Revenue (Expense) | 3,381 | 86,974 | 23,192 | 113,547 |
| Changes in Net Assets | 37,795 | 79,167 | (8,999) | 107,963 |
| Net Assets - Beginning | 1,092,000 | 631,059 | 123,291 | 1,846,350 |
| Net Assets - Ending | \$ 1,129,795 | \$ 710,226 | \$ 114,292 | \$ 1,954,313 |

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



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

| | Water | Sewer | Solid Waste | Totals |
|---|------------|------------|-------------|------------|
| Cash flow from operating activities | | | | |
| Cash received from customers | \$ 108,314 | \$ 24,534 | \$ 57,174 | \$ 190,022 |
| Cash payments to vendors for goods and services | (51,943) | (11,019) | (48,754) | (111,716) |
| Cash payments to employees for services | (1,746) | - | (34,890) | (36,636) |
| Net Cash provided (used) by operating activities | 54,625 | 13,515 | (26,470) | 41,670 |
| Cash flows from Noncapital Financing Activities | | | | |
| Taxes | 9,402 | - | 3,192 | 12,594 |
| Net Cash Provided by Noncapital Financing Activities | 9,402 | - | 3,192 | 12,594 |
| Cash flows from capital & Related Financing Activities | | | | |
| Capital Grants | 3,397 | 86,974 | 20,000 | 110,371 |
| Capital Assets | (8,456) | (83,961) | (4,172) | (96,589) |
| Principal Paid | (13,000) | - | - | (13,000) |
| Interest Paid | (9,574) | - | - | (9,574) |
| Net Cash Provided by Capital & Related Financing Activities | (27,633) | 3,013 | 15,828 | (8,792) |
| Cash Flows from Investing Activities | | | | |
| Interest Received | 156 | - | - | 156 |
| Net Cash Provided by Investing Activities | 156 | - | - | 156 |
| Net Increase (Decrease) in Cash | 36,550 | 16,528 | (7,450) | 45,628 |
| Cash and Cash Equivalents, beginning of year | 177,203 | 29,313 | 25,690 | 232,206 |
| Cash and Cash Equivalents, end of year | \$ 213,753 | \$ 45,841 | \$ 18,240 | \$ 277,834 |
| Cash in Bank | \$ 59,249 | \$ 45,741 | \$ 18,240 | \$ 123,230 |
| Restricted Cash in Bank | 154,504 | 100 | - | 154,604 |
| | \$ 213,753 | \$ 45,841 | \$ 18,240 | \$ 277,834 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | |
| Operating Income (Loss) | \$ 34,414 | \$ (7,807) | \$ (32,191) | \$ (5,584) |
| Adjustment to reconcile operating income/loss to net cash provided (used) by operating activities: | | | | |
| Depreciation | 26,292 | 21,725 | 7,592 | 55,609 |
| Changes in assets and liabilities | | | | |
| (Increase) Decrease in accounts receivable | (1,994) | (378) | (745) | (3,117) |
| (Increase) Decrease in taxes receivable | (281) | - | 55 | (226) |
| Increase (Decrease) in accounts payable | (1,318) | (25) | (1,181) | (2,524) |
| Increase (Decrease) in accrued interest | (351) | - | - | (351) |
| Increase (Decrease) in customer deposits | (2,137) | - | - | (2,137) |
| Net Cash Provided by Operating Activities | \$ 54,625 | \$ 13,515 | \$ (26,470) | \$ 41,670 |

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



STATE OF NEW MEXICO
VILLAGE OF MELROSE

STATEMENT OF ASSETS AND LIABILITIES - AGENCY FUNDS
June 30, 2008

| <u>ASSETS</u> | Agency Funds |
|---|-----------------|
| Pooled Cash and Investments | <u>\$ 1,005</u> |
| | |
| <u>LIABILITIES</u> | |
| Liabilities: | |
| Deposits held for others Cemetery Trust | <u>\$ 1,005</u> |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the VILLAGE OF MELROSE (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP of state and local governments through its pronouncements. Governments have the option to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Village has chosen to follow the FASB pronouncements. The more significant of the Village's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*. Some of the significant changes in the Statement include the following.

- A Management's Discussion and Analysis (MD & A) providing an analysis of the Village's overall financial position and results of operations.
- Financial Statements prepared using full-accrual accounting for all the Village's activities.
- A change in fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements) as of June 30, 2008.

In addition, in June 2001, the GASB issued Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* – an amendment of GASB Statement No. 21 and No. 34 and Statement No. 38, *Certain Financial Note Disclosures*. These two statements clarify, modify, establish and rescind certain disclosure requirements under GASB No. 34. Both statements are being implemented in conjunction with GASB Statement No. 34. These statements do not have an impact on the results of operations or the financial position of the Village.

Financial Reporting Entity

The VILLAGE OF MELROSE was incorporated under the laws of State of New Mexico. The VILLAGE OF MELROSE operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2008

state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes of set rates or charges and issue bonded debt.

The Village has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Village members are financially accountable. There are no other primary governments with which the Village Board Members are financially accountable. There are not other primary governments with which the Village has a significant relationship.

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the Village are classified into three categories: governmental, proprietary, and fiduciary. In turn, each category is divided into separate fund types.

Basis of Presentation and Basis of Accounting

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Village. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statements level.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by an given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and 3) capital grants and contributions that are restricted to meeting capital requirements. Taxes and other items not properly included among program revenues are reported instead as general revenues. Indirect expenses are prorated based on direct expenses.

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2008

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The Village has presented the following major governmental fund:

General Fund – The General Fund is the general operating fund of the Village and accounts for all revenues and expenditures of the Village not encompassed within other funds.

Fire Fund – To account for operation and maintenance of the Department. Financing is provided by the motor vehicle registration fee of one dollar. Funding is provided under State Statute 24-10A-1 NMSA, 1978 Compilation. Required to be accounted for as a separate fund by New Mexico Department of Health regulation.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The Village has presented the following major proprietary funds:

EMS Funds are used to account for operation and maintenance of the EMS Department. Funding is provided under State Statute 24-10A-1 NMSA, 1978 Compilation. Required to be accounted for as a separate fund by New Mexico Department of Health regulation.

Senior Citizens Fund The Senior Citizens Project is used to account for the revenue and expenditures related to capital expenditures for the Senior Citizens Facilities.

Water, Sewer, and Solid Waste Funds - The Water, Sewer and Solid Waste Funds are used to account for the provisions of water, sewer, and solid waste services to the residents of the Village. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Additionally, the Village reports the following non-major funds types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds – The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the Village.

Fiduciary Fund – The Fiduciary funds account for assets held by the Village in a trustee or agent capacity.



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2008

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resource measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The specific revenue recognition policy for property taxes are recognized when levied, derived tax revenue (such as gross receipts tax) are recognized when the underlying transaction takes place, and grants are recognized when all of the eligibility requirements have been met.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Budgetary Control

1. Prior to June 1, the Village's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2008

3. The Village treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Trustees and the State Department of Finance and Administration.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. The level of budget authority is at the fund level.

Cash and Cash Equivalents

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Village is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the Village may be invested in:

- (a) bonds or negotiable securities of the United States, that state or any county, municipality or Village which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
- (c) In contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2008

Prepaid Items

Prepaid balances are for payments made by the Village in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

| | |
|---|-------------|
| Infrastructure | 30 years |
| Buildings & Improvements | 20-50 years |
| Equipment, Vehicles, Information Technology | |
| Equipment, Software & Library Books | 3-15 years |

Use of Restricted Funds

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available it will first be applied to restricted resources.

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2008

Compensated Absences

All full-time employees are entitled to two weeks per year vacation with full pay. Non-salaried employees are eligible for compensation time.

Each permanent employee of the Village accrues sick leave as working days with full pay on the basis of one (1) day per each month of employment. Sick leave may be granted only from duty because of personal illness, legal quarantine, or medical, dental, or optical appointments. In case of an extended sickness in excess of the accumulated sick leave, annual leave may be applied to sick leave. The employees may be eligible to sell sick leave in excess of 10 days at the rate of 75% of regular pay, only upon approval of the board.

Net Assets

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

NOTE B: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance – Budget and Actual (Budgetary Basis).

NOTE C: CASH AND INVESTMENTS

The Village is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2008

American Heritage Bank

| <u>Name of Account</u> | Balance Per Bank 06-30-08 | Reconciled Balance | Type |
|----------------------------|---------------------------------|-----------------------|----------|
| Village of Melrose | \$ 475,854 | \$ 467,521 | Checking |
| Fire Department Savings | 4,019 | 4,019 | Savings |
| Cemetery Trust Savings | 1,004 | 1,004 | Savings |
| Water Savings | 112,678 | 112,678 | Savings |
| Water Savings | 28,139 | 28,139 | Savings |
| Sewer Savings | 2,995 | 2,995 | Savings |
| General Fund | 39,737 | 39,737 | CD |
| Cemetery Fund | 8,580 | 8,580 | CD |
| Water Meter Deposit | 4,000 | 4,000 | CD |
| Sewer Fund | <u>8,795</u> | <u>8,795</u> | CD |
| TOTAL Deposited | 685,801 | <u>\$ 677,468</u> | |
| Less: FDIC Coverage | <u>685,801</u> | | |
| Uninsured Amount | 1,371,602 | | |
| 50% collateral requirement | - | | |
| Pledged securities | - | | |
| Over (Under) requirement | <u>\$ -</u> | | |

STATE OF NEW MEXICO
 VILLAGE OF MELROSE
 Notes to Financial Statements
 June 30, 2008

Custodial Credit Risk-Deposits

| <u>Depository Account</u> | <u>Bank Balance</u> |
|---|--------------------------|
| Insured | \$ 893,111 |
| Collateralized: | |
| Collateral held by the pledging bank in Village's name | - |
| Uninsured and uncollateralized | - |
| Total Deposits | <u>\$ 893,111</u> |

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2008 none of the Village's bank balance of \$546,499 was exposed to custodial credit risk.

NOTE D: DEFERRED REVENUES

Revenues are deferred in accordance with the modified accrual basis of accounting for the fund financial statements. The following deferred revenues are measurable but do not represent available expendable resources for the Fund Financial Statements for the fiscal year ended June 30, 2008:

| | <u>General</u> |
|--------------------------------|-------------------------|
| Property Taxes | \$ 12,616 |
| TOTAL Deferred Revenues | <u>\$ 12,616</u> |

NOTE E: RESTRICTED CASH

Restricted cash in the water fund is set aside for debt retirement as required by the debt covenant. All required transfers and balances have been maintained as required.

NOTE F: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2008, is as follows:

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2008

| | Balance 6/30/07 | Increases | Adjustments | Balance 6/30/08 |
|--|--------------------|---------------|-------------|--------------------|
| Governmental Activities | | | | |
| Capital Assets, not being Depreciated | | | | |
| Land | \$ 1,000 | \$ - | \$ - | \$ 1,000 |
| Total Capital Assets, not being Depreciated | <u>1,000</u> | <u>-</u> | <u>-</u> | <u>1,000</u> |
| Capital Assets, being Depreciated | | | | |
| Infrastructure | 5,155,431 | - | - | 5,155,431 |
| Buildings & Improvements | 669,240 | - | - | 669,240 |
| Equipment | <u>1,174,504</u> | <u>64,983</u> | <u>-</u> | <u>1,239,487</u> |
| Total Capital Assets, being Depreciated | <u>6,999,175</u> | <u>64,983</u> | <u>-</u> | <u>7,064,158</u> |
| Total Capital Assets | <u>7,000,175</u> | <u>64,983</u> | <u>-</u> | <u>7,065,158</u> |
| Less Accumulated Depreciation | | | | |
| Buildings & Improvements | 955,973 | 185,233 | - | 1,141,206 |
| Equipment | <u>555,146</u> | <u>71,000</u> | <u>-</u> | <u>626,146</u> |
| Total Accumulated Depreciation | 1,511,119 | 256,233 | - | 1,767,352 |
| Capital Assets, net | \$ 5,489,056 | \$ (191,250) | \$ - | \$ 5,297,806 |

Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------|----------------|
| General | \$ 13,385 |
| Public Safety | 71,000 |
| Streets & Drainage | <u>171,848</u> |
| Total depreciaion expenses | \$ 256,233 |



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2008

| Business-Type Activities | Balance <u>6/30/07</u> | Increases | Adjustments | Balance <u>6/30/08</u> |
|--------------------------------------|---------------------------|--------------------|-------------|---------------------------|
| Water | | | | |
| Other Capital Assets | | | | |
| Water System | \$ 1,271,794 | \$ 8,456 | \$ - | \$ 1,280,250 |
| Equipment | <u>13,738</u> | <u>-</u> | <u>-</u> | <u>13,738</u> |
| Total Capital | | | | |
| Assets at Historical Cost | <u>1,285,532</u> | <u>8,456</u> | <u>-</u> | <u>1,293,988</u> |
| Less Accumulated Depreciation | | | | |
| Water System | 152,867 | 25,605 | - | 178,472 |
| Equipment | <u>6,814</u> | <u>687</u> | <u>-</u> | <u>7,501</u> |
| Total Accumulated Depreciation | <u>159,681</u> | <u>26,292</u> | <u>-</u> | <u>185,973</u> |
| Capital Assets, net | <u>\$ 1,125,851</u> | <u>\$ (17,836)</u> | <u>\$ -</u> | <u>\$ 1,108,015</u> |
| Sewer | | | | |
| Other Capital Assets | | | | |
| Sewer System | \$ 905,424 | \$ 83,961 | \$ - | \$ 989,385 |
| Equipment | <u>55,530</u> | <u>-</u> | <u>-</u> | <u>55,530</u> |
| Total Capital | | | | |
| Assets at Historical Cost | <u>960,954</u> | <u>83,961</u> | <u>-</u> | <u>1,044,915</u> |
| Less Accumulated Depreciation | | | | |
| Sewer System | 360,001 | 18,948 | - | 378,949 |
| Equipment | <u>1,201</u> | <u>2,777</u> | <u>-</u> | <u>3,978</u> |
| Total Accumulated Depreciation | <u>361,202</u> | <u>21,725</u> | <u>-</u> | <u>382,927</u> |
| Capital Assets, net | <u>\$ 599,752</u> | <u>\$ 62,236</u> | <u>\$ -</u> | <u>\$ 661,988</u> |
| Solid Waste | | | | |
| Other Capital Assets | | | | |
| Equipment | \$ 111,788 | \$ 4,172 | \$ - | \$ 115,960 |
| Total Capital | | | | |
| Assets at Historical Cost | <u>111,788</u> | <u>4,172</u> | <u>-</u> | <u>115,960</u> |
| Less Accumulated Depreciation | | | | |
| Equipment | 14,672 | 7,592 | - | 22,264 |
| Total Accumulated Depreciation | <u>14,672</u> | <u>7,592</u> | <u>-</u> | <u>22,264</u> |
| Capital Assets, net | <u>\$ 97,116</u> | <u>\$ (3,420)</u> | <u>\$ -</u> | <u>\$ 93,696</u> |

STATE OF NEW MEXICO
 VILLAGE OF MELROSE
 Notes to Financial Statements
 June 30, 2008

NOTE G: LONG TERM DEBT

A summary of activity in the Long-Term Debt is as follows:

| | Balance | Additions | Reductions | Balance | Amounts Due Within One Year |
|--------------------------------|------------------|------------------|------------------|------------------|--------------------------------------|
| Governmental Activities | <u>6/30/07</u> | <u> </u> | <u> </u> | <u>6/30/08</u> | <u> </u> |
| NMFA | \$ 63,058 | \$ - | \$ 15,241 | \$ 47,817 | \$ 15,576 |
| Other Liabilities | | | | | |
| Compensated Absences | <u>16,125</u> | <u>16,125</u> | <u>16,125</u> | <u>16,125</u> | <u>-</u> |
| Long-Term Liabilities | <u>\$ 79,183</u> | <u>\$ 16,125</u> | <u>\$ 31,366</u> | <u>\$ 63,942</u> | <u>\$ 15,576</u> |

The current portion of the compensated absences is estimated at zero since there are no anticipated retirements or terminations. The compensated absences ultimately will be liquidated by the General Fund or Water Fund as they have been in the past.

The New Mexico Finance Authority under the provisions of Sections 3-31-1 through 3-31-12, NMSA 1978, as amended, Sections 6-18-1 through 6-18-16, NMSA 1978 as amended and the Village's Resolution November 2001-02, adopted on January 25, 2001, loaned the Village \$148,000 for the acquisition of a Fire Pumper Truck. The interest rate is 4.717%. The debt is serviced by pledged revenues from the Fire Protection Fund Distribution made annually by the Sate Fire Marshal or State Fire Board.

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|------------------|-----------------|------------------|
| 2009 | \$ 15,576 | \$ 1,014 | \$ 16,590 |
| 2010 | 15,932 | 698 | 16,630 |
| 2011 | <u>16,309</u> | <u>360</u> | <u>16,669</u> |
| | <u>\$ 47,817</u> | <u>\$ 2,072</u> | <u>\$ 49,889</u> |

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VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2008

Business-Type Activities

| | <u>Balance</u> <u>6/30/07</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>6/30/08</u> | <u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u> |
|-----------------------|----------------------------------|------------------|-------------------|----------------------------------|--|
| Bonds Payable | | | | | |
| Utility Bonds | \$ 205,000 | \$ - | \$ 13,000 | \$ 192,000 | \$ 14,000 |
| Other Liabilities | | | | | |
| Compensated Absences | <u>2,321</u> | <u>2,321</u> | <u>2,321</u> | <u>2,321</u> | <u>-</u> |
| Long-Term Liabilities | <u>\$ 207,321</u> | <u>\$ 2,321</u> | <u>\$ 15,321</u> | <u>\$ 194,321</u> | <u>\$ 14,000</u> |

Utility Bonds

The following bonds were issued for the purpose of improving and expanding the Village's water utility system. The water utility fund charges a fee for water and services to retire the principal and interest on the bond issue.

| <u>Series</u> | <u>Date of Issue</u> | <u>Original Amount</u> | <u>Interest Rate</u> | <u>Balance</u> |
|---------------|----------------------|------------------------|----------------------|-------------------|
| 1979 | 6/7/2008 | 400000 | 5% | <u>\$ 192,000</u> |
| | | | | <u>\$ 192,000</u> |

The annual requirements to amortize the 1996 Series general obligation bonds as of June 30, 2008, including interest payments are as follows:

| <u>Water Revenue Bond</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|-------------------|------------------|-------------------|
| 2009 | \$ 14,000 | \$ 9,250 | \$ 23,250 |
| 2010 | 15,000 | 8,525 | 23,525 |
| 2011 | 15,000 | 7,775 | 22,775 |
| 2012 | 16,000 | 7,000 | 23,000 |
| 2013 | 17,000 | 6,175 | 23,175 |
| 2014-2018 | 97,000 | 16,875 | 113,875 |
| 2019-2023 | <u>18,000</u> | <u>450</u> | <u>18,450</u> |
| | <u>\$ 192,000</u> | <u>\$ 56,050</u> | <u>\$ 248,050</u> |

NOTE H: PROPERTY TAXES



STATE OF NEW MEXICO
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The County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation

NOTE I: PENSION PLAN

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

Plan members are required to contribute 7% of their gross salary. The Village is required by State Statute to contribute 7% for regular employees and 10% for all police employees. The contribution requirement of plan members and the Village are established under Chapter 10, Article 11, NMSA, 1978. The Village's contributions to PERA for the year's ending June 30, 2008, 2007, and 2006, were \$15,897, \$18,679, and \$17,870, respectively, equal to the amount of the required contributions for each year.

NOTE J: POST-EMPLOYMENT BENEFITS

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

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retired on or before July 1, 1995, in which event the time period for contributions becomes the time between July 1, 1990, and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

The RHA 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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2008

Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

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

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

Village of Melrose's contributions to the RHCA for the years ended June 30, 2008, 2007, and 2006 were \$3,008, \$2,035 and \$1,946, respectively, which equal the required contributions for each year.

GASB 43 and GASB 45 will have a material effect on the financial statements of the Village as they become fully effective in 2008, 2009, 2010, and 2011.



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2008

NOTE K: RECEIVABLES

Receivables as of June 30, 2008, were as follows:

Receivables

| | <u>General</u> | <u>Water</u> | <u>Sewer</u> | <u>Solid Waste</u> | <u>Totals</u> |
|---------------------------------|------------------|------------------|-----------------|--------------------|------------------|
| Accounts Rec. | \$ - | \$ 13,947 | \$ 2,455 | \$ 4,511 | \$ 20,913 |
| Less: Allowance for bad debt | - | (311) | (58) | (99) | (468) |
| Municipal GRT | 4,785 | - | - | 265 | 5,050 |
| State GRT | 5,347 | 852 | - | - | 6,199 |
| Franchise Tax | 337 | - | - | - | 337 |
| Infrastructure GRT | 529 | - | - | - | 529 |
| Cigarette Tax | 170 | - | - | - | 170 |
| Property Taxes | 12,731 | - | - | - | 12,731 |
| Gas Tax | 1,325 | - | - | - | 1,325 |
| MVD | 132 | - | - | - | 132 |
| | <u>\$ 25,356</u> | <u>\$ 14,488</u> | <u>\$ 2,397</u> | <u>\$ 4,677</u> | <u>\$ 46,918</u> |

NOTE L: INTERFUND TRANSFERS

There were no interfund transfers for the year ending June 30, 2008.

NOTE M: RISK MANAGEMENT

The Village participates in the New Mexico Self-Insurers Fund for medical insurance coverage for their employees. Commercial Insurance covers all other losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. There are no claim liabilities at year end.

NOTE N: JOINT POWERS AGREEMENT

Ute Reservoir Water Association

A Joint Powers Agreement has been entered into by and between communities of Clovis, Portales, Texico, Melrose, Elida, Grady, San Jon, Logan, and Tucumcari New Mexico. The counties of Curry, Roosevelt and Quay. The purpose of the agreement is to protect and utilize existing water rights and water resources of the parties and to provide a mechanism to develop, acquire and finance a water supply and distribution system or systems to furnish, supply and provide water for the use of the parties from sources in, upon, along and including the financing of water storage, conveyance and water treatment projects. The Ute Reservoir is approximately 24,000 acre-feet, of that the Village has rights to 250 acre feet. This agreement shall be effective May 21, 2003. This agreement and the Authority created hereby shall expire on January 1, 2046 unless otherwise extended. However, any party may withdraw at any time, without penalty or liability with a written notice to other members ten days before the effective date of withdrawal. The City Treasury in Clovis is responsible for the audit



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Notes to Financial Statements
June 30, 2008

responsibilities, and they are also the fiscal agent, where revenues and expenditures are reported. The Village of Melrose contributed \$375 to the JPA for the year ending June 30, 2008. The total amount of the project is unknown since it is ongoing and can change from year to year.

Curry County Jail

A Joint Powers Agreement has been entered into by and between the Village of Melrose, New Mexico and The County of Curry, New Mexico where Curry County has agreed to provide jail services for the Village prisoners. Jail services shall not be limited to the booking, care, housing, feeding, administration of prisoners, and all other mandated, necessary and common functions of a jail. The Village agrees to pay thirty five dollars (\$35) per prisoner day for Village prisoners, and the total consideration paid by the Village for any fiscal year shall not exceed one hundred fifty thousand dollars (\$150,000). The terms shall remain in effect indefinitely unless modified by the parties, in writing, or upon termination by either party upon written notice at least thirty (30) days prior to the date of termination. The Village of Melrose did not contribute to the JPA for the year ending in June 30, 2008. This service is paid for on a yearly basis and payment is only given when there were services to be paid for.

Curry County has Audit responsibilities, they are also the fiscal agent. The Department of Finance is the agency where revenues and expenditures are reported.

Region Five Drug Task Force

This agreement is entered into by several governmental agencies in Curry, Quay, Roosevelt, DeBaca and Guadalupe counties and the New Mexico State Police. The agreement was executed on September 13, 1999 and is indefinite. Any party may withdraw from this agreement by giving 30 days written notice to all party agencies. The City of Clovis, acting as lead agency, will establish a Joint Task Force Account and shall disburse all monies received and shall maintain records of all receipts and disbursements. The law enforcement agencies of the participating governments have determined that a joint and unified effort of law enforcement activities relating to drugs and controlled substances will provide increased efficiency and benefit all citizens within the Region Five Area. The Village of Melrose did not contribute to the JPA for the year ending June 30, 2008. This service is paid for on a yearly basis and payment is only given when there were services to be paid for.

Curry County has Audit responsibilities, they are also the fiscal agent. The Department of Finance is the agency where revenues and expenditures are reported.

NOTE O: SURETY BOND

The official and certain employees of the Village are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

NOTE P: RELATED ORGANIZATIONS

The following related organization is excluded from the financial reporting entity because the Village's accountability does not extend beyond making board appointments. Audited financial statements are available from the respective organization.

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2008

Related Organization

Eastern New Mexico Natural Gas Association (ENMNG)

Brief Description of Activities and Relationship to the Village:

Furnish natural gas and related service to the residents of Melrose, Fort Sumner, Floyd and the surrounding area. Two members of the ENMNG are appointed by the Village. The Village has no significant influence over the management, budget, or policies of ENMNG. The authority reports independently.

NOTE Q: LANDFILL

The Village does not expect to incur future expenses involving their landfill. It has been closed since May of 1989.



SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
VILLAGE OF MELROSE

Combining Balance sheet
Non Major Special Revenue Funds
For the Year Ended June 30, 2008

| Assets: | | | |
|-------------------------------------|----|-------|----------|
| Cash on deposit | \$ | 2,162 | \$ 6,037 |
| Accounts receivable | | 85 | - |
| Total assets | | 2,247 | 6,037 |
| Fund Equity: | | | |
| Fund Balance | | - | - |
| Unreserved: | | | |
| Design. For Subsequent Years Expend | | 2,247 | 6,037 |
| Total Fund Equity | | 2,247 | 6,037 |
| | | 5,374 | 5,374 |

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

| Cemetery Fund | Totals |
|------------------|------------------|
| \$ 19,820 | \$ 33,393 |
| | 85 |
| <u>19,820</u> | <u>33,478</u> |
| | - |
| | - |
| <u>19,820</u> | <u>33,478</u> |
| <u>\$ 19,820</u> | <u>\$ 33,478</u> |



STATE OF NEW MEXICO
VILLAGE OF MELROSE

Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances
Non Major Funds
For the Year Ended June 30, 2008

| | Recreation | Correction |
|---|------------|------------|
| Revenues: | | |
| State grants | \$ - | \$ - |
| Taxes | 880 | - |
| Fines & Fees | - | 7,488 |
| Charges for services | - | - |
| Miscellaneous | 710 | - |
| Total Revenues | 1,590 | 7,488 |
| Expenditures: | | |
| Public safety | - | 9,636 |
| Public works | - | - |
| Culture and Recreation | 962 | - |
| Total Expenditures | 962 | 9,636 |
| Excess (deficiency) of revenues over expenditures | 628 | (2,148) |
| Other Financing Sources (Uses) | | |
| Transfers In | - | - |
| Transfers Out | - | - |
| Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses | 628 | (2,148) |
| Fund Balance at beginning of year | 1,619 | 8,185 |
| Fund balance at end of year | \$ 2,247 | \$ 6,037 |

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

| Law | | |
|-----------------|------------------|------------------|
| Enforcement | Cemetery Fund | Totals |
| \$ 20,600 | \$ - | \$ 20,600 |
| - | - | 880 |
| - | - | 7,488 |
| - | 8,281 | 8,281 |
| - | 1,566 | 2,276 |
| <u>20,600</u> | <u>9,847</u> | <u>39,525</u> |
| 31,140 | - | 40,776 |
| - | 4,210 | 4,210 |
| - | - | 962 |
| <u>31,140</u> | <u>4,210</u> | <u>45,948</u> |
| (10,540) | 5,637 | (6,423) |
| - | - | - |
| <u>(10,540)</u> | <u>5,637</u> | <u>(6,423)</u> |
| 15,914 | 14,183 | 39,901 |
| <u>\$ 5,374</u> | <u>\$ 19,820</u> | <u>\$ 33,478</u> |



NONMAJOR FUNDS

HIGHWAY BEAUTIFICATION FUND – to account for the receipts from a state grant to improve street and grounds for the Village. (67-16-14 NMSA 1978 Compilation)

EMERGENCY MEDICAL SERVICES – to account for grant funds received by the Village from State sources for development of an EMS system. Funding is provided for under State Statute 24-10A-1 to 24-10A-10 NMSA Compilation.

RECREATION FUND – to account for operations of the parks and other recreation type activities. A cigarette tax and miscellaneous revenue provide financing. (State Statute 7-12-1 and 7-12-15 NMSA 1978 Compilation)

INFRASTRUCTURE FUND – to account for the Village's share of gross receipts tax that is legally restricted to the purchase of raw material for the roads within the government's boundaries. (7-1-6.27 NMSA 1978 Compilation)

CEMETERY FUND – to account for monies received for the cemetery and to expend them on behalf of the cemetery fund.

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Statement of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Emergency Medical Services
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variance-Favorable (Unfavorable) |
|--|------------------|------------------|------------------|-------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| State Emergency Medical Services | \$ 11,250 | \$ 11,250 | \$ 11,117 | \$ (133) |
| Other Charge | 33,000 | 33,000 | 15,781 | (17,219) |
| Total Revenues | \$ 44,250 | \$ 44,250 | \$ 26,898 | \$ (17,352) |
| Expenditures: | | | | |
| Public Safety | 29,100 | 29,100 | 17,177 | 11,923 |
| Capital Outlay | 6,000 | 6,000 | 5,419 | 581 |
| Total Expenditures | 35,100 | 35,100 | 22,596 | 12,504 |
| Excess (deficiency) of revenues over expenditures | 9,150 | 9,150 | 4,302 | (4,848) |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Revenues and Other financing sources over (under) Expenditures & Other uses | 9,150 | 9,150 | 4,302 | (4,848) |
| Cash Balance at beginning of year | 53,199 | 53,199 | 53,199 | - |
| Cash balance at end of year | \$ 62,349 | \$ 62,349 | \$ 57,501 | \$ (4,848) |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Revenue: | | | | |
| Actual per budgetary basis | | | \$ 26,898 | |
| Change in Due from Other Governments | | | - | |
| Actual per GAAP | | | \$ 26,898 | |
| Expenditures | | | | |
| Actual per budgetary basis | | | \$ 22,596 | |
| Change in payables | | | (261) | |
| Actual per GAAP | | | \$ 22,335 | |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Statement of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Law Enforcement Protection Fund
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variance-Favorable (Unfavorable) |
|--|------------------|------------------|------------------|-------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| State Grant | \$ 20,600 | \$ 20,600 | \$ 20,600 | \$ - |
| Miscellaneous | - | - | - | - |
| Total Revenues | \$ 20,600 | \$ 20,600 | \$ 20,600 | \$ - |
| Expenditures: | | | | |
| Public Safety | 5,867 | 5,867 | 5,866 | 1 |
| Capital Outlay | 25,315 | 25,315 | 25,315 | - |
| Total Expenditures | 31,182 | 31,182 | 31,181 | 1 |
| Excess (deficiency) of revenues over expenditures | (10,582) | (10,582) | (10,581) | 1 |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Cash Balance at beginning of year | 15,955 | 15,955 | 15,955 | - |
| Cash balance at end of year | <u>\$ 5,373</u> | <u>\$ 5,373</u> | <u>\$ 5,374</u> | <u>\$ 1</u> |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Revenue: | | | | |
| Actual per budgetary basis | | | | \$ 20,600 |
| Change in Due from Other Governments | | | | - |
| Actual per GAAP | | | | <u>\$ 20,600</u> |
| Expenditures | | | | |
| Actual per budgetary basis | | | | \$ 31,181 |
| Change in payables | | | | (41) |
| Actual per GAAP | | | | <u>\$ 31,140</u> |

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



STATE OF NEW MEXICO
 VILLAGE OF MELROSE
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Budget and Actual (Non-GAAP)
 Correction Fund
 For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variance- Favorable (Unfavorable) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Correction Fees | \$ 7,560 | \$ 7,560 | \$ 7,488 | \$ (72) |
| Miscellaneous | 200 | 200 | - | (200) |
| Total Revenues | <u>7,760</u> | <u>7,760</u> | <u>7,488</u> | <u>(272)</u> |
| Expenditures: | | | | |
| Public Safety | <u>9,860</u> | <u>9,860</u> | <u>9,636</u> | <u>224</u> |
| Total Expenditures | <u>9,860</u> | <u>9,860</u> | <u>9,636</u> | <u>224</u> |
| Excess (deficiency) of revenues over expenditures | (2,100) | (2,100) | (2,148) | (48) |
| Other Financing Sources (Uses) | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses | (2,100) | (2,100) | (2,148) | (48) |
| Fund Balance at beginning of year | <u>8,185</u> | <u>8,185</u> | <u>8,185</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 6,085</u> | <u>\$ 6,085</u> | <u>\$ 6,037</u> | <u>\$ (48)</u> |
| Reconciliation to GAAP | | | | |
| Revenues: | | | | |
| Actual per Budgetary Basis | | | | \$ 7,488 |
| Changes in due from other governments | | | | - |
| Actual per GAAP | | | | <u>\$ 7,488</u> |
| Expenditures: | | | | |
| Actual per Budgetary Basis | | | | \$ 9,636 |
| Changes in payables | | | | - |
| Actual per GAAP | | | | <u>\$ 9,636</u> |

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



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Schedule of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Recreation Fund
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variance- Favorable (Unfavorable) |
|--|------------------|-----------------|--------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Cigarette Tax | \$ 886 | \$ 886 | \$ 886 | \$ - |
| Miscellaneous | 2,595 | 2,595 | 710 | (1,885) |
| Total Revenues | <u>3,481</u> | <u>3,481</u> | <u>1,596</u> | <u>(1,885)</u> |
| Expenditures: | | | | |
| Recreation | 1,200 | 1,200 | 979 | 221 |
| Total Expenditures | <u>1,200</u> | <u>1,200</u> | <u>979</u> | <u>221</u> |
| Excess (deficiency) of revenues over expenditures | 2,281 | 2,281 | 617 | (2,106) |
| Other Financing Sources (Uses) | | | | |
| Transfers In | - | - | - | |
| Transfers Out | | | | |
| Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses | 2,281 | 2,281 | 617 | (2,106) |
| Cash Balance at beginning of year | 1,545 | 1,545 | 1,545 | - |
| Cash Balance at end of year | <u>\$ 3,826</u> | <u>\$ 3,826</u> | 2,162 | <u>\$ (2,106)</u> |
| Reconciliation to GAAP | | | | |
| Revenues: | | | | |
| Actual per Budgetary Basis | | | | \$ 1,596 |
| Changes in due from other governments | | | | (6) |
| Actual per GAAP | | | | <u>\$ 1,590</u> |
| Expendures: | | | | |
| Actual per Budgetary Basis | | | | \$ 979 |
| Changes in payables | | | | (17) |
| Actual per GAAP | | | | <u>\$ 962</u> |

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



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Statement of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Cemetery Fund
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variance-Favorable (Unfavorable) |
|---|------------------|------------------|------------------|-------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Services & Sales of Lots | \$ 10,000 | \$ 10,000 | \$ 8,281 | \$ (1,719) |
| Other Charge | 2,010 | 2,010 | 1,566 | (444) |
| Total Revenues | \$ 12,010 | \$ 12,010 | \$ 9,847 | \$ (2,163) |
| Expenditures: | | | | |
| Public works | - | - | - | - |
| Operating Expenses | 13,000 | 13,000 | 4,226 | 8,774 |
| Total Expenditures | 13,000 | 13,000 | 4,226 | 8,774 |
| Excess (deficiency) of revenues over expenditures | (990) | (990) | 5,621 | 6,611 |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Revenues and Other financing sources over (under) Expenditures & Other uses | (990) | (990) | 5,621 | 6,611 |
| Cash Balance at beginning of year | 15,637 | 15,637 | 15,637 | - |
| Cash balance at end of year | \$ 14,647 | \$ 14,647 | \$ 21,258 | \$ 6,611 |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Revenue: | | | | |
| Actual per budgetary basis | | | \$ 9,847 | |
| Change in Due from Other Governments | | | - | |
| Actual per GAAP | | | <u>9,847</u> | |
| Expenditures | | | | |
| Actual per budgetary basis | | | \$ 4,226 | |
| Change in payables | | | (16) | |
| Actual per GAAP | | | <u>\$ 4,210</u> | |

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



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Statement of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Senior Citizens Projects
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variance-Favorable (Unfavorable) |
|--|------------------|------------------|-------------------|-------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| State Grants | \$ 89,065 | \$ 89,065 | \$ 56,927 | \$ (32,138) |
| Other Charge | - | - | - | - |
| Total Revenues | <u>\$ 89,065</u> | <u>\$ 89,065</u> | <u>\$ 56,927</u> | <u>\$ (32,138)</u> |
| Expenditures: | | | | |
| Public Safety | - | - | - | - |
| Capital Outlay | 89,065 | 89,065 | 59,564 | 29,501 |
| Total Expenditures | <u>89,065</u> | <u>89,065</u> | <u>59,564</u> | <u>29,501</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>(2,637)</u> | <u>(2,637)</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues and Other financing sources over (under) Expenditures & Other uses | <u>-</u> | <u>-</u> | <u>(2,637)</u> | <u>(2,637)</u> |
| Cash Balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (2,637)</u> | <u>\$ (2,637)</u> |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Revenue: | | | | |
| Actual per budgetary basis | | | \$ 56,927 | |
| Change in Due from Other Governments | | | 2,637 | |
| Actual per GAAP | | | <u>\$ 59,564</u> | |
| Expenditures | | | | |
| Actual per budgetary basis | | | \$ 59,564 | |
| Change in payables | | | - | |
| Actual per GAAP | | | <u>\$ 59,564</u> | |

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



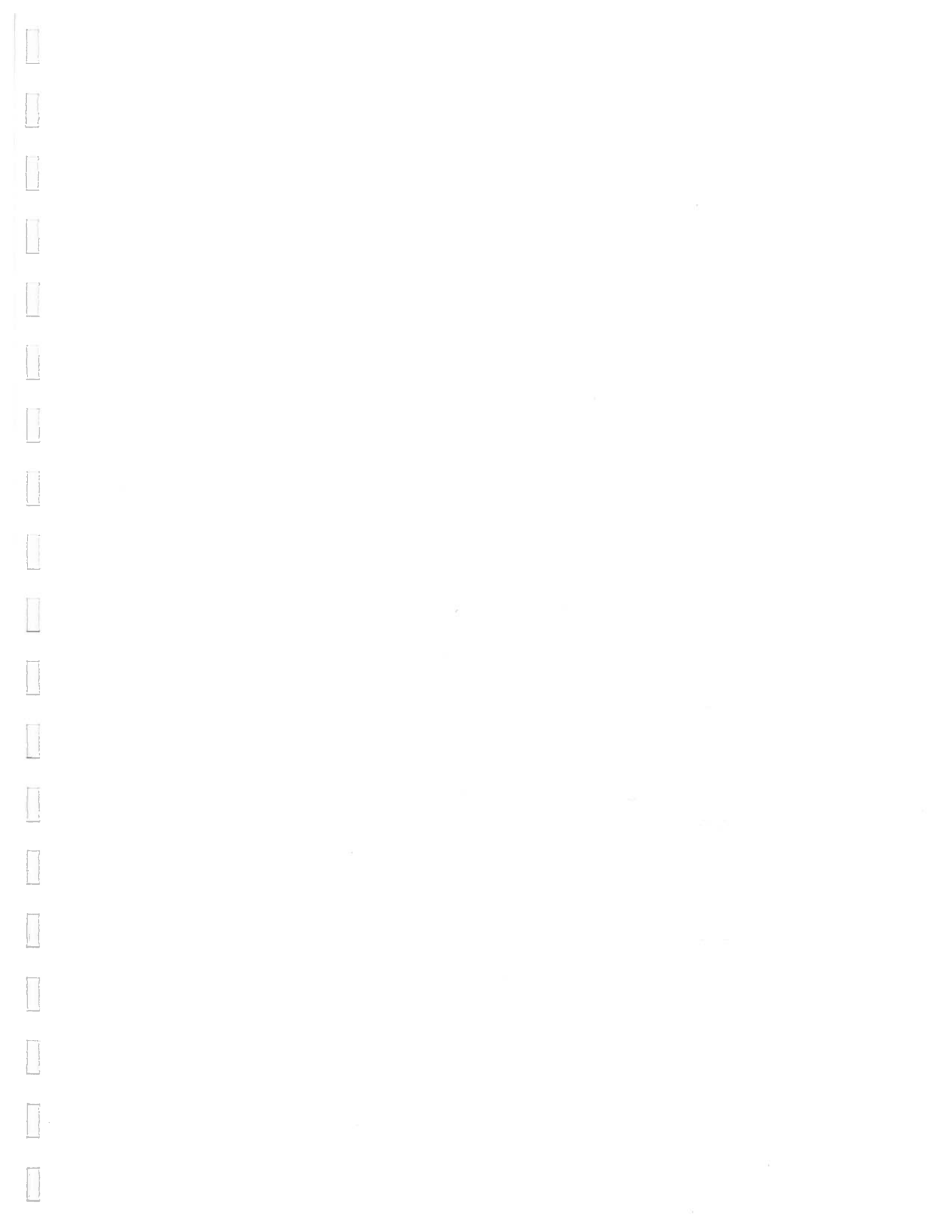
Non-Major Funds



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Schedule of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Proprietary Fund - Water Fund
For the Year Ended June 30, 2008

| | Budgeted Amounts | | | Variance- Favorable (Unfavorable) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Sales & Service | \$ 96,000 | \$ 96,000 | \$ 95,919 | \$ (81) |
| Connection Fees | 970 | 970 | 970 | - |
| Gross Receipts Taxes | 9,209 | 9,209 | 9,121 | (88) |
| Grants | 5,095 | 5,095 | 3,397 | (1,698) |
| Interest | 100 | 100 | 156 | 56 |
| Other | 9,812 | 9,812 | 11,706 | 1,894 |
| Total Revenues | 121,186 | 121,186 | 121,269 | 83 |
| Expenditures: | | | | |
| Personal Service | 2,573 | 2,573 | 1,746 | 827 |
| Operating Expenses | 68,791 | 68,791 | 48,177 | 20,614 |
| Ute Water Project | 4,200 | 4,200 | 3,415 | 785 |
| Capital Outlay | 9,000 | 9,000 | 8,456 | 544 |
| Debt Service | | | | |
| Principal | 13,000 | 13,000 | 13,000 | - |
| Interest | 9,925 | 9,925 | 9,925 | - |
| Total Expenditures | 107,489 | 107,489 | 84,719 | 22,770 |
| Excess (deficiency) of revenues over expenditures | 13,697 | 13,697 | 36,550 | 22,853 |
| Cash balance at beginning of year | 177,203 | 177,203 | 177,203 | - |
| Cash balance at end of year | \$ 190,900 | \$ 190,900 | \$ 213,753 | \$ 22,853 |
| Reconciliation to GAAP | | | | |
| Revenues: | | | | |
| Actual per Budgetary Basis | | | | \$ 121,269 |
| Changes in receivables | | | | 1,994 |
| Changes in taxes receivable | | | | 281 |
| Actual per GAAP | | | | <u>\$ 123,544</u> |
| Expenditures: | | | | |
| Actual per Budgetary Basis | | | | \$ 84,719 |
| Changes in payables | | | | (1,318) |
| Change in interest accrual | | | | (351) |
| Principal Paid | | | | (13,000) |
| Capital Assets Purchased | | | | (8,456) |
| Depreciation | | | | 26,292 |
| Actual per GAAP | | | | <u>\$ 87,886</u> |

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



STATE OF NEW MEXICO
VILLAGE OF MELROSE
Schedule of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Proprietary Fund - Sewer Fund
For the Year Ended June 30, 2008

| | Budgeted Amounts | | | Variance- Favorable (Unfavorable) |
|--|------------------|----------------|----------------|---|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Sales & Service | \$ 28,000 | \$ 28,000 | \$ 24,212 | \$ (3,788) |
| Connection Fees | 100 | 100 | - | |
| Grants | 419,526 | 419,526 | 86,974 | |
| Other | 50 | 50 | 322 | 272 |
| Total Revenues | 447,676 | 447,676 | 111,508 | (3,516) |
| Expenditures: | | | | |
| Personal services | - | - | - | - |
| Operating expenses | 20,593 | 20,593 | 11,019 | 9,574 |
| Capital Outlay | 408,320 | 408,320 | 83,961 | 324,359 |
| Total Expenditures | 428,913 | 428,913 | 94,980 | 333,933 |
| Excess (deficiency) of revenues over expenditures | 18,763 | 18,763 | 16,528 | 330,417 |
| Cash balance at beginning of year | 29,313 | 29,313 | 29,313 | - |
| Cash balance at end of year | \$ 48,076 | \$ 48,076 | \$ 45,841 | \$ 330,417 |
| Reconciliation to GAAP | | | | |
| Revenues: | | | | |
| Actual per Budgetary Basis | | | | \$ 111,508 |
| Changes in receivables | | | | 378 |
| Actual per GAAP | | | | \$ 111,886 |
| Expendures: | | | | |
| Actual per Budgetary Basis | | | | \$ 94,980 |
| Capital Assets Purchased | | | | (83,961) |
| Depreciation | | | | 21,725 |
| Changes in payables | | | | (25) |
| Actual per GAAP | | | | \$ 32,719 |

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

STATE OF NEW MEXICO
 VILLAGE OF MELROSE
 Schedule of Revenues, Expenditures, and Changes
 in Cash Balance - Budget and Actual (Non-GAAP)
 Proprietary Fund - Solid Waste Fund
 For the Year Ended June 30, 2008

| | Budgeted Amounts | | | Variance- Favorable (Unfavorable) |
|--|------------------|------------------|------------------|---|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Sales & Service | \$ 75,000 | \$ 75,000 | \$ 57,119 | \$ (17,881) |
| Gross Receipts Taxes | 3,340 | 3,340 | 3,247 | (93) |
| Grants | 20,000 | 20,000 | 20,000 | - |
| Other | - | - | - | - |
| Total Revenues | 98,340 | 98,340 | 80,366 | (17,974) |
| Expenditures: | | | | |
| Personal services | 43,233 | 43,233 | 34,890 | 8,343 |
| Operating expenses | 55,045 | 55,045 | 48,754 | 6,291 |
| Capital Outlay | 4,200 | 4,200 | 4,172 | 28 |
| Total Expenditures | 102,478 | 102,478 | 87,816 | 14,662 |
| Excess (deficiency) of revenues over expenditures | (4,138) | (4,138) | (7,450) | (3,312) |
| Other Financing Sources (Uses) | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses | (4,138) | (4,138) | (7,450) | (3,312) |
| Cash balance at beginning of year | 25,690 | 25,690 | 25,690 | - |
| Cash balance at end of year | <u>\$ 21,552</u> | <u>\$ 21,552</u> | <u>\$ 18,240</u> | <u>\$ (3,312)</u> |
| Reconciliation to GAAP | | | | |
| Revenues: | | | | |
| Actual per Budgetary Basis | | | | \$ 80,366 |
| Changes in receivables | | | | \$ 745 |
| Changes in taxes receivables | | | | (55) |
| Actual per GAAP | | | | <u>\$ 81,056</u> |
| Expendures: | | | | |
| Actual per Budgetary Basis | | | | \$ 87,816 |
| Changes in payables | | | | (1,181) |
| Capital Assets Purchased | | | | (4,172) |
| Depreciation | | | | 7,592 |
| Actual per GAAP | | | | <u>\$ 90,055</u> |

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

STATE OF NEW MEXICO
 VILLAGE OF MELROSE

FIDUCIARY FUNDS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
 For the year ended June 30, 2008

| | Balance June 30, 2007 | Receipts | Disbursements | Balance June 30, 2008 |
|-----------------------------|--------------------------|-------------|---------------|-----------------------|
| <u>ASSETS</u> | | | | |
| Cemetery Trust | \$ 1,005 | \$ - | \$ - | \$ 1,005 |
| Pooled Cash and Investments | <u>\$ 1,005</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,005</u> |
| <u>LIABILITIES</u> | | | | |
| Deposits held for others | <u>\$ 1,005</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,005</u> |



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**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**

Hector Balderas, State Auditor
The Village Council and
Village of Melrose
Melrose, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the combining and individual funds presented as supplemental information of the agency as of and for the year ended June 30, 2008, and have issued our report thereon dated November 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Village of Melrose's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Melrose 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standard* and which is described in the accompanying schedule of findings and responses as finding 2008-1.

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

This report is intended solely for the information and use of management, others within the agency, the audit committee, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



Ronny Fouts, CPA
Melrose, New Mexico
November 19, 2009



STATE OF NEW MEXICO
Village of Melrose

**Schedule of Findings and Responses and
Summary Schedule of Prior Audit Findings**
For the Year Ended June 30, 2008

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

| Findings | | Current Year Action |
|----------|-------------------|---------------------|
| 2007-1 | Audit Report Late | Repeated |

CURRENT YEAR AUDIT FINDING

2008-1 Late Audit Report – Compliance

Condition

The audit report was filed after the due date. The report was submitted on 11/30/09 to the State Auditor's Office.

Criteria

According to the New Mexico State Statute 2.2.2.9, the audit report due date for the Village is December 1.

Cause

Auditor had staffing problems which made it difficult to meet the deadline.

Effect

The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely reports and financial statements for their review. Late audit report could have an effect on state and federal funding.

Recommendation

We will make sure staff is in place so we are more diligent to file it in the future.

Response

The audit will be filed timely in the future.



STATE OF NEW MEXICO
Village of Melrose

Exit Conference
For the Year Ended June 30, 2008

The financial statements were prepared by Ronny Fouts, CPA with substantial assistance from Village personnel.

EXIT CONFERENCE

The contents of this report were discussed on November 30, 2009 with, Cathy Christesson, Village Clerk/Treasurer, Lance A. Pyle, Mayor, and Ronny Fouts, CPA.

Ronny Fouts, CPA
Melrose, New Mexico
November 30, 2009





