

STATE OF NEW MEXICO
VILLAGE OF MELROSE

Audit Report

For the Year Ended June 30, 2010

RONNY FOUTS
CERTIFIED PUBLIC ACCOUNTANT
Melrose, New Mexico

STATE OF NEW MEXICO
Village of Melrose

Official Roster
For the year ended June 30, 2010

BOARD OF TRUSTEES

Tuck N. Monk.....Mayor
Darrel Bostwick..... Trustee
Jewel Hill..... Trustee
Bobbie Rogers..... Trustee
C.C. Pyle..... Trustee

ADMINISTRATIVE OFFICIAL

Cathy Christesson..... Clerk/Treasurer

STATE OF NEW MEXICO
Village of Melrose

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June 30, 2010

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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, 2010, 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, 2010, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2010, 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, 2010 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 November 29, 2010, 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.

For the year ended June 30, 2010, 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 part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements 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.

A handwritten signature in black ink that reads "Ronny Fouts, CPA". The signature is written in a cursive style with a large initial 'R'.

Ronny Fouts, CPA
Melrose, New Mexico
November 29, 2010

STATE OF NEW MEXICO
VILLAGE OF MELROSE
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-Type Activities	Total Primary Government
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 665,000	\$ 186,003	\$ 851,003
Receivables		21,308	21,308
Due from other governments	24,719	926	25,645
Non-Current:			
Restricted Cash		168,121	168,121
Capital Assets, Net	5,653,493	2,098,632	7,752,125
Total Assets	\$ 6,343,212	\$ 2,474,990	\$ 8,818,202
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued Interest Payable	3,328	4,052	7,380
Current Portion of Long-term Liabilities	22,063	15,000	37,063
Noncurrent Liabilities:			
Bonds	317,962	148,000	465,962
Compensated Absences	3,429	-	3,429
Customer Deposits	-	12,532	12,532
Total Liabilities	\$ 346,782	\$ 179,584	\$ 526,366
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	5,310,140	1,931,600	7,241,740
Unrestricted	686,290	363,806	1,050,096
Total Net Assets	\$ 5,996,430	\$ 2,295,406	\$ 8,291,836

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, 2010

<u>Functions/Programs</u>	Expenses	Program Revenues			Net (Expense) †
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 110,390	\$ -	\$ -	\$ -	\$ (110,390)
Public Safety	246,619	17,278	302,794	-	73,453
Public Works	37,390	-	-	-	(37,390)
Culture and Recreation	20,279	-	-	-	(20,279)
Streets	255,556	-	-	-	(255,556)
Interest on Long term obligations	3,555	-	-	-	(3,555)
Total Governmental Activities	\$ 673,789	\$ 17,278	\$ 302,794	\$ -	\$ (353,717)
Business-Type Activities:					
Water	\$ 106,871	\$ 96,131	\$ -	\$ 17,593	\$ -
Sewer	40,089	29,241	-	318,138	-
Solid Waste	59,438	53,029	-	-	-
Total Business-Type Activities	\$ 206,398	\$ 178,401	\$ -	\$ 335,731	\$ -

General Revenues:	
Intergovernmental	\$ 359,261
Property Taxes	8,060
Franchise Taxes	3,900
NM Gross Receipts Taxes	131,874
Cigarette Taxes	2,725
Gasoline Taxes	17,513
Motor Vehicle	1,340
Fines & Fees	10,841
Licenses and Permits	1,031
Interest Income	-
Miscellaneous Income	11,647
Total Revenue	548,192
Change in Net Assets	194,475
Net Assets - Beginning	5,801,955
Net Assets - Ending	\$ 5,996,430

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

Revenue and Changes in Net Assets

Business-Type Activities	Total Primary Government
\$ -	\$ (110,390)
-	73,453
-	(37,390)
-	(20,279)
-	(255,556)
	(3,555)
\$ -	\$ (353,717)
\$ 6,853	\$ (10,740)
307,290	307,290
(6,409)	(6,409)
\$ 307,734	\$ 290,141
\$ -	\$ 359,261
-	8,060
-	3,900
13,824	145,698
-	2,725
-	17,513
-	1,340
-	10,841
-	1,031
3,457	3,457
-	11,647
17,281	565,473
325,015	519,490
1,970,391	7,772,346
\$ 2,295,406	\$ 8,291,836

STATE OF NEW MEXICO
 VILLAGE OF MELROSE
 Balance Sheet
 Governmental Funds
 June 30, 2010

	General Fund	Fire Protection	Senior Citizens Projects
<u>ASSETS</u>			
Pooled Cash and Investments	\$ 460,236	\$ 108,638	\$ -
Receivables:			
Due from Other Governments	24,617	-	-
Total Assets	\$ 484,853	\$ 108,638	\$ -
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
Deferred Revenue	12,616	-	-
Total Liabilities	12,616	-	-
Fund Balance:			
Unreserved:			
Desig. for Subsequent Years' Expenditures			
Reported in:			
General Fund	472,237	-	-
Special Revenue Funds	-	108,638	-
Capital Projects Funds	-	-	-
Total Fund Balance	472,237	108,638	-
Total Liabilities and Fund Balance	\$ 484,853	\$ 108,638	\$ -

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

Other Governmental Funds	Total Governmental Funds
\$ 96,126	\$ 665,000
<u>102</u>	<u>24,719</u>
<u>\$ 96,228</u>	<u>\$ 689,719</u>
\$ -	\$ -
-	12,616
-	<u>12,616</u>
-	-
-	-
-	472,237
96,228	204,866
-	-
<u>96,228</u>	<u>677,103</u>
<u>\$ 96,228</u>	<u>\$ 689,719</u>

STATE OF NEW MEXICO
 VILLAGE OF MELROSE
 Reconciliation of the Balance Sheet - All
 Governmental funds to the
 Statement of Net Assets
 June 30, 2010

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

Total Fund Balances - Governmental Funds		\$ 677,103
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,653,493
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 Proceeds	340,025	
Bonds Payable	(340,025)	
Compensated absences	(3,429)	
Accrued interest on bonds	(3,328)	(346,782)
Net assets of governmental activities		<u>\$ 5,996,430</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, 2010

	General Fund	Fire Protection	Senior Citizens Projects	Other Governmental Funds
Revenues:				
Intergovernmental	\$ 147,906	\$ 163,052	\$ 48,303	\$ -
Property Taxes	8,060	-	-	-
Franchise Taxes	3,900	-	-	-
NM Gross Receipts Taxes	131,874	-	-	-
Cigarette Taxes	1,800	-	-	925
Gasoline Taxes	17,513	-	-	-
Motor Vehicle Taxes	1,340	-	-	-
State Grant	148,763	100,656	-	53,375
Fines & Fees	5,618	-	-	5,223
Licenses and Permits	1,031	-	-	-
Charge for Services	434	-	-	16,844
Miscellaneous	5,839	434	-	5,374
Total Revenue	474,078	264,142	48,303	81,741
Expenditures				
Current:				
General Government	\$ 105,437	\$ -	\$ -	\$ -
Public Safety	54,184	80,045	-	55,225
Public Works	-	-	-	37,390
Culture and Recreation	19,717	-	-	562
Streets and Drainage	79,971	-	-	-
Capital Outlay	144,750	416,376	48,303	-
Bonds Paid	-	32,241	-	-
Interest Paid	-	341	-	-
Total Expenditures	404,059	529,003	48,303	93,177
Excess (deficiency) of revenues over expenditures	70,019	(264,861)	-	(11,436)
Other financing sources (uses)				
NMFA bonds Proceeds	-	340,025	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources(uses)	-	340,025	-	-
Net change in fund balance	70,019	75,164	-	(11,436)
Fund Balance at beginning of year	402,218	33,474	-	107,664
Fund Balance at end of year	\$ 472,237	\$ 108,638	\$ -	\$ 96,228

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

Total
Government
al Funds

\$ 359,261
8,060
3,900
131,874
2,725
17,513
1,340
302,794
10,841
1,031
17,278
11,647
868,264

\$ 105,437
189,454
37,390
20,279
79,971
609,429
32,241
341

1,074,542

(206,278)

340,025

-

-

340,025

133,747

543,356

\$ 677,103

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, 2010

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

Net Change - Total Governmental Funds	\$	133,747
<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		(281,051)
Capital Outlay		640,081
<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		(3,214)
<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		32,241
Compensated absences is not an expense in the funds statements		12,696
Bond proceeds NMFA		(340,025)
Rounding		-
Change in net assets of governmental activities	<u>\$</u>	<u>194,475</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)
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property Taxes	\$ 10,508	\$ 10,508	\$ 7,974	\$ (2,534)
Franchise Taxes	5,000	5,000	3,582	(1,418)
NM Gross Receipts Taxes	137,235	137,235	134,611	(2,624)
Cigarette Taxes	2,195	2,195	1,640	(555)
Gasoline Taxes	19,135	19,135	16,614	(2,521)
Motor vehicle	1,550	1,550	1,369	(181)
Licenses and Permits	1,280	1,280	1,031	(249)
Charges for Services	1,175	1,175	434	(741)
Fines and Forfeits	5,700	5,700	5,618	(82)
State Grants	150,589	150,589	148,763	(1,826)
Small Cities Assistance	147,906	147,906	147,906	-
Miscellaneous	10,743	10,743	5,839	(4,904)
Total Revenues	\$ 493,016	\$ 493,016	\$ 475,381	\$ (17,635)
Expenditures:				
General Government	137,950	137,950	105,437	32,513
Public Safety	66,935	66,935	54,184	12,751
Public Works	-	-	-	-
Culture and Recreation	31,107	31,107	19,717	11,390
Streets and Drainage	91,556	91,556	79,971	11,585
Capital Outlay	144,750	144,750	144,749	1
Total Expenditures	472,298	472,298	404,058	68,240
Excess (deficiency) of revenues over expenditures	20,718	20,718	71,323	50,605
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Cash Balance at beginning of year	388,914	388,914	388,914	-
Cash Balance at end of year	\$ 409,632	\$ 409,632	\$ 460,237	\$ 50,605
RECONCILIATION TO GAAP BASIS:				
Revenue:				
Actual per budgetary basis			\$ 475,381	
Change in Due from Other Governments			(1,303)	
Change in Deferred Taxes			-	
Actual per GAAP			<u>\$ 474,078</u>	
Expenditures				
Actual per budgetary basis			\$ 404,058	
Change in payables			-	
Actual per GAAP			<u>\$ 404,058</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, 2010

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
State Fire Allotment	\$ 163,052	\$ 163,052	\$ 163,052	\$ -
Legislative Grant	128,672	128,672	100,656	(28,016)
Miscellaneous	700	700	434	(266)
Total Revenues	\$ 292,424	\$ 292,424	\$ 264,142	\$ (28,282)
Expenditures:				
Public Safety	84,282	84,282	80,045	4,237
Capital Outlay	416,376	416,376	416,376	-
Bonds Paid	32,241	32,241	32,241	-
Interest Paid	341	341	341	-
Total Expenditures	533,240	533,240	529,003	4,237
Excess (deficiency) of revenues over expenditures	(240,816)	(240,816)	(264,861)	(24,045)
Other financing sources (uses):				
NMFA bond Proceeds	340,025	340,025	340,025	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	340,025	340,025	340,025	-
Cash Balance at beginning of year	33,474	33,474	33,474	-
Cash balance at end of year	\$ 132,683	\$ 132,683	\$ 108,638	\$ (24,045)
RECONCILIATION TO GAAP BASIS:				
Revenue:				
Actual per budgetary basis				\$ 264,142
Change in Due from Other Governments				-
Actual per GAAP				<u>\$ 264,142</u>
Expenditures				
Actual per budgetary basis				\$ 529,003
Change in payables				-
Actual per GAAP				<u>\$ 529,003</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, 2010

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
State Grants	\$ 60,726	\$ 60,726	\$ 55,579	\$ (5,147)
Other Charge	-	-	-	-
Total Revenues	<u>\$ 60,726</u>	<u>\$ 60,726</u>	<u>\$ 55,579</u>	<u>\$ (5,147)</u>
Expenditures:				
Public Safety	-	-	-	-
Capital Outlay	53,773	53,773	48,303	5,470
Total Expenditures	<u>53,773</u>	<u>53,773</u>	<u>48,303</u>	<u>5,470</u>
Excess (deficiency) of revenues over expenditures	<u>6,953</u>	<u>6,953</u>	<u>7,276</u>	<u>323</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other financing sources over (under) Expenditures & Other uses	6,953	6,953	7,276	323
Cash Balance at beginning of year	<u>(7,276)</u>	<u>(7,276)</u>	<u>(7,276)</u>	<u>-</u>
Cash balance at end of year	<u>\$ (323)</u>	<u>\$ (323)</u>	<u>\$ -</u>	<u>\$ 323</u>
RECONCILIATION TO GAAP BASIS:				
Revenue:				
Actual per budgetary basis				\$ 55,579
Change in Due from Other Governments				(7,276)
Actual per GAAP				<u>\$ 48,303</u>
Expenditures				
Actual per budgetary basis				\$ 48,303
Change in payables				-
Actual per GAAP				<u>\$ 48,303</u>

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, 2010

	Water	Sewer	Solid Waste	Totals
ASSETS				
Current Assets				
Cash and Cash Equivalent	\$ 105,174	\$ 74,108	\$ 6,721	\$ 186,003
Receivables (net of allowance for uncollectible accounts)				
Accounts	14,023	2,724	4,561	21,308
Taxes	707	-	219	926
Total Current Assets	119,904	76,832	11,501	208,237
Restricted Assets				
Restricted Cash	168,121	-	-	168,121
Total Restricted Assets	168,121	-	-	168,121
Non-Current Assets				
Capital Assets	1,319,054	1,371,848	115,960	2,806,862
Less: Accumulated Depreciation	(239,028)	(431,476)	(37,726)	(708,230)
Total Assets	1,080,026	940,372	78,234	2,098,632
Total Assets	\$ 1,368,051	\$ 1,017,204	\$ 89,735	\$ 2,474,990
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Interest	4,052	-	-	4,052
Current Portion of Long-Term Debt	15,000	-	-	15,000
Total Liabilities	19,052	-	-	19,052
Noncurrent Liabilities				
Bonds	148,000	-	-	148,000
Compensated Absences	-	-	-	-
Customer Deposits	12,532	-	-	12,532
Total	160,532	-	-	160,532
Total Liabilities	179,584	-	-	179,584
NET ASSETS				
Invested in Capital Assets net of related debt	912,994	940,372	78,234	1,931,600
Unrestricted	275,473	76,832	11,501	363,806
Total Net Assets	\$ 1,188,467	\$ 1,017,204	\$ 89,735	\$ 2,295,406

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, 2010

	Water	Sewer	Solid Waste	Totals
Operating Revenues				
Charges for Services	\$ 91,036	\$ 29,191	\$ 53,029	\$ 173,256
Connection Fees	600	50	-	650
Miscellaneous	4,495	-	-	4,495
Total Operating Revenues	96,131	29,241	53,029	178,401
Operating Expenses				
Personal Services	14,246	-	25,513	39,759
Operating Expenses	57,781	14,180	26,194	98,155
Depreciation	26,692	25,909	7,731	60,332
Total Operating Expenses	98,719	40,089	59,438	198,246
Operating Income/Loss	(2,588)	(10,848)	(6,409)	(19,845)
Non-Operating Revenues (Expenses)				
Taxes	10,541	-	3,283	13,824
Grants	17,593	318,138	-	335,731
Interest Income	3,302	155	-	3,457
Interest Expense	(8,152)	-	-	(8,152)
Total Nonoperating Revenue (Expense)	23,284	318,293	3,283	344,860
Changes in Net Assets	20,696	307,445	(3,126)	325,015
Net Assets - Beginning	1,167,771	709,759	92,861	1,970,391
Net Assets - Ending	\$ 1,188,467	\$ 1,017,204	\$ 89,735	\$ 2,295,406

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, 2009

	Water	Sewer	Solid Waste	Totals
Cash flow from operating activities				
Cash received from customers	\$ 97,235	\$ 28,595	\$ 52,271	\$ 178,101
Cash payments to vendors for goods and services	(57,781)	(14,180)	(26,194)	(98,155)
Cash payments to employees for services	(14,246)	-	(27,834)	(42,080)
Net Cash provided (used) by operating activities	25,208	14,415	(1,757)	37,866
Cash flows from Noncapital Financing Activities				
Taxes	10,759	-	3,329	14,088
Net Cash Provided by Noncapital Financing Activities	10,759	-	3,329	14,088
Cash flows from capital & Related Financing Activities				
Capital Grants	17,593	318,138	-	335,731
Capital Assets	(17,985)	(319,388)	-	(337,373)
Principal Paid	(15,000)	-	-	(15,000)
Interest Paid	(8,525)	-	-	(8,525)
Net Cash Provided by Capital & Related Financing Activities	(23,917)	(1,250)	-	(25,167)
Cash Flows from Investing Activities				
Interest Received	3,457	155	-	3,612
Net Cash Provided by Investing Activities	3,457	155	-	3,612
Net Increase (Decrease) in Cash	15,507	13,320	1,572	30,399
Cash and Cash Equivalents, beginning of year	257,788	60,788	5,149	323,725
Cash and Cash Equivalents, end of year	\$ 273,295	\$ 74,108	\$ 6,721	\$ 354,124
Cash in Bank	\$ 105,174	\$ 74,108	\$ 6,721	\$ 186,003
Restricted Cash in Bank	168,121	-	-	168,121
	\$ 273,295	\$ 74,108	\$ 6,721	\$ 354,124
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating Income (Loss)	\$ (2,588)	\$ (10,848)	\$ (6,409)	\$ (19,845)
Adjustment to reconcile operating income/loss to net cash provided (used) by operating activities:				
Depreciation	26,692	25,909	7,731	60,332
Changes in assets and liabilities				
(Increase) Decrease in accounts receivable	(196)	(646)	(758)	(1,600)
(Increase) Decrease in taxes receivable	218	-	-	218
Increase (Decrease) in compensated absences	-	-	(2,321)	(2,321)
Increase (Decrease) in accrued interest	(373)	-	-	(373)
Increase (Decrease) in customer deposits	1,455	-	-	1,455
Net Cash Provided by Operating Activities	\$ 25,208	\$ 14,415	\$ (1,757)	\$ 37,866

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, 2010

<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, 2010

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, 2010.

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, 2010

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, 2010

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 funds:

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.

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.

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:

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.

Measurement Focus and Basis of Accounting

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2010

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
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

STATE OF NEW MEXICO
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Notes to Financial Statements
June 30, 2010

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.

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2010

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.

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.

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2010

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 Statue (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

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VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2010

<u>Name of Account</u>	Balance Per Bank 06-30- 10	Reconciled Balance	Type
Village of Melrose	\$ 788,312	\$ 775,512	Checking
Fire Department Savings	24,476	24,476	Savings
Cemetery Trust Savings	1,002	1,002	Savings
Water Savings	35,650	35,650	Savings
Water Savings	119,939	119,939	Savings
Sewer Savings	3,035	3,035	Savings
General Fund	41,475	41,475	CD
Cemetery Fund	8,955	8,955	CD
Water Meter Deposit	4,000	4,000	CD
Sewer Fund	<u>9,180</u>	<u>9,180</u>	CD
TOTAL Deposited	1,036,024	<u>\$ 1,023,224</u>	
Less: FDIC Coverage	<u>(1,036,024)</u>		
Uninsured Amount	-		
50% collateral requirement	-		
Pledged securities	-		
Over (Under) requirement	<u>\$ -</u>		

STATE OF NEW MEXICO
 VILLAGE OF MELROSE
 Notes to Financial Statements
 June 30, 2010

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 1,036,024
Collateralized:	
Collateral held by the pledging bank in Village's name	-
Uninsured and uncollateralized	-
Total Deposits	<u>\$ 1,036,024</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, 2010 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, 2010:

	<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, 2010, is as follows:

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2010

	<u>Balance</u> <u>6/30/09</u>	<u>Increases</u>	<u>Adjustments</u>	<u>Balance</u> <u>6/30/10</u>
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	5,195,169	144,749	-	5,339,918
Buildings & Improvements	835,654	93,558	-	929,212
Equipment	<u>1,292,007</u>	<u>401,774</u>	<u>-</u>	<u>1,693,781</u>
Total Capital Assets, being Depreciated	<u>7,322,830</u>	<u>640,081</u>	<u>-</u>	<u>7,962,911</u>
 Total Capital Assets	 <u>7,323,830</u>	 <u>640,081</u>	 <u>-</u>	 <u>7,963,911</u>
Less Accumulated Depreciation				
Buildings & Improvements	1,328,765	193,234	-	1,521,999
Equipment	<u>700,602</u>	<u>87,817</u>	<u>-</u>	<u>788,419</u>
Total Accumulated Depreciation	<u>2,029,367</u>	<u>281,051</u>	<u>-</u>	<u>2,310,418</u>
 Capital Assets, net	 <u>\$ 5,294,463</u>	 <u>\$ 359,030</u>	 <u>\$ -</u>	 <u>\$ 5,653,493</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 17,649
Public Safety	87,817
Streets & Drainage	<u>175,585</u>
Total depreciaion expenses	<u>\$ 281,051</u>

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2010

Business-Type Activities	<u>Balance 6/30/09</u>	<u>Increases</u>	<u>Adjustments</u>	<u>Balance 6/30/10</u>
Water				
Other Capital Assets				
Water System	\$ 1,287,331	\$ 12,730	\$ -	\$ 1,300,061
Equipment	<u>13,738</u>	<u>5,255</u>	<u>-</u>	<u>18,993</u>
Total Capital				
Assets at Historical Cost	<u>1,301,069</u>	<u>17,985</u>	<u>-</u>	<u>1,319,054</u>
Less Accumulated Depreciation				
Water System	204,148	25,874	-	230,022
Equipment	<u>8,188</u>	<u>818</u>	<u>-</u>	<u>9,006</u>
Total Accumulated Depreciation	<u>212,336</u>	<u>26,692</u>	<u>-</u>	<u>239,028</u>
Capital Assets, net	<u>\$ 1,088,733</u>	<u>\$ (8,707)</u>	<u>\$ -</u>	<u>\$ 1,080,026</u>
Sewer				
Other Capital Assets				
Sewer System	\$ 996,930	\$ 319,388	\$ -	\$ 1,316,318
Equipment	<u>55,530</u>	<u>-</u>	<u>-</u>	<u>55,530</u>
Total Capital				
Assets at Historical Cost	<u>1,052,460</u>	<u>319,388</u>	<u>-</u>	<u>1,371,848</u>
Less Accumulated Depreciation				
Sewer System	398,812	23,132	-	421,944
Equipment	<u>6,755</u>	<u>2,777</u>	<u>-</u>	<u>9,532</u>
Total Accumulated Depreciation	<u>405,567</u>	<u>25,909</u>	<u>-</u>	<u>431,476</u>
Capital Assets, net	<u>\$ 646,893</u>	<u>\$ 293,479</u>	<u>\$ -</u>	<u>\$ 940,372</u>
Solid Waste				
Other Capital Assets				
Equipment	\$ 115,960	\$ -	\$ -	\$ 115,960
Total Capital				
Assets at Historical Cost	<u>115,960</u>	<u>-</u>	<u>-</u>	<u>115,960</u>
Less Accumulated Depreciation				
Equipment	<u>29,995</u>	<u>7,731</u>	<u>-</u>	<u>37,726</u>
Total Accumulated Depreciation	<u>29,995</u>	<u>7,731</u>	<u>-</u>	<u>37,726</u>
Capital Assets, net	<u>\$ 85,965</u>	<u>\$ (7,731)</u>	<u>\$ -</u>	<u>\$ 78,234</u>

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2010

NOTE G: LONG TERM DEBT

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

Governmental Activities	<u>Balance 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/10</u>	Amounts Due Within One Year
NMFA	\$ 32,241	\$ 340,025	\$ 32,241	\$ 340,025	\$ 22,063
Other Liabilities Compensated Absences	<u>16,125</u>	<u>3,429</u>	<u>16,125</u>	<u>3,429</u>	<u>-</u>
Long-Term Liabilities	<u>\$ 48,366</u>	<u>\$ 343,454</u>	<u>\$ 48,366</u>	<u>\$ 343,454</u>	<u>\$ 22,063</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 State Fire Marshal or State Fire Board.

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 2009-10, adopted on September 30, 2009, loaned the Village \$304,025 for the acquisition of a Fire Pumper Truck. The interest rate is 1.06% to 3.78%. The debt is serviced by pledged revenues from the Fire Protection Fund Distribution made annually by the State Fire Marshal or State Fire Board.

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2010

	Principal	Interest	Total
2011	\$ 22,063	\$ 14,928	\$ 36,991
2012	31,983	9,120	41,103
2013	32,571	8,532	41,103
2014	33,253	7,850	41,103
2015	34,064	7,038	41,102
2016 to 2020	186,091	19,422	205,513
	\$ 340,025	\$ 66,890	\$ 406,915

Business-Type Activities

	Balance 6/30/09	Additions	Reductions	Balance 6/30/10	Amounts Due Within One Year
Bonds Payable					
Utility Bonds	\$ 178,000	\$ -	\$ 15,000	\$ 163,000	\$ 15,000
Other Liabilities					
Compensated Absences	2,321	-	2,321	\$ -	-
Long-Term Liabilities	\$ 180,321	\$ -	\$ 17,321	\$ 163,000	\$ 15,000

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.

Series	Date of Issue	Original Amount	Interest Rate	Balance
1979	6/7/2008	400000	5%	\$ 163,000
				\$ 163,000

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2010

The annual requirements to amortize the 1996 Series general obligation bonds as of June 30, 2010, including interest payments are as follows:

Water Revenue Bond	Principal	Interest	Total
2011	\$ 15,000	\$ 7,775	\$ 22,775
2012	16,000	7,000	23,000
2013	17,000	6,175	23,175
2014	18,000	5,300	23,300
2015	19,000	4,375	23,375
2016-2020	78,000	7,650	85,650
	<u>\$ 163,000</u>	<u>\$ 38,275</u>	<u>\$ 201,275</u>

NOTE H: PROPERTY TAXES

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, 2010, 2009, and 2008, were \$10,937, \$15,252, and \$15,897, 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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2010

(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 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, 2010, 2008, and 2007 were \$2,592, \$3,096 and \$3,008 respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2010

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

NOTE K: RECEIVABLES

Receivables as of June 30, 2010, were as follows:

Receivables

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Totals</u>
Accounts Rec.	\$ -	\$ 14,022	\$ 2,724	\$ 4,561	\$ 21,307
Less: Allowance for bad debt	-	-	-	-	-
Municipal GRT	3,977	-	-	219	4,196
State GRT	4,420	707	-	-	5,127
Franchise Tax	643	-	-	-	643
Infrastructure GRT	437	-	-	-	437
Cigarette Tax	204	-	-	-	204
Property Taxes	12,830	-	-	-	12,830
Gas Tax	2,002	-	-	-	2,002
MVD	104	-	-	-	104
	<u>\$ 24,617</u>	<u>\$ 14,729</u>	<u>\$ 2,724</u>	<u>\$ 4,780</u>	<u>\$ 46,850</u>

NOTE L: INTERFUND TRANSFERS

Interfund transfers for the year ending June 30, 2010 were temporary transfers in and out for the year.

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 form 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,

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2010

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 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, 2010. 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, 2010. 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, 2010. 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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to Financial Statements
June 30, 2010

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.

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.

AUDITED SUPPLEMENTARY INFORMATION

RONNY FOUTS
CERTIFIED PUBLIC ACCOUNTANT
Melrose, New Mexico
NONMAJOR FUNDS

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)

CORRECTION FUND – to account for the state grant is legally restricted to the purchase of equipment and supplies for law enforcement activities of the Village. Authority of State

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

CDBG PLANNING GRANT - – to account for monies received for the planning of future projects of the Village. Authority of CDBG

STATE OF NEW MEXICO
 VILLAGE OF MELROSE
 Combining Balance sheet
 Non Major Special Revenue Funds
 For the Year Ended June 30, 2010

	<u>Recreation</u>	<u>Correction</u>	<u>Law Enforcement</u>
Assets:			
Cash on deposit	\$ 5,625	\$ 7,549	\$ -
Accounts receivable	102	-	-
	<hr/>		
Total assets	<u>5,727</u>	<u>7,549</u>	<u>-</u>
	<hr/>		
Fund Equity:			
Fund Balance	-	-	-
Unreserved:			
Desig. For Subsequent Years Expend	5,727	7,549	-
	<hr/>		
Total Fund Equity	<u>\$ 5,727</u>	<u>\$ 7,549</u>	<u>\$ -</u>
	<hr/>		

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

Cemetery Fund	Emergency Medical Services	CDBG Planning Grant	Totals
\$ 22,360	\$ 60,592	\$ -	\$ 96,126 102
22,360	60,592	-	96,228
-	-	-	-
22,360	60,592	-	96,228
\$ 22,360	\$ 60,592	\$ -	\$ 96,228

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, 2010

	<u>Recreation</u>	<u>Correction</u>
Revenues:		
State grants	\$ -	\$ -
Taxes	925	-
Fines & Fees	-	5,223
Charges for services	-	
Miscellaneous	1,556	-
	<hr/>	<hr/>
Total Revenues	2,481	5,223
	<hr/>	<hr/>
Expenditures:		
Public safety	-	1,603
Public works		
Culture and Recreation	562	-
	<hr/>	<hr/>
Total Expenditures	562	1,603
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	1,919	3,620
Other Financing Sources (Uses)		
Transfers In	-	-
Transfers Out	-	
	<hr/>	<hr/>
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	1,919	3,620
Fund Balance at beginning of year	3,808	3,929
	<hr/>	<hr/>
Fund balance at end of year	<u>\$ 5,727</u>	<u>\$ 7,549</u>

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

Law Enforcement	Cemetery Fund	Emergency Medical Services	CDBG Planning Grant	Totals
\$ 20,000	\$ 1,002	\$ 7,373	\$ 25,000	\$ 53,375
-	-	-	-	925
-	-	-	-	5,223
	4,713	12,131	-	16,844
-	2,568	-	1,250	5,374
20,000	8,283	19,504	26,250	81,741
35,062	-	18,560	-	55,225
-	11,140	-	26,250	37,390
-	-	-	-	562
35,062	11,140	18,560	26,250	93,177
(15,062)	(2,857)	944	-	(11,436)
-	-	-	-	-
(15,062)	(2,857)	944	-	(11,436)
15,062	25,217	59,648	-	107,664
\$ -	\$ 22,360	\$ 60,592	\$ -	\$ 96,228

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, 2010

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
State Emergency Medical Services	\$ 10,251	\$ 10,251	\$ 7,373	\$ (2,878)
Other Charge	18,800	18,800	12,131	(6,669)
Total Revenues	<u>\$ 29,051</u>	<u>\$ 29,051</u>	<u>\$ 19,504</u>	<u>\$ (9,547)</u>
Expenditures:				
Public Safety	30,700	30,700	18,560	12,140
Capital Outlay	-	-	-	-
Total Expenditures	<u>30,700</u>	<u>30,700</u>	<u>18,560</u>	<u>12,140</u>
Excess (deficiency) of revenues over expenditures	<u>(1,649)</u>	<u>(1,649)</u>	<u>944</u>	<u>2,593</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>(1,649)</u>	<u>(1,649)</u>	<u>944</u>	<u>2,593</u>
Cash Balance at beginning of year	<u>59,648</u>	<u>59,648</u>	<u>59,648</u>	<u>-</u>
Cash balance at end of year	<u>\$ 57,999</u>	<u>\$ 57,999</u>	<u>\$ 60,592</u>	<u>\$ 2,593</u>
RECONCILIATION TO GAAP BASIS:				
Revenue:				
Actual per budgetary basis				\$ 19,504
Change in Due from Other Governments				-
Actual per GAAP				<u>\$ 19,504</u>
Expenditures				
Actual per budgetary basis				\$ 18,560
Change in payables				-
Actual per GAAP				<u>\$ 18,560</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, 2010

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Cigarette Tax	\$ 886	\$ 886	\$ 823	\$ (63)
Miscellaneous	2,345	2,345	1,556	(789)
Total Revenues	<u>3,231</u>	<u>3,231</u>	<u>2,379</u>	<u>(852)</u>
Expenditures:				
Recreation	1,600	1,600	562	1,038
Total Expenditures	<u>1,600</u>	<u>1,600</u>	<u>562</u>	<u>1,038</u>
Excess (deficiency) of revenues over expenditures	1,631	1,631	1,817	(1,890)
Other Financing Sources (Uses)				
Transfers In	-	-	-	
Transfers Out				
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	1,631	1,631	1,817	(1,890)
Cash Balance at beginning of year	<u>3,808</u>	<u>3,808</u>	<u>3,808</u>	-
Cash Balance at end of year	<u>\$ 5,439</u>	<u>\$ 5,439</u>	<u>5,625</u>	<u>\$ (1,890)</u>
Reconciliation to GAAP				
Revenues:				
Actual per Budgetary Basis				\$ 2,379
Changes in due from other governments				102
Actual per GAAP				<u>\$ 2,481</u>
Expendures:				
Actual per Budgetary Basis				\$ 562
Changes in payables				-
Actual per GAAP				<u>\$ 562</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, 2010

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Correction Fees	\$ 6,500	\$ 6,500	\$ 5,223	\$ (1,277)
Miscellaneous	200	200	-	(200)
Total Revenues	<u>6,700</u>	<u>6,700</u>	<u>5,223</u>	<u>(1,477)</u>
Expenditures:				
Public Safety	<u>6,700</u>	<u>6,700</u>	<u>1,603</u>	<u>5,097</u>
Total Expenditures	<u>6,700</u>	<u>6,700</u>	<u>1,603</u>	<u>5,097</u>
Excess (deficiency) of revenues over expenditures	-	-	3,620	3,620
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	-	-	3,620	3,620
Fund Balance at beginning of year	<u>3,929</u>	<u>3,929</u>	<u>3,929</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,929</u>	<u>\$ 3,929</u>	<u>\$ 7,549</u>	<u>\$ 3,620</u>
Reconciliation to GAAP				
Revenues:				
Actual per Budgetary Basis				\$ 5,223
Changes in due from other governments				-
Actual per GAAP				<u>\$ 5,223</u>
Expenditures:				
Actual per Budgetary Basis				\$ 1,603
Changes in payables				-
Actual per GAAP				<u>\$ 1,603</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)
Law Enforcement Protection Fund
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State Grant	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Miscellaneous	-	-	-	-
Total Revenues	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>
Expenditures:				
Public Safety	4,409	4,409	4,409	-
Capital Outlay	30,653	30,653	30,653	-
Total Expenditures	<u>35,062</u>	<u>35,062</u>	<u>35,062</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(15,062)</u>	<u>(15,062)</u>	<u>(15,062)</u>	<u>-</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Balance at beginning of year	<u>15,062</u>	<u>15,062</u>	<u>15,062</u>	<u>-</u>
Cash balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION TO GAAP BASIS:				
Revenue:				
Actual per budgetary basis				\$ 20,000
Change in Due from Other Governments				-
Actual per GAAP				<u>\$ 20,000</u>
Expenditures				
Actual per budgetary basis				\$ 35,062
Change in payables				-
Actual per GAAP				<u>\$ 35,062</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, 2010

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Services & Sales of Lots	\$ 8,400	\$ 8,400	\$ 4,713	\$ (3,687)
Cemetery Improvement Grant	3,374	3,374	1,002	(2,372)
Other Charge	1,420	1,420	1,415	(5)
Total Revenues	<u>\$ 13,194</u>	<u>\$ 13,194</u>	<u>\$ 7,130</u>	<u>\$ (6,064)</u>
Expenditures:				
Public works	-	-	-	-
Operating Expenses	14,401	14,401	11,140	3,261
Capital Improvements	-	-	-	-
Total Expenditures	<u>14,401</u>	<u>14,401</u>	<u>11,140</u>	<u>3,261</u>
Excess (deficiency) of revenues over expenditures	<u>(1,207)</u>	<u>(1,207)</u>	<u>(4,010)</u>	<u>(2,803)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other financing sources over (under) Expenditures & Other uses	<u>(1,207)</u>	<u>(1,207)</u>	<u>(4,010)</u>	<u>(2,803)</u>
Cash Balance at beginning of year	<u>25,217</u>	<u>25,217</u>	<u>25,217</u>	<u>-</u>
Cash balance at end of year	<u>\$ 24,010</u>	<u>\$ 24,010</u>	<u>\$ 21,207</u>	<u>\$ (2,803)</u>
RECONCILIATION TO GAAP BASIS:				
Revenue:				
Actual per budgetary basis				\$ 7,130
Change in Due from Other Governments				-
Actual per GAAP				<u>7,130</u>
Expenditures				
Actual per budgetary basis				\$ 11,140
Change in payables				-
Actual per GAAP				<u>\$ 11,140</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 Cash Balance - Budget and Actual (Non-GAAP)
CDBG Planning Grant
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Grant	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Miscellaneous	1,250	1,250	1,250	-
Total Revenues	<u>26,250</u>	<u>26,250</u>	<u>26,250</u>	<u>-</u>
Expenditures:				
Public Works	<u>26,250</u>	<u>26,250</u>	<u>26,250</u>	<u>-</u>
Total Expenditures	<u>26,250</u>	<u>26,250</u>	<u>26,250</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers In	-	-	-	
Transfers Out	-	-	-	
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	-	-	-	-
Cash Balance at beginning of year	-	-	-	-
Cash Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciliation to GAAP				
Revenues:				
Actual per Budgetary Basis				\$ 26,250
Changes in due from other governments				-
Actual per GAAP				<u>\$ 26,250</u>
Expendures:				
Actual per Budgetary Basis				\$ 26,250
Changes in payables				-
Actual per GAAP				<u>\$ 26,250</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 - Water Fund
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales & Service	\$ 100,760	\$ 100,760	\$ 90,840	\$ (9,920)
Connection Fees	970	970	600	(370)
Gross Receipts Taxes	10,759	10,759	10,759	-
Grants	17,593	17,593	17,593	-
Interest	100	100	60	(40)
Other	4,867	4,867	4,495	(372)
Total Revenues	135,049	135,049	124,347	(10,702)
Expenditures:				
Personal Service	18,513	18,513	14,246	4,267
Operating Expenses	61,989	61,989	59,621	2,368
Ute Water Project	4,200	4,200	3,415	785
Capital Outlay	17,593	17,593	12,730	4,863
Debt Service				
Principal	15,000	15,000	15,000	-
Interest	8,525	8,525	8,525	-
Total Expenditures	125,820	125,820	113,537	12,283
Excess (deficiency) of revenues over expenditures	9,229	9,229	10,810	1,581
Cash balance at beginning of year	94,364	94,364	94,364	-
Cash balance at end of year	\$ 103,593	\$ 103,593	\$ 105,174	\$ 1,581
Reconciliation to GAAP				
Revenues:				
Actual per Budgetary Basis				\$ 124,347
Changes in receivables				196
Changes in taxes receivable				(218)
Interest income				3,242
Actual per GAAP				<u>\$ 127,567</u>
Expendures:				
Actual per Budgetary Basis				\$ 113,537
Changes in payables				-
Principal Paid				(15,000)
Capital Assets Purchased				(17,985)
Depreciation				26,692
Change in interest accrual				(373)
Actual per GAAP				<u>\$ 106,871</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, 2010

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Sales & Service	\$ 28,545	\$ 28,545	\$ 28,545	\$ -
Connection Fees	100	100	50	(50)
Grants	320,191	320,191	318,138	(2,053)
Other	-	-	155	155
Total Revenues	348,836	348,836	346,888	(1,948)
Expenditures:				
Personal services	-	-	-	-
Operating expenses	22,577	22,577	14,180	8,397
Capital Outlay	321,441	321,441	319,388	2,053
Total Expenditures	344,018	344,018	333,568	10,450
Excess (deficiency) of revenues over expenditures	4,818	4,818	13,320	8,502
Cash balance at beginning of year	60,788	6,088	60,788	54,700
Cash balance at end of year	\$ 65,606	\$ 10,906	\$ 74,108	\$ 63,202
Reconciliation to GAAP				
Revenues:				
Actual per Budgetary Basis				\$ 346,888
Changes in receivables				646
Actual per GAAP				<u>\$ 347,534</u>
Expendures:				
Actual per Budgetary Basis				\$ 333,568
Capital Assets Purchased				(319,388)
Depreciation				25,909
Actual per GAAP				<u>\$ 40,089</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 - Solid Waste Fund
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales & Service	\$ 75,000	\$ 75,000	\$ 52,271	\$ (22,729)
Gross Receipts Taxes	3,340	3,340	3,329	(11)
Grants	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>78,340</u>	<u>78,340</u>	<u>55,600</u>	<u>(22,740)</u>
Expenditures:				
Personal services	27,834	27,834	27,834	-
Operating expenses	32,645	32,645	26,194	6,451
Capital Outlay	-	-	-	-
Total Expenditures	<u>60,479</u>	<u>60,479</u>	<u>54,028</u>	<u>6,451</u>
Excess (deficiency) of revenues over expenditures	17,861	17,861	1,572	(16,289)
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	17,861	17,861	1,572	(16,289)
Cash balance at beginning of year	5,149	5,149	5,149	-
Cash balance at end of year	<u>\$ 23,010</u>	<u>\$ 23,010</u>	<u>\$ 6,721</u>	<u>\$ (16,289)</u>
Reconciliation to GAAP				
Revenues:				
Actual per Budgetary Basis				\$ 55,600
Changes in receivables				758
Changes in taxes receivables				(46)
Actual per GAAP				<u>\$ 56,312</u>
Expenditures:				
Actual per Budgetary Basis				\$ 54,028
Decrease in compensated absences				(2,321)
Depreciation				7,731
Actual per GAAP				<u>\$ 59,438</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, 2010

	<u>Balance June 30, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2010</u>
<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
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, 2010, and have issued our report thereon dated November 23, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Ronny Fouts, CPA". The signature is written in a cursive, flowing style.

Ronny Fouts, CPA
Melrose, New Mexico
November 29, 2010

STATE OF NEW MEXICO
Village of Melrose

Schedule of Findings and Responses
For the Year Ended June 30, 2010

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

CURRENT YEAR FINDINGS

None

STATE OF NEW MEXICO
Village of Melrose

Exit Conference
For the Year Ended June 30, 2010

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 29, 2010 with, Cathy Christesson, Village Clerk/Treasurer, Tuck N. Monk, Mayor, and Ronny Fouts, CPA.

Ronny Fouts, CPA
Melrose, New Mexico
November 29, 2010