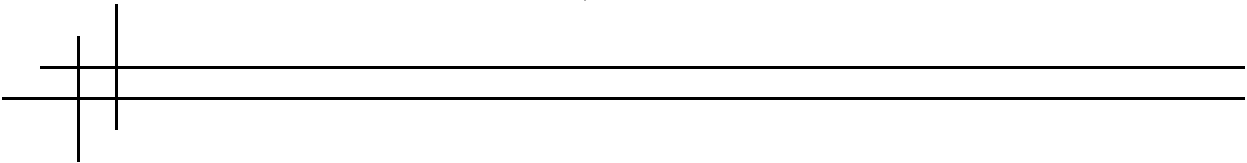


STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**

**ANNUAL FINANCIAL REPORT**  
June 30, 2013

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



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STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
Official Roster  
June 30, 2013

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**BOARD OF TRUSTEES**

Tuck N Monk	Mayor
Darrel Bostwick	Mayor-Pro Tem
Jewel Hill	Trustee
Bobbie Rogers	Trustee
Barry Green	Trustee

**ADMINISTRATIVE OFFICIAL**

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101  
(855) 253-4313

Independent Auditor's Report

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

Mr. Balderas and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Village of Melrose (Village), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental funds, and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village as of June 30, 2013, 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 accordance with accounting principles generally accepted in the United

### Other Matters

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

Our audit was conducted for the purpose of forming opinions on the Village's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedule required by 2.2.2.NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule required by 2.2.2 NMAC is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2013, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village's internal control over financial reporting and compliance.

*De'Ann Willoughby CPA PC*

Clovis, New Mexico  
November 19, 2013

## **FINANCIAL SECTION**

STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
Government-Wide Statement of Net Position  
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 1,053,262	\$ 343,535	\$ 1,396,797
Receivables			
Accounts	0	23,304	23,304
Taxes	14,885	1,246	16,131
Due from Grantor	2,352	0	2,352
Total Current Assets	<u>1,070,499</u>	<u>368,085</u>	<u>1,438,584</u>
Noncurrent Assets			
Restricted Cash	0	6,235	6,235
Capital Assets	8,196,756	3,393,924	11,590,680
Less: Accumulated Depreciation	<u>(2,567,314)</u>	<u>(894,875)</u>	<u>(3,462,189)</u>
Total Noncurrent Assets	<u>5,629,442</u>	<u>2,505,284</u>	<u>8,134,726</u>
<b>Total Assets</b>	<u>6,699,941</u>	<u>2,873,369</u>	<u>9,573,310</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	8,740	4,110	12,850
Compensated Absences	14,692	9,194	23,886
Current Portion of Long-Term Debt	37,070	0	37,070
Total Current Liabilities	<u>60,502</u>	<u>13,304</u>	<u>73,806</u>
Noncurrent Liabilities			
Customer Deposits	0	6,235	6,235
Bonds and Notes	390,119	0	390,119
Total Noncurrent Liabilities	<u>390,119</u>	<u>6,235</u>	<u>396,354</u>
<b>Total Liabilities</b>	<u>450,621</u>	<u>19,539</u>	<u>470,160</u>
<b>NET POSITION</b>			
Investment in Net Capital Assets	5,202,253	2,505,284	7,707,537
Restricted	218,902	0	218,902
Unrestricted	828,165	348,546	1,176,711
Total Net Position	<u>\$ 6,249,320</u>	<u>\$ 2,853,830</u>	<u>\$ 9,103,150</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, 2013

Functions/Programs	Expenses	Program Revenues			Net(Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General	\$ 105,847	\$ 799	\$ 114,195	\$ 0	\$ 9,147	\$ 0	\$ 9,147
Public Safety	273,584	45,760	189,857	0	(37,967)	0	(37,967)
Public Works	141,501	0	0	0	(141,501)	0	(141,501)
Culture & Recreation	140,275	24,079	54,072	0	(62,124)	0	(62,124)
Health & Welfare	864	0	0	0	(864)	0	(864)
Interest	9,078	0	0	0	(9,078)	0	(9,078)
Total Governmental Activities	<u>\$ 671,149</u>	<u>\$ 70,638</u>	<u>\$ 358,124</u>	<u>\$ 0</u>	<u>(242,387)</u>	<u>0</u>	<u>(242,387)</u>
<b>Business-type Activities</b>							
Water	\$ 144,523	\$ 127,298	\$ 0	\$ 0	0	(17,225)	(17,225)
Sewer	76,934	38,681	0	54,799	0	16,546	16,546
Solid Waste	71,598	79,886	0	0	0	8,288	8,288
Total Business-type Activities	<u>\$ 293,055</u>	<u>\$ 245,865</u>	<u>\$ 0</u>	<u>\$ 54,799</u>	<u>0</u>	<u>7,609</u>	<u>7,609</u>
<b>General Revenues</b>							
Gross Receipts Tax					210,607	22,259	232,866
Property Taxes					12,271	0	12,271
Gasoline Taxes					19,287	0	19,287
Other Taxes					4,172	0	4,172
Miscellaneous					33,818	0	33,818
Total General Revenues					<u>280,155</u>	<u>22,259</u>	<u>302,414</u>
Change in Net Position					37,768	29,868	67,636
Net Position - beginning					6,211,552	2,823,962	9,035,514
Net Position - ending					<u>\$ 6,249,320</u>	<u>\$ 2,853,830</u>	<u>\$ 9,103,150</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, 2013

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	<u>General</u>	<u>Special Revenue</u>	
		<u>Fire</u>	<u>Senior Citizens</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 831,994	\$ 93,111	\$ 12,481
Receivables			
Taxes	14,885	0	0
Due from Grantor	0	0	2,352
Total Assets	<u>\$ 846,879</u>	<u>\$ 93,111</u>	<u>\$ 14,833</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 4,022	\$ 2,433	\$ 1,663
Total Liabilities	<u>4,022</u>	<u>2,433</u>	<u>1,663</u>
Fund Balances			
Restricted, reported in			
Special Revenue Fund	0	90,678	13,170
Unassigned, reported in:			
General Fund	842,857	0	0
Total Fund Balances	<u>842,857</u>	<u>90,678</u>	<u>13,170</u>
Total Liabilities and Fund Balances	<u>\$ 846,879</u>	<u>\$ 93,111</u>	<u>\$ 14,833</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, 2013

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	Non-Major Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 115,676	\$ 1,053,262
Receivables		
Taxes	0	14,885
Due from Grantor	0	2,352
Total Assets	<u>\$ 115,676</u>	<u>\$ 1,070,499</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 622	\$ 8,740
Total Liabilities	<u>622</u>	<u>8,740</u>
 Fund Balances		
Restricted, reported in		
Special Revenue Fund	115,054	218,902
Unassigned, reported in:		
General Fund	0	842,857
Total Fund Balances	<u>115,054</u>	<u>1,061,759</u>
 Total Liabilities and Fund Balances	 <u>\$ 115,676</u>	 <u>\$ 1,070,499</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 Position  
 June 30, 2013

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Total Fund Balance - Governmental Funds \$ 1,061,759

Amounts reported for governmental activities in the Statement of Net Position  
 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	\$ 8,196,756	
Accumulated depreciation is	<u>(2,567,314)</u>	5,629,442

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	(427,189)	
Compensated Absences	<u>(14,692)</u>	<u>(441,881)</u>

Total Net Position - Governmental Activities \$ 6,249,320

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, 2013

	General	Special Revenue	
		Fire	Senior Citizens
<b>Taxes</b>			
Gross Receipts	\$ 210,607	\$ 0	\$ 0
Property	12,271	0	0
Gasoline	19,287	0	0
Franchise	2,757	0	0
Other	1,415	0	0
Charges for Services	0	0	17,111
License & Permits	799	0	0
Fees, Fines & Forfeitures	6,879	0	0
Federal Grants	0	0	22,217
State & Local Grants	114,195	154,688	31,855
Miscellaneous	6,762	189	25,712
<b>Total Revenues</b>	<b>374,972</b>	<b>154,877</b>	<b>96,895</b>
<b>Expenditures</b>			
Current			
General Government	104,348	0	0
Public Safety	51,924	61,275	0
Public Works	61,923	0	0
Culture and Recreation	18,483	0	93,021
Health & Welfare	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	32,019	0
Interest	0	9,078	0
<b>Total Expenditures</b>	<b>236,678</b>	<b>102,372</b>	<b>93,021</b>
Excess (Deficiency) of Revenues Over Expenditures	138,294	52,505	3,874
Fund Balances at Beginning of Year	704,563	38,173	9,296
Fund Balance End of Year	\$ 842,857	\$ 90,678	\$ 13,170

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, 2013

	Non-Major Governmental Funds	Total Governmental Funds
Taxes		
Gross Receipts	\$ 0	\$ 210,607
Property	0	12,271
Gasoline	0	19,287
Franchise	0	2,757
Other	0	1,415
Charges for Services	40,484	57,595
License & Permits	0	799
Fees, Fines & Forfeitures	5,365	12,244
Federal Grants	0	22,217
State & Local Grants	35,169	335,907
Miscellaneous	1,155	33,818
Total Revenues	<u>82,173</u>	<u>708,917</u>
Expenditures		
Current		
General Government	0	104,348
Public Safety	37,043	150,242
Public Works	0	61,923
Culture and Recreation	9,966	121,470
Health & Welfare	0	0
Capital Outlay	35,378	35,378
Debt Service	0	0
Principal	0	32,019
Interest	0	9,078
Total Expenditures	<u>82,387</u>	<u>514,458</u>
Excess (Deficiency) of Revenues Over Expenditures	(214)	194,459
Fund Balances at Beginning of Year	<u>115,268</u>	<u>867,300</u>
Fund Balance End of Year	<u>\$ 115,054</u>	<u>\$ 1,061,759</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, 2013

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Net Change in Fund Balance \$ 194,459

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

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 Position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Depreciation expense	\$ (221,008)	
Capital Outlays	<u>35,378</u>	(185,630)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 32,019

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, 2012	11,612	
Compensated Absences, June 30, 2013	<u>(14,692)</u>	<u>(3,080)</u>

Changes in Net Position of Governmental Activities \$ 37,768

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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Tax	\$ 11,581	\$ 12,507	\$ 12,507	\$ 0
Franchise Tax	4,300	4,300	3,013	(1,287)
Gross Receipt Tax	155,165	219,100	219,101	1
Gas Tax	17,500	20,125	19,166	(959)
MVD	0	3,500	1,359	(2,141)
Charges for Services	22,221	22,221	0	(22,221)
Licenses & Permits	1,250	1,250	799	(451)
Fines and Forfeitures	9,000	9,000	6,879	(2,121)
State & Local Grants	128,000	128,000	114,195	(13,805)
Miscellaneous	45,864	51,898	6,761	(45,137)
Total Revenues	<u>394,881</u>	<u>471,901</u>	<u>383,780</u>	<u>(88,121)</u>
Expenditures				
Executive				
Other	19,083	18,000	16,581	1,419
Total Executive	<u>19,083</u>	<u>18,000</u>	<u>16,581</u>	<u>1,419</u>
Judicial				
Other	13,122	13,122	11,112	2,010
Total Judicial	<u>13,122</u>	<u>13,122</u>	<u>11,112</u>	<u>2,010</u>
Financial				
Other	102,765	142,332	76,369	65,963
Total Financial	<u>102,765</u>	<u>142,332</u>	<u>76,369</u>	<u>65,963</u>
Public Safety				
Other	50,232	69,020	51,702	17,318
Total Public Safety	<u>50,232</u>	<u>69,020</u>	<u>51,702</u>	<u>17,318</u>
Highway & Streets				
Other	70,556	70,556	61,132	9,424
Total Highway & Streets	<u>70,556</u>	<u>70,556</u>	<u>61,132</u>	<u>9,424</u>
Health & Welfare				
Other	0	0	0	0
Total Health & Welfare	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Culture & Recreation				
Other	18,954	28,732	17,999	10,733
Total Culture & Recreation	<u>18,954</u>	<u>28,732</u>	<u>17,999</u>	<u>10,733</u>
Total Expenditures	\$ <u>274,712</u>	\$ <u>341,762</u>	\$ <u>234,895</u>	\$ <u>106,867</u>

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over Expenditures	\$ 120,169	\$ 130,139	\$ 148,885	\$ 18,746
Cash Balance Beginning of Year	<u>683,109</u>	<u>683,109</u>	<u>683,109</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 803,278</u>	<u>\$ 813,248</u>	<u>\$ 831,994</u>	<u>\$ 18,746</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 148,885	
Net change in Taxes Receivable			(8,809)	
Net change in Accounts Payable			<u>(1,782)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 138,294</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 154,688	\$ 154,688	\$ 154,688	\$ 0
Miscellaneous	25,225	54,673	189	(54,484)
Total Revenues	<u>179,913</u>	<u>209,361</u>	<u>154,877</u>	<u>(54,484)</u>
<b>Expenditures</b>				
Public Safety				
Other	111,220	153,074	59,812	93,262
Capital Outlay	1,614	1,614	0	1,614
Debt Service				
Principal	54,673	54,673	32,019	22,654
Interest	9,078	9,078	9,078	0
Total Expenditures	<u>176,585</u>	<u>218,439</u>	<u>100,909</u>	<u>117,530</u>
Excess (Deficiency) of Revenues Over Expenditures	3,328	(9,078)	53,968	63,046
Cash Balance Beginning of Year	<u>39,143</u>	<u>39,143</u>	<u>39,143</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 42,471</u>	<u>\$ 30,065</u>	<u>\$ 93,111</u>	<u>\$ 63,046</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 53,968	
Net change in Accounts Payable			<u>(1,463)</u>	
Net Change in Fund Balance			<u>\$ 52,505</u>	

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

STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
SPECIAL REVENUE FUND-SENIOR CITIZENS  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Sales and Service	12,100	17,209	17,111	(98)
State Grant	\$ 40,000	\$ 32,000	\$ 31,399	\$ (601)
Federal Grant	25,900	25,900	23,277	(2,623)
Miscellaneous	10,123	68,442	25,712	(42,730)
Total Revenues	<u>88,123</u>	<u>143,551</u>	<u>97,499</u>	<u>(46,052)</u>
<b>Expenditures</b>				
Culture and Recreation				
Personnel Services	61,711	60,655	52,280	8,375
Other	34,607	83,620	40,933	42,687
Total Expenditures	<u>96,318</u>	<u>144,275</u>	<u>93,213</u>	<u>42,687</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,195)	(724)	4,286	5,010
Cash Balance Beginning of Year	<u>8,195</u>	<u>8,195</u>	<u>8,195</u>	<u>0</u>
Cash Balance End of Year	\$ <u>0</u>	\$ <u>7,471</u>	\$ <u>12,481</u>	\$ <u>5,010</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 4,286	
Net change in Due from Grantor			(604)	
Net change in Accounts Payable			192	
Net Change in Fund Balance			<u>\$ 3,874</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 Position  
 June 30, 2013

ASSETS	Water	Sewer	Solid Waste	Total
Current Assets				
Cash and Cash Equivalents	\$ 236,516	\$ 47,307	\$ 59,712	\$ 343,535
Receivables (net of allowance for uncollectible accounts)				
Accounts	14,555	3,362	5,387	23,304
Taxes	977	0	269	1,246
Total Current Assets	<u>252,048</u>	<u>50,669</u>	<u>65,368</u>	<u>368,085</u>
Noncurrent Assets				
Restricted Assets	6,235	0	0	6,235
Capital Assets	1,359,915	1,918,049	115,960	3,393,924
Less: Accumulated Depreciation	<u>(315,764)</u>	<u>(519,376)</u>	<u>(59,735)</u>	<u>(894,875)</u>
Total Noncurrent Assets	<u>1,050,386</u>	<u>1,398,673</u>	<u>56,225</u>	<u>2,505,284</u>
Total Assets	<u>1,302,434</u>	<u>1,449,342</u>	<u>121,593</u>	<u>2,873,369</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	3,461	124	525	4,110
Compensated Absences	<u>4,698</u>	<u>0</u>	<u>4,496</u>	<u>9,194</u>
Total Current Liabilities	<u>8,159</u>	<u>124</u>	<u>5,021</u>	<u>13,304</u>
Noncurrent Liabilities				
Customer Deposits	<u>6,235</u>	<u>0</u>	<u>0</u>	<u>6,235</u>
Total Noncurrent Liabilities	<u>6,235</u>	<u>0</u>	<u>0</u>	<u>6,235</u>
Total Liabilities	<u>14,394</u>	<u>124</u>	<u>5,021</u>	<u>19,539</u>
NET POSITION				
Investment in Net Capital Assets	1,044,151	1,398,673	56,225	2,499,049
Unrestricted	<u>243,889</u>	<u>50,545</u>	<u>60,347</u>	<u>354,781</u>
Total Net Position	<u>\$ 1,288,040</u>	<u>\$ 1,449,218</u>	<u>\$ 116,572</u>	<u>\$ 2,853,830</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 Position  
 For the Year Ended June 30, 2013

	Water	Sewer	Solid Waste	Total
Operating Revenues				
Sales & Service	\$ 127,298	\$ 38,681	\$ 79,886	\$ 245,865
Total Operating Revenues	<u>127,298</u>	<u>38,681</u>	<u>79,886</u>	<u>245,865</u>
Operating Expenses				
Operating Expenses	109,863	45,178	64,262	219,303
Depreciation	27,225	31,756	7,336	66,317
Bad Debts	3,727	0	0	3,727
Total Operating Expenses	<u>140,815</u>	<u>76,934</u>	<u>71,598</u>	<u>289,347</u>
Operating Income (Loss)	<u>(13,517)</u>	<u>(38,253)</u>	<u>8,288</u>	<u>(43,482)</u>
Nonoperating Revenue (Expenses)				
State Grant	38,714	0	0	38,714
Federal Grant	16,085	0	0	16,085
Infrastructure & Environments Tax	17,565	0	4,694	22,259
Interest Expense	<u>(3,708)</u>	<u>0</u>	<u>0</u>	<u>(3,708)</u>
Total Nonoperating Revenue (Expense)	<u>68,656</u>	<u>0</u>	<u>4,694</u>	<u>73,350</u>
Change in Net Position	55,139	(38,253)	12,982	29,868
Total Net Position - Beginning	<u>1,232,901</u>	<u>1,487,471</u>	<u>103,590</u>	<u>2,823,962</u>
Total Net Position - Ending	<u>\$ 1,288,040</u>	<u>\$ 1,449,218</u>	<u>\$ 116,572</u>	<u>\$ 2,853,830</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, 2013

	<u>Water</u>	<u>Sewer</u>
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 147,340	\$ 38,570
Cash Paid to Suppliers and Employees	(127,763)	(45,173)
Net Cash Provided by Operating Activities	<u>19,577</u>	<u>(6,603)</u>
Cash Flows from Noncapital Financing Activities		
Infrastructure & Environments Tax	17,565	0
Net Cash Provided by Noncapital Financing Activities	<u>17,565</u>	<u>0</u>
Cash Flows from Capital & Related Financing Activities		
State Grant	38,713	0
Federal Grant	16,085	0
Purchase of Capital Assets	(40,861)	0
Principal Paid	(132,000)	0
Interest Paid	(3,708)	0
Net Cash Provided by Capital & Related Financing Activities	<u>(121,771)</u>	<u>0</u>
Net Increase (Decrease) in Cash	(84,629)	(6,603)
Cash, Beginning of Year	<u>327,380</u>	<u>53,910</u>
Cash, End of Year	<u>\$ 242,751</u>	<u>\$ 47,307</u>
Reconciliation of Cash		
Cash and Cash Equivalents	\$ 236,516	47,307
Restricted Assets	6,235	0
	<u>\$ 242,751</u>	<u>\$ 47,307</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (13,517)	\$ (38,253)
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities		
Depreciation	27,225	31,756
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	6,127	(111)
(Increase) Decrease in Taxes Receivable	(23)	0
Increase (Decrease) in Accounts Payable	2,071	5
Increase (Decrease) in Accrued Interest	(3,300)	0
Increase (Decrease) in Compensated Absences	894	0
Increase (Decrease) in Customer Deposits	100	0
Net Cash Provided by Operating Activities	<u>\$ 19,577</u>	<u>\$ (6,603)</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, 2013

	Solid Waste	Total
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 79,446	\$ 265,356
Cash Paid to Suppliers and Employees	(64,451)	(237,387)
Net Cash Provided by Operating Activities	<u>14,995</u>	<u>27,969</u>
Cash Flows from Noncapital Financing Activities		
Infrastructure & Environments Tax	4,694	22,259
Net Cash Provided by Noncapital Financing Activities	<u>4,694</u>	<u>22,259</u>
Cash Flows from Capital & Related Financing Activities		
State Grant	0	38,713
Federal Grant	0	16,085
Purchase of Capital Assets	0	(40,861)
Principal Paid	0	(132,000)
Interest Paid	0	(3,708)
Net Cash Provided by Capital & Related Financing Activities	<u>0</u>	<u>(121,771)</u>
Net Increase (Decrease) in Cash	19,689	(71,543)
Cash, Beginning of Year	<u>40,023</u>	<u>421,313</u>
Cash, End of Year	<u>\$ 59,712</u>	<u>\$ 349,770</u>
Reconciliation of Cash		
Cash and Cash Equivalents	59,712	343,535
Restricted Assets	0	6,235
	<u>\$ 59,712</u>	<u>\$ 349,770</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 8,288	\$ (43,482)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	7,336	66,317
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	(440)	5,576
(Increase) Decrease in Taxes Receivable	164	141
Increase (Decrease) in Accounts Payable	(1,001)	1,075
Increase (Decrease) in Accrued Interest	0	(3,300)
Increase (Decrease) in Compensated Absences	648	1,542
Increase (Decrease) in Customer Deposits	0	100
Net Cash Provided by Operating Activities	<u>\$ 14,995</u>	<u>\$ 27,969</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. 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 Position and the Statement of Changes in Net Position) 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 Position 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, LEPF 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, 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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. 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.

**Senior Citizens Fund** - To account for the operations of the Senior Citizens. Funding is provided by sales of meals, state and federal grants. Fund was created by village ordinance.

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 position 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 Position 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 Position 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 Position

Net Position represent the difference between assets and liabilities. Net position 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 positions are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments.

Restricted Net Position

For the Government-wide Statement of Net Position, net positions are reported as restricted when constraints placed on net positions 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 positions 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).

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.

STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
Notes to the Financial Statements  
June 30, 2013

**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>Name of Account</u>	Balance Per Bank 6/30/13	Reconciled Balance	<u>Type</u>
Village of Melrose	\$ 1,273,794	\$ 1,250,310	Checking Non-Interesting
Village of Melrose	987	987	Savings- Interest
Water Savings #2	57,725	57,725	Savings- Interest
Sewer Savings	3,085	3,085	Savings- Interest
Fire Department	24,752	24,752	Savings- Interest
Cemetery Trust	1,001	1,001	Savings- Interest
CDBG	100	100	Checking Non-Interesting
General Fund-CD	42,492	42,492	Savings- Interest
Cemetery Fund-CD	9,175	9,175	Savings- Interest
Sewer Fund-CD	9,405	9,405	Savings- Interest
Water Meter Deposit-CD	4,000	4,000	Savings- Interest
TOTAL Deposited	<u>1,426,516</u>	<u>\$ 1,403,032</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	1,176,516		
50% collateral requirement	588,258		
Pledged securities	<u>1,319,368</u>		
Over (Under) requirement	<u>\$ 731,110</u>		

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

The following securities are pledged at **American Heritage Bank:**

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
Denton TX	248866QK4	\$ 504,170	02/15/2030	FHLB-Dallas, TX
Pflugerville TX	717095Z71	815,198	02/15/2026	FHLB-Dallas, TX
		<u>1,319,368</u>		

**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in Village's name	1,176,516
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 1,426,516</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of the end of the fiscal year none of the Village's bank balance was exposed to custodial credit risk.

STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
Notes to the Financial Statements  
June 30, 2013

**NOTE E: CAPITAL ASSETS**

Capital Assets Balances and Activity for the Year Ended June 30, 2013, is as follows:

	Beginning Balance 6/30/12	Increases	Decreases	Ending Balance 6/30/13
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated				
Land	\$ 0	\$ 0	\$ 0	\$ 0
Construction in Progress	0	0	0	0
Total Capital Assets, not being Depreciated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital Assets, being Depreciated				
Infrastructure	5,339,918	0	0	5,339,918
Buildings & Improvements	929,212	0	0	929,212
Equipment	1,892,248	35,378	0	1,927,626
	<u>8,161,378</u>	<u>35,378</u>	<u>0</u>	<u>8,196,756</u>
Total Capital Assets	<u>8,161,378</u>	<u>35,378</u>	<u>0</u>	<u>8,196,756</u>
<b>Less Accumulated Depreciation</b>				
Buildings & Improvements	1,186,685	72,239	0	1,258,924
Infrastructure	527,518	22,863	0	550,381
Equipment	632,103	125,906	0	758,009
Total Accumulated Depreciation	<u>2,346,306</u>	<u>221,008</u>	<u>0</u>	<u>2,567,314</u>
Capital Assets, net	<u>\$ 5,815,072</u>	<u>\$ (185,630)</u>	<u>\$ 0</u>	<u>\$ 5,629,442</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 250
Public Safety	123,342
Public Works	77,747
Health & Welfare	864
Culture & Recreation	18,805
Total depreciation expenses	<u>\$ 221,008</u>

	Beginning Balance 6/30/12	Increases	Decreases	Ending Balance 6/30/13
<b>Business-Type Activities</b>				
<b>Water</b>				
Water System	\$ 1,300,061	\$ 40,861	\$ 0	\$ 1,340,922
Equipment	18,993	0	0	18,993
Total Capital Assets at Historical Cost	<u>\$ 1,300,061</u>	<u>\$ 40,861</u>	<u>\$ 0</u>	<u>\$ 1,359,915</u>



STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
Notes to the Financial Statements  
June 30, 2013

**Less Accumulated Depreciation**

Water System	\$ 279,023	\$ 27,225	\$ 0	\$ 306,248
Equipment	9,516		0	9,516
Total Accumulated Depreciation	<u>288,539</u>	<u>27,225</u>	<u>0</u>	<u>315,764</u>

Capital Assets, net	\$ <u>1,011,522</u>	\$ <u>13,636</u>	\$ <u>0</u>	\$ <u>1,044,151</u>
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	Beginning Balance 6/30/12	Increases	Decreases	Ending Balance 6/30/13
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**Sewer**

Other Capital Assets

Sewer System	\$ 1,862,518	\$ 0	\$ 0	\$ 1,862,518
Equipment	55,531	0	0	55,531
Total Capital Assets at Historical Cost	<u>1,918,049</u>	<u>0</u>	<u>0</u>	<u>1,918,049</u>

**Less Accumulated Depreciation**

Sewer System	476,306	31,756	0	508,062
Equipment	11,314	0	0	11,314
Total Accumulated Depreciation	<u>487,620</u>	<u>31,756</u>	<u>0</u>	<u>519,376</u>

Capital Assets, net	\$ <u>1,430,429</u>	\$ <u>(31,756)</u>	\$ <u>0</u>	\$ <u>1,398,673</u>
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	Beginning Balance 6/30/12	Increases	Decreases	Ending Balance 6/30/13
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**Solid Waste**

Other Capital Assets

Equipment	\$ 115,960	\$ 0	\$ 0	\$ 115,960
Total Capital Assets at Historical Cost	<u>115,960</u>	<u>0</u>	<u>0</u>	<u>115,960</u>

**Less Accumulated Depreciation**

Equipment	52,399	7,336	0	59,735
Total Accumulated Depreciation	<u>52,399</u>	<u>7,336</u>	<u>0</u>	<u>59,735</u>

Capital Assets, net	\$ <u>63,561</u>	\$ <u>(7,336)</u>	\$ <u>0</u>	\$ <u>56,225</u>
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STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
Notes to the Financial Statements  
June 30, 2013

**NOTE F: LONG TERM DEBT**

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

**Governmental Activities**

	Beginning Balance 6/30/12	Additions	Reductions	Ending Balance 6/30/13	Amounts Due Within One Year
Notes Payable					
Fire Truck	\$ 286,658	\$ 0	\$ 32,019	\$ 254,639	\$ 32,865
Fire Truck	172,550	0	0	172,550	4,205
	<u>459,208</u>	<u>0</u>	<u>32,019</u>	<u>427,189</u>	<u>37,070</u>
Other Liabilities					
Compensated Absences	11,613	5,469	2,390	14,692	14,692
Long-Term Liabilities	\$ <u>470,821</u>	<u>5,469</u>	<u>34,409</u>	<u>441,881</u>	<u>\$ 51,762</u>

The compensated absences will be liquidated by the General Fund.

The annual requirements to amortize the above loans as of June 30, 2013, including interest payments are as follows:

	Principal	Interest	Total
2014	\$ 37,070	\$ 12,824	\$ 49,894
2015	38,099	10,321	48,420
2016	39,283	9,171	48,454
2017	40,594	7,895	48,489
2018	42,017	6,507	48,524
2019-2023	230,126	10,673	240,799
	<u>\$ 427,189</u>	<u>\$ 57,391</u>	<u>\$ 484,580</u>

**Business-Type Activities**

	Beginning Balance 6/30/12	Additions	Reductions	Ending Balance 6/30/13	Amounts Due Within One Year
Bonds Payable					
USDA Revenue	132,000	\$ 0	\$ 132,000	\$ 0	\$ 0
	<u>\$ 132,000</u>	<u>\$ 0</u>	<u>\$ 132,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Liabilities					
Compensated Absences	7,651	3,837	2,294	9,194	9,194
Long-Term Liabilities	\$ <u>139,651</u>	<u>3,837</u>	<u>134,294</u>	<u>9,194</u>	<u>\$ 9,194</u>

The compensated absences will be liquidated by the Water Fund.

**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 municipality'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 administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

**Funding Policy.** Plan members are required to contribute 7% of their gross salary. The municipality is required to contribute 7% of the gross covered salary. The contribution requirements of the plan members and the municipality are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The municipality's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$7,510, \$7,106, and \$7,036, respectively, which equal the amount of the required for each fiscal year.

**NOTE I: POST-EMPLOYMENT BENEFITS**

**Plan Description**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA 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.

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

#### **Funding Policy**

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan 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](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Village's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$2,146, \$1,862 and \$1,609 respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
Notes to the Financial Statements  
June 30, 2013

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**NOTE J: RECEIVABLES**

Receivables as of June 30, 2013, were as follows:

	General	Senior Citizens	Utilities
Gross Receipts Taxes	\$ 12,097	\$ 0	\$ 1,246
Property Taxes	119	0	0
Gasoline Taxes	1,270	0	0
Other Taxes	1,399	0	0
Accounts Receivables	0	0	23,304
Due from Grantor	0	2,352	0
	<u>\$ 14,885</u>	<u>2,352</u>	<u>\$ 24,550</u>

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

**NOTE K: 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 L: 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.

**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 Compilation.

**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. The fund was created by village ordinance.

**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, 2013

	Special Revenue Funds		
	EMS Fund	Law Enforcement	Correction Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 81,116	\$ 0	\$ 6,849
Total Assets	<u>\$ 81,116</u>	<u>\$ 0</u>	<u>\$ 6,849</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 554	\$ 0	\$ 0
Total Liabilities	<u>554</u>	<u>0</u>	<u>0</u>
Fund Balance			
Restricted, reported in Special Revenue Fund	<u>80,562</u>	<u>0</u>	<u>6,849</u>
Total Fund Balance	<u>80,562</u>	<u>0</u>	<u>6,849</u>
Total Liabilities and Fund Balance	<u>\$ 81,116</u>	<u>\$ 0</u>	<u>\$ 6,849</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, 2013

	<u>Special Revenue Funds</u>		
	<u>Cemetery Fund</u>	<u>Recreation Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 22,573	\$ 5,138	\$ 115,676
Total Assets	<u>\$ 22,573</u>	<u>\$ 5,138</u>	<u>\$ 115,676</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 50	\$ 18	\$ 622
Total Liabilities	<u>50</u>	<u>18</u>	<u>622</u>
Fund Balance			
Restricted, reported in Special Revenue Fund	<u>22,523</u>	<u>5,120</u>	<u>115,054</u>
Total Fund Balance	<u>22,523</u>	<u>5,120</u>	<u>115,054</u>
Total Liabilities and Fund Balance	<u>\$ 22,573</u>	<u>\$ 5,138</u>	<u>\$ 115,676</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, 2013

	Special Revenue Funds		
	EMS Fund	Law Enforcement	Correction Fund
<b>Revenues</b>			
Fees, Fines & Forfeitures	\$ 0	\$ 0	\$ 5,365
Charges for Services	33,516	0	0
State Grant	15,169	20,000	0
Miscellaneous	239	0	0
<b>Total Revenues</b>	<u>48,924</u>	<u>20,000</u>	<u>5,365</u>
<b>Expenditures</b>			
<b>Current</b>			
Public Safety	23,378	8,000	5,665
Cultural & Recreation	0	0	0
Capital Outlay	11,378	24,000	0
<b>Total Expenditures</b>	<u>34,756</u>	<u>32,000</u>	<u>5,665</u>
Excess (Deficiency) of Revenues Over Expenditures	14,168	(12,000)	(300)
Fund Balance at Beginning of Year	<u>66,394</u>	<u>12,000</u>	<u>7,149</u>
Fund Balance End of Year	<u>\$ 80,562</u>	<u>\$ 0</u>	<u>\$ 6,849</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, 2013

	<u>Special Revenue Funds</u>		
	<u>Cemetery Fund</u>	<u>Recreation Fund</u>	<u>Total</u>
Revenues			
Fees, Fines & Forfeitures	\$ 0	\$ 0	\$ 5,365
Charges for Services	6,968	0	40,484
State Grant	0	0	35,169
Miscellaneous	916	0	1,155
Total Revenues	<u>7,884</u>	<u>0</u>	<u>82,173</u>
Expenditures			
Current			
Public Safety	0	0	37,043
Cultural & Recreation	9,739	227	9,966
Capital Outlay	0	0	35,378
Total Expenditures	<u>9,739</u>	<u>227</u>	<u>82,387</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,855)	(227)	(214)
Fund Balance at Beginning of Year	<u>24,378</u>	<u>5,347</u>	<u>115,268</u>
Fund Balance End of Year	<u>\$ 22,523</u>	<u>\$ 5,120</u>	<u>\$ 115,054</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 7,169	\$ 15,169	\$ 15,169	\$ 0
Charges for Services	33,517	33,517	33,516	(1)
Miscellaneous	10,995	239	239	0
Total Revenues	<u>51,681</u>	<u>48,925</u>	<u>48,924</u>	<u>(1)</u>
Expenditures				
Public Safety				
Other	20,230	24,515	23,824	691
Capital Outlay	1,500	13,000	11,378	1,622
Total Expenditures	<u>21,730</u>	<u>37,515</u>	<u>35,202</u>	<u>2,313</u>
Excess (Deficiency) of Revenues Over Expenditures	29,951	11,410	13,722	2,312
Cash Balance Beginning of Year	<u>67,394</u>	<u>67,394</u>	<u>67,394</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 97,345</u>	<u>\$ 78,804</u>	<u>\$ 81,116</u>	<u>\$ 2,312</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 13,722	
Net change in Accounts Payable			446	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 14,168</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, 2013

	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				
Other	2,802	2,802	8,000	(5,198)
Capital Outlay	<u>29,198</u>	<u>29,198</u>	<u>24,000</u>	<u>5,198</u>
Total Expenditures	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(12,000)	(12,000)	(12,000)	0
Cash Balance Beginning of Year	<u>12,000</u>	<u>12,000</u>	<u>12,000</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			\$ <u>(12,000)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(12,000)</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Correction Fees	\$ 6,725	\$ 6,725	\$ 5,365	\$ (1,360)
Total Revenues	<u>6,725</u>	<u>6,725</u>	<u>5,365</u>	<u>(1,360)</u>
Expenditures				
Public Safety				
Other	<u>7,225</u>	<u>7,225</u>	<u>5,665</u>	<u>1,560</u>
Total Expenditures	<u>7,225</u>	<u>7,225</u>	<u>5,665</u>	<u>1,560</u>
Excess (Deficiency) of Revenues Over Expenditures	(500)	(500)	(300)	200
Cash Balance Beginning of Year	<u>7,149</u>	<u>7,149</u>	<u>7,149</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 6,649</u>	<u>\$ 6,649</u>	<u>\$ 6,849</u>	<u>\$ 200</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>(300)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(300)</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charges for Services	\$ 9,870	\$ 9,870	\$ 7,884	\$ (1,986)
Total Revenues	<u>9,870</u>	<u>9,870</u>	<u>7,884</u>	<u>(1,986)</u>
Expenditures				
Cultural & Recreation				
Other	10,897	10,814	9,739	1,075
Total Expenditures	<u>10,897</u>	<u>10,814</u>	<u>9,739</u>	<u>1,075</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,027)	(944)	(1,855)	(911)
Cash Balance Beginning of Year	<u>24,428</u>	<u>24,428</u>	<u>24,428</u>	<u>0</u>
Cash Balance End of Year	\$ <u>23,401</u>	\$ <u>23,484</u>	\$ <u>22,573</u>	\$ <u>(911)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,855)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(1,855)</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Cigarette Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>				
Culture & Recreation				
Other	<u>300</u>	<u>300</u>	<u>227</u>	<u>73</u>
Total Expenditures	<u>300</u>	<u>300</u>	<u>227</u>	<u>73</u>
Excess (Deficiency) of Revenues Over Expenditures	(300)	(300)	(227)	73
Cash Balance Beginning of Year	<u>5,365</u>	<u>5,365</u>	<u>5,365</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 5,065</u>	<u>\$ 5,065</u>	<u>\$ 5,138</u>	<u>\$ 73</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (227)	
Net change in Accounts Payable			<u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (227)</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Service	\$ 125,804	\$ 125,804	\$ 125,912	\$ 108
Gross Receipts Tax	17,543	17,543	17,542	(1)
State Grant	38,714	38,714	38,713	(1)
Federal Grant	0	0	16,085	16,085
Miscellaneous	9,300	19,314	3,886	(15,428)
Total Revenues	<u>191,361</u>	<u>201,375</u>	<u>202,138</u>	<u>763</u>
Expenditures				
Operating Expenses	100,369	119,824	106,898	12,926
Capital Outlay	0	40,862	40,861	1
Debt Service				
Principal	16,000	132,000	132,000	0
Interest	7,000	7,008	7,008	0
Total Expenditures	<u>123,369</u>	<u>299,694</u>	<u>286,767</u>	<u>12,927</u>
Excess (Deficiency) of Revenues Over Expenditures	67,992	(98,319)	(84,629)	13,690
Cash Balance Beginning of Year	<u>327,380</u>	<u>327,380</u>	<u>327,380</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 395,372</u>	<u>\$ 229,061</u>	<u>\$ 242,751</u>	<u>\$ 13,690</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (84,629)	
Depreciation			(27,225)	
Capital Outlay			40,861	
Principal			132,000	
Net change in Accounts Receivable			(6,127)	
Net change in Taxes Receivable			23	
Net change in Accounts Payable			(2,071)	
Net change in Accrued Interest			3,300	
Net change in Compensated Absences			(893)	
Net change in Customer Deposits			(100)	
Change in Net Position			<u>\$ 55,139</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Service	\$ 38,580	\$ 38,580	\$ 38,570	\$ (10)
Total Revenues	<u>38,580</u>	<u>38,580</u>	<u>38,570</u>	<u>(10)</u>
Expenditures				
Operating Expenses	<u>51,448</u>	<u>51,448</u>	<u>45,173</u>	<u>6,275</u>
Total Expenditures	<u>51,448</u>	<u>51,448</u>	<u>45,173</u>	<u>6,275</u>
Excess (Deficiency) of Revenues Over Expenditures	(12,868)	(12,868)	(6,603)	6,265
Cash Balance Beginning of Year	<u>53,910</u>	<u>53,910</u>	<u>53,910</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 41,042</u>	<u>\$ 41,042</u>	<u>\$ 47,307</u>	<u>\$ 6,265</u>
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (6,603)	
Depreciation			(31,756)	
Net change in Accounts Receivable			111	
Net change in Accounts Payable			<u>(5)</u>	
Change in Net Position			<u>\$ (38,253)</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Service	\$ 67,750	\$ 79,446	\$ 79,446	\$ 0
Environmental Gross Receipts Tax	4,100	4,859	4,858	(1)
Total Revenues	<u>71,850</u>	<u>84,305</u>	<u>84,304</u>	<u>(1)</u>
Expenditures				
Operating Expenses	65,714	65,529	59,753	5,776
Capital Outlay	4,862	4,862	4,862	0
Total Expenditures	<u>70,576</u>	<u>70,391</u>	<u>64,615</u>	<u>5,776</u>
Excess (Deficiency) of Revenues Over Expenditures	1,274	13,914	19,689	5,775
Cash Balance Beginning of Year	<u>40,023</u>	<u>40,023</u>	<u>40,023</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 41,297</u>	<u>\$ 53,937</u>	<u>\$ 59,712</u>	<u>\$ 5,775</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 19,689	
Depreciation			(7,336)	
Net change in Taxes Receivable			(165)	
Net change in Accounts Receivable			440	
Net change in Accounts Payable			1,002	
Net change in Compensated Absences			(648)	
Change in Net Position			<u>\$ 12,982</u>	

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 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*

Independent Auditor's Report

Mr. Hector 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Village of Melrose (Village) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village, presented as supplemental information, and have issued our report thereon dated November 19, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 12-1, 13-1

#### Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses; 12-1, 13-1.

#### The Village's Responses to Findings

The Village's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. The Village's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

#### Purpose of this Report

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

 De'Ann Willoughby CPA PC

Clovis, New Mexico

November 19, 2013

<b>Prior Year Audit Findings</b>	<u>Status</u>
12-1 Stale Checks	Repeated
12-2 Payroll Procedures	Resolved

**Current Year Audit Findings**

**12-1 Stale Checks-Compliance and Internal Control-Significant Deficiency**

**Condition**

During our field work we noticed that the Municipality is not in accordance with Section 6-10-57(A) NMSA 1978. The Municipality has not canceled the 5 checks totaling \$458.49, that have not been cashed within a year of issue. The same checks that were over a year old last year are still on the O/S check list this year.

**Criteria**

In accordance with 6.20.2.14 whenever any check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57(A), NMSA 1978.

**Cause**

The old checks were overlooked by the clerk.

**Effect**

It is a violation of 6.20.2.14. There may be an opportunity to misappropriate cash with the non-canceled checks.

**Recommendation**

All checks older than a year should be canceled in accordance with Section 6-10-57(A), NMSA 1978.

**Response**

We will cancel the old checks in accordance with Section 6-10-57(A), NMSA 1978.

**13-1 Pledged Securities - Compliance and Internal Control-Significant Deficiency**

**Condition**

American Heritage Bank has pledged \$1,319,368 in Texas securities to secure public funds. Only US obligations and New Mexico securities are appropriate.

**Criteria**

According to the Section 6-10-16 NMSA, only US obligations and NM securities may be used to secure public funds.

**Cause**

Management was not aware of this rule.

**Effect**

A compliance finding results when inappropriate securities are pledged.

**Recommendation**

Management should request securities from American Heritage Bank which comply with Section 6-10-16 NMSA. If appropriate securities are not pledged within ten days of the request, management should withdraw funds from the institution.

**Response**

We will request the bank replace existing Texas securities with US obligations or NM securities.

**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 19, 2013. In attendance were Tuck Monk-Mayor, Jewel Hill-Trustee, Cathy Christesson-Clerk and De'Aun Willoughby, CPA.