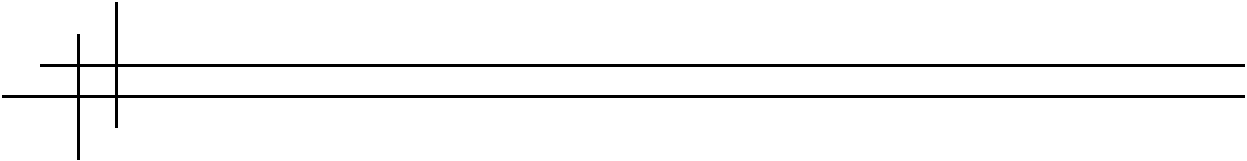


STATE OF NEW MEXICO
VILLAGE OF MELROSE

ANNUAL FINANCIAL REPORT
June 30, 2011

De'Aun Willoughby CPA, PC
Certified Public Accountant
Melrose, New Mexico



STATE OF NEW MEXICO
VILLAGE OF MELROSE
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STATE OF NEW MEXICO
VILLAGE OF MELROSE
Official Roster
June 30, 2011

BOARD OF TRUSTEES

| | |
|-----------------|--------------|
| Tuck N Monk | Mayor |
| Darrel Bostwick | Mayor-ProTem |
| Jewel Hill | Trustee |
| Bobbie Rogers | Trustee |
| C C Pyle | Trustee |

ADMINISTRATIVE OFFICIAL

| | |
|-------------------|-----------------|
| Cathy Christesson | Clerk/Treasurer |
|-------------------|-----------------|

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

Independent Auditor's Report

Mr. Hector H. Balderas
State Auditor of the State of New Mexico
Board Members of the Village of Melrose

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue fund of the Village of Melrose, (Village), as of and for the year ended June 30, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental funds and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, 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 statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for 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 14, 2011 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Village has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a 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. The additional schedules listed as "other supplemental information" in the table of contents are presented for the purpose of additional analysis and are 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 stated in all material respects in relation to the basic financial statements taken as a whole.

De'Ann Willoughby CPA PC

November 14, 2011

FINANCIAL SECTION

STATE OF NEW MEXICO
VILLAGE OF MELROSE
 Government-Wide Statement of Net Assets
 June 30, 2011

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 857,028 | \$ 232,501 | \$ 1,089,529 |
| Receivable | | | |
| Accounts | 0 | 32,850 | 32,850 |
| Taxes | 12,078 | 925 | 13,003 |
| Total Current Assets | <u>869,106</u> | <u>266,276</u> | <u>1,135,382</u> |
| Noncurrent Assets | | | |
| Restricted Cash | 1,616 | 180,483 | 182,099 |
| Capital Assets | 8,031,068 | 2,895,538 | 10,926,606 |
| Less: Accumulated Depreciation | (2,440,445) | (763,819) | (3,204,264) |
| Total Noncurrent Assets | <u>5,592,239</u> | <u>2,312,202</u> | <u>7,904,441</u> |
| Total Assets | <u>6,461,345</u> | <u>2,578,478</u> | <u>9,039,823</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts Payable | 9,983 | 3,786 | 13,769 |
| Accrued Interest | 0 | 4,052 | 4,052 |
| Current Portion of Long-Term Debt | 31,304 | 15,000 | 46,304 |
| Total Current Liabilities | <u>41,287</u> | <u>22,838</u> | <u>64,125</u> |
| Noncurrent Liabilities | | | |
| Customer Deposits | 0 | 13,267 | 13,267 |
| Compensated Absences | 10,947 | 0 | 10,947 |
| Bonds and Notes | 286,658 | 133,000 | 419,658 |
| Total Noncurrent Liabilities | <u>297,605</u> | <u>146,267</u> | <u>443,872</u> |
| Total Liabilities | <u>338,892</u> | <u>169,105</u> | <u>507,997</u> |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 5,274,277 | 2,164,202 | 7,438,479 |
| Unrestricted | 848,176 | 245,171 | 1,093,347 |
| Total Net Assets | <u>\$ 6,122,453</u> | <u>\$ 2,409,373</u> | <u>\$ 8,531,826</u> |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2011

| Functions/Programs | Program Revenues | | | | Net(Expenses) Revenue and Changes in Net Assets | | |
|---------------------------------------|-------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | | |
| General | \$ 107,206 | \$ 75 | \$ 147,024 | \$ 0 | \$ 39,893 | \$ 0 | \$ 39,893 |
| Public Safety | 218,197 | 16,646 | 296,800 | 0 | 95,249 | 0 | 95,249 |
| Public Works | 158,338 | 7,119 | 0 | 0 | (151,219) | 0 | (151,219) |
| Culture & Recreation | 51,978 | 0 | 0 | 0 | (51,978) | 0 | (51,978) |
| Health & Welfare | 12,221 | 0 | 0 | 0 | (12,221) | 0 | (12,221) |
| Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest on Long-Term Obligations | 12,002 | 0 | 0 | 0 | (12,002) | 0 | (12,002) |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Governmental Activities | \$ 559,942 | \$ 23,840 | \$ 443,824 | \$ 0 | (92,278) | 0 | (92,278) |
| Business-type Activities | | | | | | | |
| Water | \$ 110,034 | \$ 122,084 | \$ 0 | \$ 0 | 0 | 12,050 | 12,050 |
| Sewer | 35,288 | 33,742 | 0 | 85,526 | 0 | 83,980 | 83,980 |
| Solid Waste | 66,009 | 63,612 | 0 | 0 | 0 | (2,397) | (2,397) |
| Total Business-type Activities | \$ 211,331 | \$ 219,438 | \$ 0 | \$ 85,526 | 0 | 93,633 | 93,633 |
| General Revenues | | | | | | | |
| Gross Receipts Tax | | | | | 159,334 | 0 | 159,334 |
| Property Taxes | | | | | 1,866 | 0 | 1,866 |
| Gasoline Taxes | | | | | 14,398 | 0 | 14,398 |
| Other Taxes | | | | | 5,431 | 16,334 | 21,765 |
| Miscellaneous | | | | | 35,953 | 0 | 35,953 |
| Total General Revenues | | | | | 216,982 | 16,334 | 233,316 |
| Change in Net Assets | | | | | 124,704 | 109,967 | 234,671 |
| Net Assets - beginning | | | | | 5,996,430 | 2,295,406 | 8,291,836 |
| Restatement | | | | | 1,319 | 4,000 | 5,319 |
| Restated Beginning Net Assets | | | | | 5,997,749 | 2,299,406 | 8,297,155 |
| Net Assets - ending | | | | | \$ 6,122,453 | \$ 2,409,373 | \$ 8,531,826 |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2011

| | <u>General</u> | <u>Special Revenue Fire</u> | <u>Non-Major Governmental Funds</u> |
|-------------------------------------|-------------------|-------------------------------------|---|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 546,988 | \$ 213,379 | \$ 96,661 |
| Investment | | 0 | 0 |
| Receivables | | | |
| Taxes | 12,078 | 0 | 0 |
| Restricted Cash | 0 | 1,616 | 0 |
| Total Assets | <u>\$ 559,066</u> | <u>\$ 214,995</u> | <u>\$ 96,661</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 3,754 | \$ 3,645 | \$ 2,584 |
| Total Liabilities | <u>3,754</u> | <u>3,645</u> | <u>2,584</u> |
| Fund Balances | | | |
| Restricted, reported in | | | |
| Special Revenue Fund | 0 | 211,350 | 94,077 |
| Unassigned, reported in: | | | |
| General Fund | 555,312 | 0 | 0 |
| Total Fund Balances | <u>555,312</u> | <u>211,350</u> | <u>94,077</u> |
| Total Liabilities and Fund Balances | <u>\$ 559,066</u> | <u>\$ 214,995</u> | <u>\$ 96,661</u> |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2011

| | <u>Total Governmental Funds</u> |
|-------------------------------------|---|
| ASSETS | |
| Cash and Cash Equivalents | \$ 857,028 |
| Investment | 0 |
| Receivables | |
| Taxes | 12,078 |
| Restricted Cash | <u>1,616</u> |
| Total Assets | <u>\$ 870,722</u> |
| | |
| LIABILITIES AND FUND BALANCE | |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable | \$ <u>9,983</u> |
| Total Liabilities | <u>9,983</u> |
| | |
| Fund Balances | |
| Restricted, reported in | |
| Special Revenue Fund | 305,427 |
| Unassigned, reported in: | |
| General Fund | <u>555,312</u> |
| Total Fund Balances | <u>860,739</u> |
| | |
| Total Liabilities and Fund Balances | <u>\$ 870,722</u> |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Assets
 June 30, 2011

Total Fund Balance - Governmental Funds \$ 860,739

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

| | | |
|-----------------------------|--------------------|-----------|
| The cost of capital assets | \$ 8,031,068 | |
| Accumulated depreciation is | <u>(2,440,445)</u> | 5,590,623 |

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 and notes payable | (317,962) | |
| Compensated Absences | <u>(10,947)</u> | <u>(328,909)</u> |

| | | |
|--|--|----------------------------|
| Total net assets - governmental activities | | \$ <u><u>6,122,453</u></u> |
|--|--|----------------------------|

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2011

| | General | Special Revenue Fire | Non-Major Governmental Funds |
|--|-------------------|----------------------------|------------------------------------|
| Taxes | | | |
| Gross Receipts | \$ 159,334 | \$ 0 | \$ 0 |
| Property | 14,482 | 0 | 0 |
| Gasoline | 14,398 | 0 | 0 |
| Franchise | 3,890 | 0 | 0 |
| Other | 1,481 | 0 | 60 |
| Charges for Services | 75 | 0 | 23,765 |
| License & Permits | 1,031 | 0 | 0 |
| Fees, Fines & Forfeitures | 7,958 | 0 | 7,363 |
| Federal Grants | 0 | 100,000 | 0 |
| State & Local Grants | 147,024 | 169,247 | 27,553 |
| Miscellaneous | 3,532 | 13,205 | 2,864 |
| Total Revenues | <u>353,205</u> | <u>282,452</u> | <u>61,605</u> |
| Expenditures | | | |
| Current | | | |
| General Government | 103,077 | 0 | 0 |
| Public Safety | 56,072 | 76,509 | 55,191 |
| Public Works | 76,132 | 0 | 0 |
| Culture and Recreation | 23,492 | 0 | 8,565 |
| Health & Welfare | 11,357 | 0 | 0 |
| Capital Outlay | 0 | 67,157 | 0 |
| Debt Service | | | |
| Principal | 0 | 38,372 | 0 |
| Interest | 0 | 15,330 | 0 |
| Total Expenditures | <u>270,130</u> | <u>197,368</u> | <u>63,756</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>83,075</u> | <u>85,084</u> | <u>(2,151)</u> |
| Fund Balances at Beginning of Year | 472,237 | 108,638 | 96,228 |
| Restatement | 0 | 17,628 | 0 |
| Restated Beginning Fund Balance | <u>472,237</u> | <u>126,266</u> | <u>96,228</u> |
| Fund Balance End of Year | <u>\$ 555,312</u> | <u>\$ 211,350</u> | <u>\$ 94,077</u> |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2011

| | Total Governmental Funds |
|--|--------------------------------|
| Taxes | |
| Gross Receipts | \$ 159,334 |
| Property | 14,482 |
| Gasoline | 14,398 |
| Franchise | 3,890 |
| Other | 1,541 |
| Charges for Services | 23,840 |
| License & Permits | 1,031 |
| Fees, Fines & Forfeitures | 15,321 |
| Federal Grants | 100,000 |
| State & Local Grants | 343,824 |
| Miscellaneous | 19,601 |
| Total Revenues | <u>697,262</u> |
| Expenditures | |
| Current | |
| General Government | 103,077 |
| Public Safety | 187,772 |
| Public Works | 76,132 |
| Culture and Recreation | 32,057 |
| Health & Welfare | 11,357 |
| Capital Outlay | 67,157 |
| Debt Service | |
| Principal | 38,372 |
| Interest | 15,330 |
| Total Expenditures | <u>531,254</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>166,008</u> |
| Fund Balances at Beginning of Year | 677,103 |
| Restatment | 17,628 |
| Restated Beginning Fund Balance | <u>694,731</u> |
| Fund Balance End of Year | <u><u>\$ 860,739</u></u> |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2011

Excess (Deficiency) of Revenues Over Expenditures \$ 166,008

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

Because some property taxes will not be collected for several months after the Village's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.

| | | |
|-------------------------------|----------|----------|
| Property Taxes, June 30, 2010 | (12,616) | |
| Property Taxes, June 30, 2011 | <u>0</u> | (12,616) |

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

| | | |
|----------------------|---------------|----------|
| Depreciation expense | \$ (130,027) | |
| Capital Outlays | <u>67,157</u> | (62,870) |

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 38,372

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

| | | |
|---------------------------------|----------|-------|
| Accrued Interest, June 30, 2010 | 3,328 | |
| Accrued Interest, June 30, 2011 | <u>0</u> | 3,328 |

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | | |
|-------------------------------------|-----------------|----------------|
| Compensated Absences, June 30, 2010 | 3,429 | |
| Compensated Absences, June 30, 2011 | <u>(10,947)</u> | <u>(7,518)</u> |

Changes in Net Assets of Governmental Activities \$ 124,704

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget (Budgetary Basis) and Actual
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget- Over (Under) |
|--------------------------------|------------------|------------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Franchise Tax | \$ 6,900 | \$ 6,900 | \$ 4,244 | \$ (2,656) |
| Gross Receipt Tax | 159,846 | 159,846 | 157,817 | (2,029) |
| Property Tax | 14,432 | 14,432 | 14,432 | 0 |
| Gas Tax | 18,862 | 18,862 | 15,348 | (3,514) |
| MVD | 1,750 | 1,750 | 1,344 | (406) |
| Licenses & Permits | 1,280 | 1,280 | 1,031 | (249) |
| Charges for Services | 1,210 | 1,210 | 75 | (1,135) |
| Fines and Forfeitures | 10,000 | 10,000 | 7,958 | (2,042) |
| Small Cities Assistance | 135,667 | 135,667 | 135,667 | 0 |
| State & Local Grants | 13,145 | 13,145 | 11,357 | (1,788) |
| Miscellaneous Revenues | 9,122 | 9,122 | 3,854 | (5,268) |
| Total Revenues | 372,214 | 372,214 | 353,127 | (19,087) |
| Expenditures | | | | |
| Executive | | | | |
| Salaries & Benefits | 17,175 | 17,175 | 15,101 | 2,074 |
| Operating Expenses | 4,190 | 4,190 | 2,033 | 2,157 |
| Total Executive | 21,365 | 21,365 | 17,134 | 4,231 |
| Judicial | | | | |
| Salaries & Benefits | 9,601 | 9,602 | 9,171 | 431 |
| Operating Expenses | 4,296 | 4,295 | 2,791 | 1,504 |
| Total Judicial | 13,897 | 13,897 | 11,962 | 1,935 |
| Financial | | | | |
| Salaries & Benefits | 50,123 | 50,124 | 46,230 | 3,894 |
| Operating Expenses | 52,075 | 52,075 | 26,638 | 25,437 |
| Total Financial | 102,198 | 102,199 | 72,868 | 29,331 |
| Fire | | | | |
| Salaries & Benefits | 2,723 | 2,723 | 2,714 | 9 |
| Total Fire | 2,723 | 2,723 | 2,714 | 9 |
| Police Department | | | | |
| Salaries & Benefits | 74,369 | 74,369 | 33,843 | 40,526 |
| Operating Expenses | 25,641 | 25,641 | 18,935 | 6,706 |
| Total Police Department | 100,010 | 100,010 | 52,778 | 47,232 |
| Streets | | | | |
| Salaries & Benefits | 34,383 | 34,383 | 32,345 | 2,038 |
| Operating Expenses | 61,891 | 61,891 | 41,906 | 19,985 |
| Total Streets | \$ 96,274 | \$ 96,274 | \$ 74,251 | \$ 22,023 |

STATE OF NEW MEXICO
VILLAGE OF MELROSE
GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget (Budgetary Basis) and Actual
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget- Over (Under) |
|--|-------------------|-------------------|--------------------------------|---|
| | Original | Final | | |
| Parks | | | | |
| Salaries & Benefits | \$ 15,779 | \$ 15,780 | \$ 14,748 | \$ 1,032 |
| Operating Expenses | 22,388 | 22,388 | 8,563 | 13,825 |
| Total Parks | <u>38,167</u> | <u>38,168</u> | <u>23,311</u> | <u>14,857</u> |
| Health & Welfare | | | | |
| Operating Expenses | 11,357 | 11,357 | 11,357 | 0 |
| Total Health & Welfare | <u>11,357</u> | <u>11,357</u> | <u>11,357</u> | <u>0</u> |
| Total Expenditures | <u>385,991</u> | <u>385,993</u> | <u>266,375</u> | <u>119,618</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (13,777) | (13,779) | 86,752 | 100,531 |
| Cash Balance Beginning of Year | <u>460,236</u> | <u>460,236</u> | <u>460,236</u> | <u>0</u> |
| Cash Balance End of Year | <u>\$ 446,459</u> | <u>\$ 446,457</u> | <u>\$ 546,988</u> | <u>\$ 100,531</u> |
| Reconciliation of Budgetary Basis to GAAP Basis | | | | |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis | | | \$ 86,752 | |
| Net change in Taxes Receivable | | | (12,538) | |
| Net change in Accounts Payable | | | (3,755) | |
| Net change in Deferred Revenue | | | 12,616 | |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis | | | <u>\$ 83,075</u> | |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
SPECIAL REVENUE FUND-FIRE
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget- Over (Under) |
|--|-------------------|-------------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| State Grant | \$ 178,928 | \$ 178,928 | \$ 169,247 | \$ (9,681) |
| Federal Grants | 100,000 | 100,000 | 100,000 | 0 |
| Miscellaneous | 14,284 | 14,284 | 13,205 | (1,079) |
| Total Revenues | <u>293,212</u> | <u>293,212</u> | <u>282,452</u> | <u>(10,760)</u> |
| Expenditures | | | | |
| Public Safety | | | | |
| Operating Expenses | 47,460 | 47,460 | 40,082 | 7,378 |
| Capital Outlay | 119,992 | 119,992 | 99,939 | 20,053 |
| Debt Service | | | | |
| Principal | 36,991 | 36,991 | 38,372 | (1,381) |
| Interest | 0 | 0 | 15,330 | (15,330) |
| Total Expenditures | <u>204,443</u> | <u>204,443</u> | <u>193,723</u> | <u>10,720</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>88,769</u> | <u>88,769</u> | <u>88,729</u> | <u>(40)</u> |
| Cash Balance Beginning of Year | 108,637 | 108,637 | 108,637 | 0 |
| Restatement | 0 | 0 | 17,629 | (17,629) |
| Restated Beginning Cash Balance | <u>108,637</u> | <u>108,637</u> | <u>126,266</u> | <u>(17,629)</u> |
| Cash Balance End of Year | <u>\$ 197,406</u> | <u>\$ 197,406</u> | <u>\$ 214,995</u> | <u>\$ (17,589)</u> |
| Reconciliation of Budgetary Basis to GAAP Basis | | | | |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis | | | \$ 88,729 | |
| Net change in Accounts Payable | | | (3,645) | |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis | | | <u>\$ 85,084</u> | |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
 PROPRIETARY FUND
 Statement of Fund Net Assets
 June 30, 2011

| ASSETS | Water | Sewer | Solid Waste | Total |
|--|---------------------|---------------------|------------------|---------------------|
| Current Assets | | | | |
| Cash and Cash Equivalents | \$ 122,709 | \$ 92,783 | \$ 17,009 | \$ 232,501 |
| Receivables (net of allowance for uncollectible accounts) | | | | |
| Accounts | 25,104 | 2,998 | 4,748 | 32,850 |
| Taxes | 694 | 0 | 231 | 925 |
| Total Current Assets | <u>148,507</u> | <u>95,781</u> | <u>21,988</u> | <u>266,276</u> |
| Noncurrent Assets | | | | |
| Restricted Assets | 180,483 | 0 | | 180,483 |
| Capital Assets | 1,319,054 | 1,460,524 | 115,960 | 2,895,538 |
| Less: Accumulated Depreciation | <u>(263,784)</u> | <u>(454,973)</u> | <u>(45,062)</u> | <u>(763,819)</u> |
| Total Noncurrent Assets | <u>1,235,753</u> | <u>1,005,551</u> | <u>70,898</u> | <u>2,312,202</u> |
| Total Assets | <u>1,384,260</u> | <u>1,101,332</u> | <u>92,886</u> | <u>2,578,478</u> |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts Payable | 1,724 | 148 | 1,914 | 3,786 |
| Accrued Interest | 4,052 | 0 | 0 | 4,052 |
| Compensated Absences | 0 | 0 | 0 | 0 |
| Current Portion of Long-Term Debt | <u>15,000</u> | | | <u>15,000</u> |
| Total Current Liabilities | <u>20,776</u> | <u>148</u> | <u>1,914</u> | <u>22,838</u> |
| Noncurrent Liabilities | | | | |
| Customer Deposits | 13,267 | 0 | 0 | 13,267 |
| Long Term Debt | <u>133,000</u> | <u>0</u> | <u>0</u> | <u>133,000</u> |
| Total Noncurrent Liabilities | <u>146,267</u> | <u>0</u> | <u>0</u> | <u>146,267</u> |
| Total Liabilities | <u>167,043</u> | <u>148</u> | <u>1,914</u> | <u>169,105</u> |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net of Related Debt | 907,270 | 1,005,551 | 70,898 | 1,983,719 |
| Unrestricted | <u>309,947</u> | <u>95,633</u> | <u>20,074</u> | <u>425,654</u> |
| Total Net Assets | <u>\$ 1,217,217</u> | <u>\$ 1,101,184</u> | <u>\$ 90,972</u> | <u>\$ 2,409,373</u> |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
 PROPRIETARY FUND
 Statement of Revenue, Expenses and Changes in Net Assets
 For the Year Ended June 30, 2011

| | Water | Sewer | Solid Waste | Total |
|---|---------------------|---------------------|------------------|---------------------|
| Operating Revenues | | | | |
| Sales & Service | \$ 122,084 | \$ 33,742 | \$ 63,612 | \$ 219,438 |
| Total Operating Revenues | <u>122,084</u> | <u>33,742</u> | <u>63,612</u> | <u>219,438</u> |
| Operating Expenses | | | | |
| Salaries and Benefits | 25,800 | 0 | 28,708 | 54,508 |
| Operating Expenses | 51,703 | 11,791 | 29,965 | 93,459 |
| Depreciation | 24,756 | 23,497 | 7,336 | 55,589 |
| Total Operating Expenses | <u>102,259</u> | <u>35,288</u> | <u>66,009</u> | <u>203,556</u> |
| Operating Income (Loss) | <u>19,825</u> | <u>(1,546)</u> | <u>(2,397)</u> | <u>15,882</u> |
| Nonoperating Revenue (Expenses) | | | | |
| Federal Grant | 0 | 85,526 | 0 | 85,526 |
| Infrastructure & Environmentas Tax | 12,700 | 0 | 3,634 | 16,334 |
| Interest Expense | (7,775) | 0 | 0 | (7,775) |
| Total Nonoperating Revenue (Expense) | <u>4,925</u> | <u>85,526</u> | <u>3,634</u> | <u>94,085</u> |
| Change in Net Assets | <u>24,750</u> | <u>83,980</u> | <u>1,237</u> | <u>109,967</u> |
| Total Net Assets - Beginning | 1,188,467 | 1,017,204 | 89,735 | 2,295,406 |
| Restatement | 4,000 | 0 | 0 | 4,000 |
| Restated Beginning Cash Balance | <u>1,192,467</u> | <u>1,017,204</u> | <u>89,735</u> | <u>2,299,406</u> |
| Total Net Assets - Ending | <u>\$ 1,217,217</u> | <u>\$ 1,101,184</u> | <u>\$ 90,972</u> | <u>\$ 2,409,373</u> |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
 PROPRIETARY FUND
 Statement of Cash Flows
 For the Year Ended June 30, 2011

| | <u>Water</u> | <u>Sewer</u> |
|---|-------------------|------------------|
| Cash Flows from Operating Activities | | |
| Cash Received From Customers | \$ 124,450 | \$ 118,994 |
| Cash Paid to Suppliers and Employees | (88,478) | (97,170) |
| Net Cash Provided by Operating Activities | <u>35,972</u> | <u>21,824</u> |
| Cash Flows from Noncapital Financing Activities | | |
| Infrastructure & Environmentas Tax | 12,700 | 0 |
| Net Cash Provided by Noncapital Financing Activities | <u>12,700</u> | <u>0</u> |
| Cash Flows from Capital & Related Financing Activities | | |
| Federal Grant | 0 | 85,526 |
| Purchase of Capital Assets | 0 | (88,675) |
| Principal Paid | (15,000) | 0 |
| Interest Paid | (7,775) | 0 |
| Net Cash Provided by Capital & Related Financing Activities | <u>(22,775)</u> | <u>(3,149)</u> |
| Net Increase (Decrease) in Cash | 25,897 | 18,675 |
| Cash, Beginning of Year | <u>277,295</u> | <u>74,108</u> |
| Cash, End of Year | <u>\$ 303,192</u> | <u>\$ 92,783</u> |
| Reconciliation of Cash | | |
| Cash and Cash Equivalents | \$ 122,709 | 92,783 |
| Restricted Assets | 180,483 | 0 |
| | <u>\$ 303,192</u> | <u>\$ 92,783</u> |
| Reconciliation of Net Income to Net Cash Provided by Operating Activities | | |
| Operating Income (Loss) | \$ 19,825 | \$ (1,546) |
| Adjustments to Reconcile Net Income to | | |
| Net Cash Provided by Operating Activities | | |
| Depreciation | 24,756 | 23,497 |
| Change in Assets and Liabilities | | |
| (Increase) Decrease in Taxes Receivable | 24 | 0 |
| (Increase) Decrease in Accounts Receivable | (11,082) | (275) |
| Increase (Decrease) in Accounts Payable | 1,724 | 148 |
| Increase (Decrease) in Customer Deposits | 725 | 0 |
| Net Cash Provided by Operating Activities | <u>\$ 35,972</u> | <u>\$ 21,824</u> |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
 PROPRIETARY FUND
 Statement of Cash Flows
 For the Year Ended June 30, 2011

| | Solid Waste | Total |
|---|------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Cash Received From Customers | \$ 63,243 | \$ 306,687 |
| Cash Paid to Suppliers and Employees | (56,771) | (242,419) |
| Net Cash Provided by Operating Activities | <u>6,472</u> | <u>64,268</u> |
| Cash Flows from Noncapital Financing Activities | | |
| Infrastructure & Environmentas Tax | 3,634 | 16,334 |
| Net Cash Provided by Noncapital Financing Activities | <u>3,634</u> | <u>16,334</u> |
| Cash Flows from Capital & Related Financing Activities | | |
| Federal Grant | 0 | 85,526 |
| Purchase of Capital Assets | 0 | (88,675) |
| Principal Paid | 0 | (15,000) |
| Interest Paid | 0 | (7,775) |
| Net Cash Provided by Capital & Related Financing Activities | <u>0</u> | <u>(111,450)</u> |
| Net Increase (Decrease) in Cash | 10,106 | (30,848) |
| Cash, Beginning of Year | <u>6,903</u> | <u>358,306</u> |
| Cash, End of Year | <u>\$ 17,009</u> | <u>\$ 412,984</u> |
| Reconciliation of Cash | | |
| Cash and Cash Equivalents | 17,009 | 232,501 |
| Restricted Assets | 0 | 180,483 |
| | <u>\$ 17,009</u> | <u>\$ 412,984</u> |
| Reconciliation of Net Income to Net Cash Provided by Operating Activities | | |
| Operating Income (Loss) | \$ (2,397) | \$ 15,882 |
| Adjustments to Reconcile Net Income to | | |
| Net Cash Provided by Operating Activities | | |
| Depreciation | 7,336 | 55,589 |
| Change in Assets and Liabilities | | |
| (Increase) Decrease in Taxes Receivable | (12) | 12 |
| (Increase) Decrease in Accounts Receivable | (369) | (11,726) |
| Increase (Decrease) in Accounts Payable | 1,914 | 3,786 |
| Increase (Decrease) in Customer Deposits | 0 | 725 |
| Net Cash Provided by Operating Activities | <u>\$ 6,472</u> | <u>\$ 64,268</u> |

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Melrose (Village) , has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the Village's accounting policies are described below.

Financial Reporting Entity

The Village was incorporated under the laws of the State of New Mexico. The Village 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 or 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 or 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 no 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.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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 statement level.

Amounts reported as program revenue in the government-wide financial statements include: (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) operating such as Small Cities Assistance, Fire Protection, EMS, LEPPF grants and contributions, and (3) capital grants and contributions. The Village's operating grants include the Small Cities Assistance Grant and State Grants.

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.

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.

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.

Proprietary Fund - Enterprise Funds Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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:

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.

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 specified purposes.

Measurement Focus and Basis of Accounting

The government wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenue, such as franchise and sales tax revenue, is recognized when the underlying exchange transaction occurs.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Property taxes, sales taxes, franchise tax, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreement, the Village funds certain programs by a combination of specific cost reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to financial the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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 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.
6. The cash basis is used to present the budgetary comparisons.

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, the 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 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.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Capital Assets

Capital assets, which includes 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 |
| Building Improvements | 20 Years |
| Equipment & Vehicles | 3-15 Years |

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The Village does not have any activity in short-term debt.

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet. There are no outstanding Capital Leases.

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.

Deferred Revenue

The Village reports deferred revenues on its Statement of Net Assets and Fund Balance Sheet. Deferred revenues arise when resources are received by the Village before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Village has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. Deferred revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Compensated Absences

All full-time employees are entitled to two weeks per year of paid vacation time. 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 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 ten (10) days at the rate of seventy-five percent (75%) of regular pay, only upon approval of the board. The maximum accrual of vacation and sick leave time is 240 hours each.

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.

Restricted Net Assets

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net assets use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

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.

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).

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to the Financial Statements
June 30, 2011

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 included on each Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual Schedules.

NOTE C: DEPOSITS 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.

| <u>American Heritage Bank</u> | Balance Per Bank 06/30/11 | Reconciled Balance | Type |
|-------------------------------|---------------------------------|-----------------------|----------|
| Village of Melrose | \$ 1,030,854 | \$ 1,014,989 | Checking |
| Village of Melrose | 124,094 | 124,094 | Checking |
| Water Savings #2 | 39,718 | 39,718 | Checking |
| Sewer Savings | 3,047 | 3,047 | Checking |
| Fire Department | 24,585 | 24,585 | Checking |
| Cemetery Trust | 1,002 | 1,002 | Checking |
| General Fund | 41,943 | 41,943 | Checking |
| Cemetery Fund | 9,012 | 9,012 | Checking |
| Sewer Fund-CD | 9,238 | 9,238 | Checking |
| Water Meter Deposit | 4,000 | 4,000 | Checking |
| TOTAL Deposited | <u>1,287,493</u> | <u>\$ 1,271,628</u> | |
| Less: FDIC Coverage | <u>(1,287,493)</u> | | |
| Uninsured Amount | 0 | | |
| 50% collateral requirement | 0 | | |
| Pledged securities | 0 | | |
| Over (Under) requirement | <u>\$ 0</u> | | |

There is temporary unlimited FDIC coverage for non-interest bearing accounts.

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

NOTE E: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2011, is as follows:

| | Beginning Balance 6/30/10 | Increases | Decreases | Ending Balance 6/30/11 |
|--|---------------------------------|-------------|-------------|------------------------------|
| Governmental Activities | | | | |
| Capital Assets, not being Depreciated | | | | |
| Land | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Construction in Progress | <u>0</u> | | | <u>0</u> |
| Total Capital Assets, not being Depreciated | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to the Financial Statements
June 30, 2011

| | | | | |
|--------------------------------------|---------------------|--------------------|-------------|---------------------|
| Capital Assets, being Depreciated | | | | |
| Infrastructure | \$ 5,339,918 | \$ 0 | \$ 0 | \$ 5,339,918 |
| Buildings & Improvements | 929,212 | 0 | 0 | 929,212 |
| Equipment | 1,694,781 | 67,157 | 0 | 1,761,938 |
| | <u>7,963,911</u> | <u>67,157</u> | <u>0</u> | <u>8,031,068</u> |
| | | | | |
| Total Capital Assets | <u>7,963,911</u> | <u>67,157</u> | <u>0</u> | <u>8,031,068</u> |
| Less Accumulated Depreciation | | | | |
| Buildings & Improvements | 1,042,207 | 72,239 | 0 | 1,114,446 |
| Infrastructure | 479,792 | 23,863 | 0 | 503,655 |
| Equipment | 788,418 | 33,926 | 0 | 822,344 |
| Total Accumulated Depreciation | <u>2,310,417</u> | <u>130,028</u> | <u>0</u> | <u>2,440,445</u> |
| | | | | |
| Capital Assets, net | <u>\$ 5,653,494</u> | <u>\$ (62,871)</u> | <u>\$ 0</u> | <u>\$ 5,590,623</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|-----------------------------|-------------------|
| General | \$ 1,247 |
| Public Safety | 30,425 |
| Public Works | 77,570 |
| Health & Welfare | 864 |
| Culture & Recreation | 19,922 |
| Total depreciation expenses | <u>\$ 130,028</u> |

| | Beginning Balance 6/30/10 | Increases | Decreases | Ending Balance 6/30/11 |
|--------------------------------------|---------------------------------|--------------------|-------------|------------------------------|
| Business-Type Activities | | | | |
| Water | | | | |
| Water System | \$ 1,300,061 | \$ 0 | \$ 0 | \$ 1,300,061 |
| Equipment | 18,993 | 0 | 0 | 18,993 |
| Total Capital | | | | |
| Assets at Historical Cost | <u>1,300,061</u> | <u>0</u> | <u>0</u> | <u>1,319,054</u> |
| | | | | |
| Less Accumulated Depreciation | | | | |
| Water System | 230,022 | 24,501 | 0 | 254,523 |
| Equipment | 9,006 | 255 | 0 | 9,261 |
| Total Accumulated Depreciation | <u>239,028</u> | <u>24,756</u> | <u>0</u> | <u>263,784</u> |
| | | | | |
| Capital Assets, net | <u>\$ 1,061,033</u> | <u>\$ (24,756)</u> | <u>\$ 0</u> | <u>\$ 1,055,270</u> |

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to the Financial Statements
June 30, 2011

| | Beginning Balance 6/30/10 | Increases | Decreases | Ending Balance 6/30/11 |
|---|---------------------------------|-----------|-----------|------------------------------|
| Sewer | | | | |
| Other Capital Assets | | | | |
| Sewer System | \$ 1,316,318 | \$ 88,675 | \$ 0 | \$ 1,404,993 |
| Equipment | 55,531 | 0 | 0 | 55,531 |
| Total Capital Assets at Historical Cost | 1,371,849 | 88,675 | 0 | 1,460,524 |
| Less Accumulated Depreciation | | | | |
| Sewer System | 421,944 | 22,606 | 0 | 444,550 |
| Equipment | 9,532 | 891 | 0 | 10,423 |
| Total Accumulated Depreciation | 431,476 | 23,497 | 0 | 454,973 |
| Capital Assets, net | \$ 940,373 | \$ 65,178 | \$ 0 | \$ 1,005,551 |

| | Beginning Balance 6/30/10 | Increases | Decreases | Ending Balance 6/30/11 |
|---|---------------------------------|------------|-----------|------------------------------|
| Solid Waste | | | | |
| Other Capital Assets | | | | |
| Equipment | \$ 115,960 | \$ 0 | \$ 0 | \$ 115,960 |
| Total Capital Assets at Historical Cost | 115,960 | 0 | 0 | 115,960 |
| Less Accumulated Depreciation | | | | |
| Equipment | 37,726 | 7,336 | 0 | 45,062 |
| Total Accumulated Depreciation | 37,726 | 7,336 | 0 | 45,062 |
| Capital Assets, net | \$ 78,234 | \$ (7,336) | \$ 0 | \$ 70,898 |

NOTE F: LONG TERM DEBT

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

| | Beginning Balance 6/30/10 | Restatement | Restated Beginning Balance | Additions | Reductions |
|--------------------------------|---------------------------------|-------------|----------------------------------|-----------|------------|
| Governmental Activities | | | | | |
| Notes Payable | | | | | |
| Fire Truck | \$ 0 | \$ 16,309 | \$ 16,309 | \$ 0 | \$ 16,309 |
| Fire Truck | 340,025 | 0 | 340,025 | 0 | 22,063 |
| | 340,025 | 16,309 | 356,334 | 0 | 38,372 |
| Other Liabilities | | | | | |
| Compensated Absences | 3,429 | 0 | 3,429 | | 6,641 |
| Long-Term Liabilities | \$ 343,454 | 16,309 | 359,763 | 0 | 45,013 |

STATE OF NEW MEXICO
VILLAGE OF MELROSE
Notes to the Financial Statements
June 30, 2011

| | Ending Balance 40,724 | Amounts Due Within One Year |
|--------------------------|-----------------------------|-----------------------------------|
| Notes Payable | | |
| Fire Truck | \$ 0 | \$ 0 |
| Fire Truck | 317,962 | 31,304 |
| | <u>317,962</u> | <u>31,304</u> |
| Other Liabilities | | |
| Compensated Absences | 10,947 | 0 |
| | <u>10,947</u> | <u>0</u> |
| Long-Term Liabilities | \$ 328,909 | \$ 31,304 |
| | <u>\$ 328,909</u> | <u>\$ 31,304</u> |

The compensated absences will be liquidated by the General Fund or Water Fund.

The annual requirements to amortize the above loans as of June 30, 2011, including interest payments are as follows:

| | Principal | Interest | Total |
|-----------|-------------------|------------------|-------------------|
| 2012 | \$ 31,304 | \$ 11,087 | \$ 42,391 |
| 2013 | 32,019 | 10,372 | 42,391 |
| 2014 | 32,865 | 9,526 | 42,391 |
| 2015 | 33,846 | 8,545 | 42,391 |
| 2016 | 34,972 | 7,419 | 42,391 |
| 2017-2020 | 152,956 | 16,080 | 169,036 |
| | <u>\$ 317,962</u> | <u>\$ 63,029</u> | <u>\$ 380,991</u> |

| | Beginning Balance 6/30/10 | Additions | Reductions | Ending Balance Additions | Amounts Due Within One Year |
|---------------------------------|---------------------------------|-------------|------------------|--------------------------------|-----------------------------------|
| Business-Type Activities | | | | | |
| Bonds Payable | | | | | |
| USDA Revenue | 163,000 | \$ 0 | \$ 15,000 | \$ 148,000 | \$ 16,000 |
| | <u>\$ 163,000</u> | <u>\$ 0</u> | <u>\$ 15,000</u> | <u>\$ 148,000</u> | <u>\$ 16,000</u> |

The annual requirements to amortize the above bonds as of June 30, 2011, including interest payments are as follows:

| | Principal | Interest | Total |
|-----------|-------------------|------------------|-------------------|
| 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 | 20,000 | 3,400 | 23,400 |
| 2017-2020 | 58,000 | 4,250 | 62,250 |
| | <u>\$ 148,000</u> | <u>\$ 30,500</u> | <u>\$ 178,500</u> |

NOTE G: 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 of 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 Fund. Only those collections received are recorded as revenues for the budget presentation.

NOTE H: PENSION PLAN

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

Funding Policy. Plan members are required to contribute 7% of the gross salary. The Village is required to contribute 7% for all employee's of the gross covered salary. The contribution requirements of plan members and the Village are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Village has passed resolution no. 2009-07 to change the contribution rates, where the employee will contribute 4% of their gross salary and the village will contribute 10%. The Village's contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$14,071, \$10,937 and \$15,252 respectively, which equal the amount of the required contributions for each fiscal year.

NOTE I: POST-EMPLOYMENT BENEFITS

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

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
 Notes to the Financial Statements
 June 30, 2011

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

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 members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the RHCA, Albuquerque State Government Center, 401 Roma, NW, Suite 200, Albuquerque, New Mexico 87102.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution

| <u>Fiscal Year</u> | <u>Employer Contribution</u> | <u>Employee Contribution</u> |
|--------------------|------------------------------|------------------------------|
| 2012 | 1.834% | 0.917% |
| 2013 | 2.000% | 1.000% |

Also, 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.

The Village's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$2,413, \$2,592 and \$3,096 respectively, which equal the required contributions for each year.

NOTE J: RECEIVABLES

Receivables as of June 30, 2011, were as follows:

| | General | Utilities |
|----------------------|------------------|------------------|
| Gross Receipts Taxes | \$ 10,351 | \$ 0 |
| Property Taxes | 264 | 0 |
| Gasoline Taxes | 1,051 | 0 |
| Other Taxes | 412 | 925 |
| Due from Grantor | 0 | 32,850 |
| | <u>\$ 12,078</u> | <u>\$ 33,775</u> |

All receivable balances are expected to be collected within one year.

NOTE L: RISK MANAGEMENT

The Village is exposed to various risks of losses related to torts: theft of, damage to and destruction of assets: errors and omissions: injuries to employees: and natural disasters. The Village has obtained insurance through a commercial carrier to insure against potential losses and claims. The premiums are based on payroll and other expenditures, and are not directly related to claims filed. The policies are retrospectively rated and premiums may be adjusted after year end based on the ultimate level of expenditures.

NOTE M: SURETY BOND

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

NOTE N. BUDGET

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2011:

| <u>Fund</u> | Approved Budget | Actual Expenditures | Amount over Expended |
|-------------------------|--------------------|------------------------|-------------------------|
| <u>Proprietary Fund</u> | | | |
| Water | \$ 92,189 | \$ 98,553 | \$ (6,364) |

NOTE O: RESTATEMENT

Fund Balance was restated as follows:

| | |
|---------------------|------------------|
| Fire Fund-NMFA Cash | \$ <u>17,628</u> |
|---------------------|------------------|

Net Assets were restated as follows:

| | |
|------------------------|-----------------|
| Fire Fund-NMFA Cash | \$ 17,628 |
| Beginning Loan Balance | <u>(16,309)</u> |
| | <u>\$ 1,319</u> |

The Water Fund was restated as follows:

| | |
|------------------------|-----------------|
| Certificate of Deposit | \$ <u>4,000</u> |
|------------------------|-----------------|

**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

NONMAJOR FUNDS

EMS

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 Compliation.

Law Enforcement

To account for funds received from the State of New Mexico for law enforcement purposes. The fund was created by the authority of state grant provisions. (NMSA 29-13-3)

Correction Fund

To account for the collection of fines which are used to supplement the cost of prisoner housing. The fund was created by the authority of state statute. (Section 29-1301 NASA 1978)

Cemetery

To account for monies received for the cemetery and to expend them on behalf of the cemetery fund.

Recreation

To account for the operation and maintenance of the Village's youth recreation program. Financing is provided by the state shared cigarette tax. The fund was created by the authority of state statute. (NMSA 7-12-15)

STATE OF NEW MEXICO
VILLAGE OF MELROSE
 NONMAJOR FUNDS
 Combining Balance Sheet
 June 30, 2011

| | Special Revenue Funds | | |
|---|-----------------------|--------------------|--------------------|
| | EMS Fund | Law Enforcement | Correction Fund |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 59,973 | \$ 0 | \$ 7,629 |
| Total Assets | <u>\$ 59,973</u> | <u>\$ 0</u> | <u>\$ 7,629</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts Payable | \$ 2,520 | \$ 0 | \$ 0 |
| Total Liabilities | <u>2,520</u> | <u>0</u> | <u>0</u> |
| Fund Balance | | | |
| Restricted, reported in Special Revenue Fund | <u>57,453</u> | <u>0</u> | <u>7,629</u> |
| Total Fund Balance | <u>57,453</u> | <u>0</u> | <u>7,629</u> |
| Total Liabilities and Fund Balance | <u>\$ 59,973</u> | <u>\$ 0</u> | <u>\$ 7,629</u> |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
NONMAJOR FUNDS
Combining Balance Sheet
June 30, 2011

| | <u>Special Revenue Funds</u> | | |
|---|------------------------------|----------------------------|------------------|
| | <u>Cemetery Fund</u> | <u>Recreation Fund</u> | <u>Total</u> |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 23,511 | \$ 5,548 | \$ 96,661 |
| Total Assets | <u>\$ 23,511</u> | <u>\$ 5,548</u> | <u>\$ 96,661</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts Payable | \$ 50 | \$ 14 | \$ 2,584 |
| Total Liabilities | <u>50</u> | <u>14</u> | <u>2,584</u> |
| Fund Balance | | | |
| Restricted, reported in Special Revenue Fund | <u>23,461</u> | <u>5,534</u> | <u>94,077</u> |
| Total Fund Balance | <u>23,461</u> | <u>5,534</u> | <u>94,077</u> |
| Total Liabilities and Fund Balance | <u>\$ 23,511</u> | <u>\$ 5,548</u> | <u>\$ 96,661</u> |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
NONMAJOR FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2011

| | Special Revenue Funds | | |
|--|-----------------------|--------------------|--------------------|
| | EMS Fund | Law Enforcement | Correction Fund |
| Revenues | | | |
| Taxes | | | |
| Cigarette | \$ 0 | \$ 0 | \$ 0 |
| Fees, Fines & Forfeitures | 0 | 0 | 7,363 |
| Charges for Services | 16,646 | 0 | 0 |
| State Grant | 7,553 | 20,000 | 0 |
| Miscellaneous | 570 | 0 | 0 |
| Total Revenues | <u>24,769</u> | <u>20,000</u> | <u>7,363</u> |
| Expenditures | | | |
| Current | | | |
| Public Safety | 27,908 | 20,000 | 7,283 |
| Cultural & Recreation | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 |
| Total Expenditures | <u>27,908</u> | <u>20,000</u> | <u>7,283</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (3,139) | 0 | 80 |
| Fund Balance at Beginning of Year | <u>60,592</u> | <u>0</u> | <u>7,549</u> |
| Fund Balance End of Year | <u>\$ 57,453</u> | <u>\$ 0</u> | <u>\$ 7,629</u> |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
NONMAJOR FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2011

| | <u>Special Revenue Funds</u> | | |
|--|------------------------------|----------------------------|------------------|
| | <u>Cemetery Fund</u> | <u>Recreation Fund</u> | <u>Total</u> |
| Revenues | | | |
| Taxes | | | |
| Cigarette | \$ 0 | \$ 60 | \$ 60 |
| Fees, Fines & Forfeitures | 0 | 0 | 7,363 |
| Charges for Services | 7,119 | 0 | 23,765 |
| State Grant | 0 | 0 | 27,553 |
| Miscellaneous | 2,294 | 0 | 2,864 |
| Total Revenues | <u>9,413</u> | <u>60</u> | <u>61,605</u> |
| Expenditures | | | |
| Current | | | |
| Public Safety | 0 | 0 | 55,191 |
| Cultural & Recreation | 8,312 | 253 | 8,565 |
| Capital Outlay | 0 | 0 | 0 |
| Total Expenditures | <u>8,312</u> | <u>253</u> | <u>63,756</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 1,101 | (193) | (2,151) |
| Fund Balance at Beginning of Year | <u>22,360</u> | <u>5,727</u> | <u>96,228</u> |
| Fund Balance End of Year | <u>\$ 23,461</u> | <u>\$ 5,534</u> | <u>\$ 94,077</u> |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
SPECIAL REVENUE FUND-EMS
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget- Over (Under) |
|--|------------------|------------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| State Grant | \$ 8,465 | \$ 8,465 | \$ 7,553 | \$ (912) |
| Charges for Services | 16,646 | 16,646 | 16,646 | 0 |
| Miscellaneous | 2,500 | 2,500 | 570 | (1,930) |
| Total Revenues | <u>27,611</u> | <u>27,611</u> | <u>24,769</u> | <u>(2,842)</u> |
| Expenditures | | | | |
| Public Safety | | | | |
| Operating Expenses | <u>35,297</u> | <u>35,297</u> | <u>25,388</u> | <u>9,909</u> |
| Total Expenditures | <u>35,297</u> | <u>35,297</u> | <u>25,388</u> | <u>9,909</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (7,686) | (7,686) | (619) | 7,067 |
| Cash Balance Beginning of Year | <u>60,592</u> | <u>60,592</u> | <u>60,592</u> | <u>0</u> |
| Cash Balance End of Year | <u>\$ 52,906</u> | <u>\$ 52,906</u> | <u>\$ 59,973</u> | <u>\$ 7,067</u> |
| Reconciliation of Budgetary Basis to GAAP Basis | | | | |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis | | | \$ (619) | |
| Net change in Accounts Payable | | | <u>(2,520)</u> | |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis | | | <u>\$ (3,139)</u> | |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
SPECIAL REVENUE FUND-LAW ENFORCEMENT
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget- Over (Under) |
|--|------------------|---------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| State Grant | \$ 20,000 | \$ 20,000 | \$ 20,000 | \$ 0 |
| Total Revenues | <u>20,000</u> | <u>20,000</u> | <u>20,000</u> | <u>0</u> |
| Expenditures | | | | |
| Public Safety | | | | |
| Operating Expenses | 6,968 | 6,968 | 6,968 | 0 |
| Capital Outlay | <u>13,032</u> | <u>13,032</u> | <u>13,032</u> | <u>0</u> |
| Total Expenditures | <u>20,000</u> | <u>20,000</u> | <u>20,000</u> | <u>0</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 0 | 0 | 0 | 0 |
| Cash Balance Beginning of Year | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Cash Balance End of Year | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Reconciliation of Budgetary Basis to GAAP Basis | | | | |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis | | | \$ 0 | |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis | | | <u>\$ 0</u> | |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
SPECIAL REVENUE FUND-CORRECTION FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget- Over (Under) |
|--|------------------|-----------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Correction Fees | \$ 8,030 | \$ 8,030 | \$ 7,363 | \$ (667) |
| Total Revenues | <u>8,030</u> | <u>8,030</u> | <u>7,363</u> | <u>(667)</u> |
| Expenditures | | | | |
| Public Safety | | | | |
| Operating Expenses | <u>7,630</u> | <u>7,630</u> | <u>7,283</u> | <u>347</u> |
| Total Expenditures | <u>7,630</u> | <u>7,630</u> | <u>7,283</u> | <u>347</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 400 | 400 | 80 | (320) |
| Cash Balance Beginning of Year | <u>7,549</u> | <u>7,549</u> | <u>7,549</u> | <u>0</u> |
| Cash Balance End of Year | <u>\$ 7,949</u> | <u>\$ 7,949</u> | <u>\$ 7,629</u> | <u>\$ (320)</u> |
| Reconciliation of Budgetary Basis to GAAP Basis | | | | |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis | | | \$ <u>80</u> | |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis | | | \$ <u>80</u> | |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
SPECIAL REVENUE-CEMETERY
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget (Budgetary Basis) and Actual
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget- Over (Under) |
|--|------------------|------------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Charges for Services | \$ 8,019 | \$ 8,019 | \$ 7,119 | \$ (900) |
| Miscellaneous | <u>2,351</u> | <u>2,351</u> | <u>1,291</u> | <u>(1,060)</u> |
| Total Revenues | <u>10,370</u> | <u>10,370</u> | <u>8,410</u> | <u>(1,960)</u> |
| Expenditures | | | | |
| Cultural & Recreation | | | | |
| Operating Expenses | <u>18,663</u> | <u>18,663</u> | <u>8,262</u> | <u>10,401</u> |
| Total Expenditures | <u>18,663</u> | <u>18,663</u> | <u>8,262</u> | <u>10,401</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (8,293) | (8,293) | 148 | 8,441 |
| Cash Balance Beginning of Year | <u>22,360</u> | <u>22,360</u> | <u>22,360</u> | <u>0</u> |
| Cash Balance End of Year | \$ <u>14,067</u> | \$ <u>14,067</u> | \$ <u>22,508</u> | \$ <u>8,441</u> |
| Reconciliation of Budgetary Basis to GAAP Basis | | | | |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis | | | \$ 148 | |
| Net change in Accounts Payable | | | <u>(50)</u> | |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis | | | \$ <u>98</u> | |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
SPECIAL REVENUE FUND-RECREATION
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget- Over (Under) |
|--|------------------|-----------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Cigarette Taxes | \$ 2,011 | \$ 2,011 | \$ 161 | \$ (1,850) |
| Total Revenues | <u>2,011</u> | <u>2,011</u> | <u>161</u> | <u>(1,850)</u> |
| Expenditures | | | | |
| Culture & Recreation | | | | |
| Operating Expense | <u>1,633</u> | <u>1,633</u> | <u>238</u> | <u>1,395</u> |
| Total Expenditures | <u>1,633</u> | <u>1,633</u> | <u>238</u> | <u>1,395</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 378 | 378 | (77) | (455) |
| Cash Balance Beginning of Year | <u>5,625</u> | <u>5,625</u> | <u>5,625</u> | <u>0</u> |
| Cash Balance End of Year | <u>\$ 6,003</u> | <u>\$ 6,003</u> | <u>\$ 5,548</u> | <u>\$ (455)</u> |
| Reconciliation of Budgetary Basis to GAAP Basis | | | | |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis | | | \$ (77) | |
| Net change in Taxes Receivable | | | (101) | |
| Net change in Accounts Payable | | | <u>(15)</u> | |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis | | | <u>\$ (193)</u> | |

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

ENTERPRISE FUNDS

Water, Sewer, and Solid Waste Funds- The Water, Sewer and Solid Waste Funds are used to account for the provision 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.

STATE OF NEW MEXICO

VILLAGE OF MELROSE

ENTERPRISE FUND-WATER

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget- Over (Under) |
|--|-------------------|-------------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Sales & Service | \$ 122,965 | \$ 122,965 | \$ 111,699 | \$ (11,266) |
| Gross Receipts Tax | 15,596 | 3,596 | 12,715 | 9,119 |
| Miscellaneous | 100 | 100 | 36 | (64) |
| Total Revenues | <u>138,661</u> | <u>126,661</u> | <u>124,450</u> | <u>(2,211)</u> |
| Expenditures | | | | |
| Salaries & Benefits | 27,741 | 27,742 | 25,800 | 1,942 |
| Operating Expenses | 64,448 | 64,447 | 49,978 | 14,469 |
| Debt Service | | | | |
| Principal | 0 | 0 | 15,000 | (15,000) |
| Interest | 0 | 0 | 7,775 | (7,775) |
| Total Expenditures | <u>92,189</u> | <u>92,189</u> | <u>98,553</u> | <u>(6,364)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>46,472</u> | <u>34,472</u> | <u>25,897</u> | <u>(8,575)</u> |
| Cash Balance Beginning of Year | 273,295 | 273,295 | 273,295 | 0 |
| Restatement | 0 | 0 | 4,000 | 4,000 |
| Restated Beginning Cash Balance | <u>273,295</u> | <u>273,295</u> | <u>277,295</u> | <u>4,000</u> |
| Cash Balance End of Year | \$ <u>319,767</u> | \$ <u>307,767</u> | \$ <u>303,192</u> | \$ <u>(4,575)</u> |
| Reconciliation of Budgetary Basis to GAAP Basis | | | | |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis | | | \$ 25,897 | |
| Depreciation | | | (24,756) | |
| Principal | | | 15,000 | |
| Net change in Taxes Receivable | | | (24) | |
| Net change in Accounts Receivable | | | 11,082 | |
| Net change in Accounts Payable | | | (1,724) | |
| Net change in Customer Deposits | | | (725) | |
| Change in Net Assets | | | \$ <u>24,750</u> | |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
ENTERPRISE FUND-SEWER
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget- Over (Under) |
|--|------------------|------------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Sales & Service | \$ 33,568 | \$ 33,568 | \$ 33,468 | \$ (100) |
| Federal Grants | 500,000 | 500,000 | 85,526 | (414,474) |
| Total Revenues | <u>533,568</u> | <u>533,568</u> | <u>118,994</u> | <u>(414,574)</u> |
| Expenditures | | | | |
| Operating Expenses | 23,015 | 23,015 | 11,644 | 11,371 |
| Capital Outlay | 525,000 | 525,000 | 88,675 | 436,325 |
| Total Expenditures | <u>548,015</u> | <u>548,015</u> | <u>100,319</u> | <u>447,696</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (14,447) | (14,447) | 18,675 | 33,122 |
| Cash Balance Beginning of Year | <u>74,108</u> | <u>74,108</u> | <u>74,108</u> | <u>0</u> |
| Cash Balance End of Year | <u>\$ 59,661</u> | <u>\$ 59,661</u> | <u>\$ 92,783</u> | <u>\$ 33,122</u> |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis | | | \$ 18,675 | |
| Capital Outlay | | | 88,675 | |
| Depreciation | | | (23,497) | |
| Net change in Accounts Receivable | | | 275 | |
| Net change in Accounts Payable | | | (148) | |
| Change in Net Assets | | | <u>\$ 83,980</u> | |

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

STATE OF NEW MEXICO
VILLAGE OF MELROSE
ENTERPRISE FUND-SOLID WASTE
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget- Over (Under) |
|--|------------------|------------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Sales & Service | \$ 75,000 | \$ 75,000 | \$ 63,243 | \$ (11,757) |
| Environmental Gross Receipts Tax | <u>3,622</u> | <u>3,622</u> | <u>3,622</u> | <u>0</u> |
| Total Revenues | <u>78,622</u> | <u>78,622</u> | <u>66,865</u> | <u>(11,757)</u> |
| Expenditures | | | | |
| Salaries & Benefits | 29,144 | 29,144 | 28,708 | 436 |
| Operating Expenses | <u>36,112</u> | <u>36,112</u> | <u>28,051</u> | <u>8,061</u> |
| Total Expenditures | <u>65,256</u> | <u>65,256</u> | <u>56,759</u> | <u>8,497</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 13,366 | 13,366 | 10,106 | (3,260) |
| Cash Balance Beginning of Year | <u>6,903</u> | <u>6,903</u> | <u>6,903</u> | <u>0</u> |
| Cash Balance End of Year | <u>\$ 20,269</u> | <u>\$ 20,269</u> | <u>\$ 17,009</u> | <u>\$ (3,260)</u> |
| Reconciliation of Budgetary Basis to GAAP Basis | | | | |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis | | | \$ 10,106 | |
| Depreciation | | | (7,336) | |
| Net change in Taxes Receivable | | | 12 | |
| Net change in Accounts Receivable | | | 369 | |
| Net change in Accounts Payable | | | (1,914) | |
| Change in Net Assets | | | <u>\$ 1,237</u> | |

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

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*

Mr. Hector H. Balderas
State Auditor of the State of New Mexico
Board Members of the Village of Melrose

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue fund, and the combining and individual funds presented as supplemental information of the Village of Melrose (Village), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 14, 2011. 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 the Village's internal control over financial reporting as a basis for designing the audit procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting; 11-1 and 11-2. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is describe in the accompanying schedule of findings and responses as item 11-1 and 11-2.

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

This report is intended solely for the information and use of management, the New Mexico State Legislature and its committees, the Office of the State Auditor, the New Mexico Department of Finance and Administration - Local Government and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

 De'Ann Willoughby CPA PC

November 14, 2011

Prior Year Audit Findings

NONE

Current Year Audit Findings

11-1 RHCA-Compliance and Internal Control-Significant Deficiency

Condition

PERA and RHCA wages were not the same. The Village was unable to provide an adequate reconciliation of total wages paid in fiscal year ended June 30, 2011 that was reported to PERA & RHCA. The Village was unable to determine the extent of the problem. It appears the Village under reported wages to RHCA in the amount of \$3,955.00.

Criteria

The Office of the State Auditor has added NMRHCA to their 2010 State Auditor Rule under State Compliance, Section 2.2.2.10 (G) (19). The rule states: "Retiree Health Care Authority Act (Section 10-7C-1 to 10-7C-19 NMSA 1978). Auditors should test to ensure 100% of payroll is reported to NMRHCA. RHCA employer and employee contributions are set forth in Section 10-7C-15 NMSA 1978. As of June 30, 2010 the contribution rates will increase. See applicable statute for more information."

Effect

The benefits owed to employees may be understated and the benefit plans could be under funded.

Cause

The clerk was unaware the PERA & RHCA wages should agree and that they did not.

Recommendation

We recommend that the Village properly report wages to the NMRHCA Board and implement procedures to ensure wages are properly reported and contributions are paid accurately and timely.

Response

We will implement procedures to correct this issue and assure this finding does not occur again.

11-2 Expenditures Over Budget-Compliance and Internal Control-Significant Deficiency

Condition

The Village incurred expenditures in excess of the approved budget in the following fund.

| <u>Fund</u> | <u>Approved Budget</u> | <u>Actual Expenditures</u> | <u>Amount over Expended</u> |
|--------------------------------|----------------------------|--------------------------------|---------------------------------|
| <u>Proprietary Fund</u> | | | |
| Water | \$ 92,189 | \$ 98,553 | (6,364) |

Criteria

Section 6-6-6, NMSA 1978, requires the Village to keep expenditures within budgeted amounts.

Cause

Purchases were approved in excess of available budget or budget adjustments were not approved to cover the expenditures approved.

Effect

State statute may have been violated subjecting those responsible to the penalty provisions of the statute.

Recommendation

The Village should consider preparing and reviewing budget to actual reports on a monthly basis.

Response

The Village will implement a system of controls to monitor budget to ensure budgets are not exceeded.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby, CPA. However, management is responsible for the contents of the Financial Statements.

Exit Conference

An exit conference was held on November 14, 2011. In attendance were Tuck Monk-Mayor, Cathy Christesson-Clerk and De'Aun Willoughby, CPA.