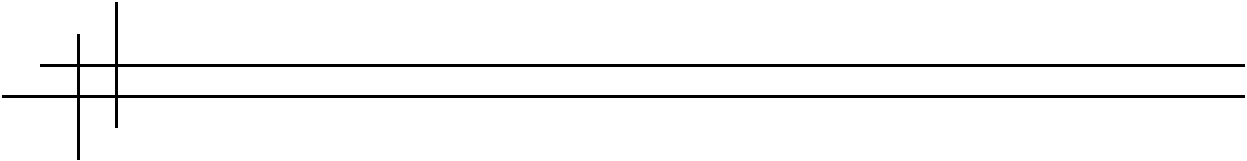


STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**

**ANNUAL FINANCIAL REPORT**  
June 30, 2014

**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, 2014

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**BOARD OF TRUSTEES**

Tuck N. Monk	Mayor
Barry Green	Mayor-Pro Tem
Bobbie Rogers	Trustee
H. P. Cargile	Trustee
Ronald Moore	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, 2014, 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, 2014, 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, 2014, 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, 2014, 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 States of America.

### 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 September 29, 2014, 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  
September 29, 2014

**FINANCIAL SECTION**

STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
 Government-Wide Statement of Net Position  
 June 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 1,229,579	\$ 300,409	\$ 1,529,988
Receivables			
Accounts	0	22,447	22,447
Taxes	18,061	1,516	19,577
Total Current Assets	<u>1,247,640</u>	<u>324,372</u>	<u>1,572,012</u>
Noncurrent Assets			
Restricted Cash	0	6,135	6,135
Capital Assets	8,233,438	3,913,182	12,146,620
Less: Accumulated Depreciation	<u>(2,785,885)</u>	<u>(971,282)</u>	<u>(3,757,167)</u>
Total Noncurrent Assets	<u>5,447,553</u>	<u>2,948,035</u>	<u>8,395,588</u>
<b>Total Assets</b>	<u>6,695,193</u>	<u>3,272,407</u>	<u>9,967,600</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	11,786	2,153	13,939
Compensated Absences	16,487	5,416	21,903
Current Portion of Long-Term Debt	38,099	0	38,099
Total Current Liabilities	<u>66,372</u>	<u>7,569</u>	<u>73,941</u>
Noncurrent Liabilities			
Customer Deposits	0	6,135	6,135
Bonds and Notes	350,401	0	350,401
Total Noncurrent Liabilities	<u>350,401</u>	<u>6,135</u>	<u>356,536</u>
<b>Total Liabilities</b>	<u>416,773</u>	<u>13,704</u>	<u>430,477</u>
<b>NET POSITION</b>			
Investment in Net Capital Assets	5,059,053	2,948,035	8,007,088
Restricted	336,679	0	336,679
Unrestricted	882,688	310,668	1,193,356
Total Net Position	<u>\$ 6,278,420</u>	<u>\$ 3,258,703</u>	<u>\$ 9,537,123</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, 2014

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	\$ 116,939	\$ 12,050	\$ 101,908	\$ 0	\$ (2,981)	\$ 0	(2,981)
Public Safety	272,396	48,576	254,254	0	30,434	0	30,434
Public Works	157,902	0	0	25,000	(132,902)	0	(132,902)
Culture & Recreation	158,257	18,830	61,904	0	(77,523)	0	(77,523)
Health & Welfare	864	0	0	0	(864)	0	(864)
Interest Expense	9,916	0	0	0	(9,916)	0	(9,916)
Total Governmental Activities	<u>\$ 716,274</u>	<u>\$ 79,456</u>	<u>\$ 418,066</u>	<u>\$ 25,000</u>	<u>(193,752)</u>	<u>0</u>	<u>(193,752)</u>
<b>Business-type Activities</b>							
Water	\$ 149,833	\$ 117,935	\$ 0	\$ 0	0	(31,898)	(31,898)
Sewer	55,414	40,179	0	458,668	0	443,433	443,433
Solid Waste	86,066	71,690	0	0	0	(14,376)	(14,376)
Total Business-type Activities	<u>\$ 291,313</u>	<u>\$ 229,804</u>	<u>\$ 0</u>	<u>\$ 458,668</u>	<u>0</u>	<u>397,159</u>	<u>397,159</u>
<b>General Revenues</b>							
Gross Receipts Tax					161,067	7,272	168,339
Property Taxes					12,678	0	12,678
Gasoline Taxes					24,761	0	24,761
Other Taxes					3,915	0	3,915
Miscellaneous					20,431	442	20,873
Total General Revenues					<u>222,852</u>	<u>7,714</u>	<u>230,566</u>
Change in Net Position					29,100	404,873	433,973
Net Position - Beginning					<u>6,249,320</u>	<u>2,853,830</u>	<u>9,103,150</u>
Net Position - Ending					<u>\$ 6,278,420</u>	<u>\$ 3,258,703</u>	<u>\$ 9,537,123</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, 2014

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	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Fire</u>	<u>EMS</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 889,759	\$ 209,498	\$ 97,341
Receivables			
Taxes	18,061	0	0
Total Assets	<u>\$ 907,820</u>	<u>\$ 209,498</u>	<u>\$ 97,341</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 8,645	\$ 2,207	\$ 902
Total Liabilities	<u>8,645</u>	<u>2,207</u>	<u>902</u>
 Fund Balances			
Restricted for			
Special Revenue Fund	0	207,291	96,439
Unrestricted	899,175	0	0
Total Fund Balances	<u>899,175</u>	<u>207,291</u>	<u>96,439</u>
 Total Liabilities and Fund Balances	 <u>\$ 907,820</u>	 <u>\$ 209,498</u>	 <u>\$ 97,341</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, 2014

	<u>Special Revenue Fund Senior Citizens</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 32,981	\$ 1,229,579
Receivables			
Taxes	0	0	18,061
Total Assets	<u>\$ 0</u>	<u>\$ 32,981</u>	<u>\$ 1,247,640</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 0	\$ 32	\$ 11,786
Total Liabilities	<u>0</u>	<u>32</u>	<u>11,786</u>
<b>Fund Balances</b>			
<b>Restricted for</b>			
Special Revenue Fund	0	32,949	336,679
Unrestricted	0	0	899,175
Total Fund Balances	<u>0</u>	<u>32,949</u>	<u>1,235,854</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 0</u>	<u>\$ 32,981</u>	<u>\$ 1,247,640</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, 2014

---

Total Fund Balance - Governmental Funds \$ 1,235,854

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	\$ 8,233,438	
Accumulated depreciation is	<u>(2,785,885)</u>	5,447,553

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	(388,500)	
Compensated Absences	<u>(16,487)</u>	<u>(404,987)</u>

Total Net Position - Governmental Activities \$ 6,278,420

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, 2014

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Fire</u>	<u>EMS</u>
Taxes			
Gross Receipts	\$ 161,067	\$ 0	\$ 0
Property	12,678	0	0
Gasoline	24,761	0	0
Franchise	3,915	0	0
Charges for Services	12,050	0	27,078
License & Permits	819	0	0
Fees, Fines & Forfeitures	11,582	0	0
Federal Grants	0	0	0
State & Local Grants	101,908	223,761	10,493
Miscellaneous	1,247	2,000	839
Total Revenues	<u>330,027</u>	<u>225,761</u>	<u>38,410</u>
Expenditures			
Current			
General Government	117,355	0	0
Public Safety	60,532	55,043	22,533
Public Works	65,637	0	0
Culture and Recreation	30,185	0	0
Capital Outlay	0	5,500	0
Debt Service			
Principal	0	38,689	0
Interest	0	9,916	0
Total Expenditures	<u>273,709</u>	<u>109,148</u>	<u>22,533</u>
Excess (Deficiency) of Revenues Over Expenditures	56,318	116,613	15,877
Fund Balances at Beginning of Year	<u>842,857</u>	<u>90,678</u>	<u>80,562</u>
Fund Balance End of Year	<u>\$ 899,175</u>	<u>\$ 207,291</u>	<u>\$ 96,439</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, 2014

	Special Revenue Fund	Non-Major Governmental Funds	Total Governmental Funds
	Senior Citizens		
<b>Taxes</b>			
Gross Receipts	\$ 0	\$ 0	\$ 161,067
Property	0	0	12,678
Gasoline	0	0	24,761
Franchise	0	0	3,915
Charges for Services	15,118	13,628	67,874
License & Permits	0	0	819
Fees, Fines & Forfeitures	0	0	11,582
Federal Grants	22,721	0	22,721
State & Local Grants	39,183	20,000	395,345
Miscellaneous	13,174	2,352	19,612
Total Revenues	<u>90,196</u>	<u>35,980</u>	<u>720,374</u>
<b>Expenditures</b>			
<b>Current</b>			
General Government	0	0	117,355
Public Safety	0	24,246	162,354
Public Works	0	0	65,637
Culture and Recreation	103,366	7,095	140,646
Capital Outlay	0	6,182	11,682
Debt Service	0	0	0
Principal	0	0	38,689
Interest	0	0	9,916
Total Expenditures	<u>103,366</u>	<u>37,523</u>	<u>546,279</u>
Excess (Deficiency) of Revenues Over Expenditures	(13,170)	(1,543)	174,095
Fund Balances at Beginning of Year	<u>13,170</u>	<u>34,492</u>	<u>1,061,759</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 32,949</u>	<u>\$ 1,235,854</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, 2014

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Net Change in Fund Balance \$ 174,095

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	\$ (218,571)	
Capital Outlays	<u>36,682</u>	(181,889)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 38,689

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, 2013	14,692	
Compensated Absences, June 30, 2014	<u>(16,487)</u>	<u>(1,795)</u>

Changes in Net Position of Governmental Activities \$ 29,100

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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Gross Receipt Tax	\$ 173,577	\$ 173,577	\$ 158,480	\$ (15,097)
Property Tax	12,498	12,498	12,498	0
Gas Tax	23,947	23,947	23,945	(2)
Other Taxes	4,462	4,462	4,321	(141)
Charges for Services	12,281	12,281	12,050	(231)
Licenses & Permits	1,115	1,115	819	(296)
Fines & Forfeitures	11,582	11,582	11,582	0
State & Local Grants	115,000	115,000	101,908	(13,092)
Miscellaneous	2,352	2,352	1,247	(1,105)
Total Revenues	<u>356,814</u>	<u>356,814</u>	<u>326,850</u>	<u>(29,964)</u>
<b>Expenditures</b>				
<b>Executive</b>				
Operating Expenses	20,924	20,924	17,024	3,900
Total Executive	<u>20,924</u>	<u>20,924</u>	<u>17,024</u>	<u>3,900</u>
<b>Judicial</b>				
Operating Expenses	13,256	13,256	11,905	1,351
Total Judicial	<u>13,256</u>	<u>13,256</u>	<u>11,905</u>	<u>1,351</u>
<b>Financial</b>				
Operating Expenses	100,471	100,471	88,475	11,996
Total Financial	<u>100,471</u>	<u>100,471</u>	<u>88,475</u>	<u>11,996</u>
<b>Public Safety</b>				
Operating Expenses	63,184	60,147	60,477	(330)
Total Public Safety	<u>63,184</u>	<u>60,147</u>	<u>60,477</u>	<u>(330)</u>
<b>Highway &amp; Streets</b>				
Operating Expenses	75,441	75,441	67,162	8,279
Total Highway & Streets	<u>75,441</u>	<u>75,441</u>	<u>67,162</u>	<u>8,279</u>
<b>Culture &amp; Recreation</b>				
Operating Expenses	24,180	24,180	24,042	138
Total Culture & Recreation	<u>24,180</u>	<u>24,180</u>	<u>24,042</u>	<u>138</u>
Total Expenditures	\$ <u>297,456</u>	\$ <u>294,419</u>	\$ <u>269,085</u>	\$ <u>25,334</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	\$ 59,358	\$ 62,395	\$ 57,765	\$ (4,630)
Cash Balance Beginning of Year	<u>831,994</u>	<u>831,994</u>	<u>831,994</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 891,352</u>	<u>\$ 894,389</u>	<u>\$ 889,759</u>	<u>\$ (4,630)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 57,765	
Net Change in Taxes Receivable			3,176	
Net Change in Accounts Payable			<u>(4,623)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 56,318</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 223,761	\$ 223,761	\$ 223,761	\$ 0
Miscellaneous	2,000	2,000	2,000	0
Total Revenues	<u>225,761</u>	<u>225,761</u>	<u>225,761</u>	<u>0</u>
<b>Expenditures</b>				
Public Safety				
Operating Expenses	53,218	53,218	55,269	(2,051)
Capital Outlay	9,000	9,000	5,500	3,500
Debt Service				
Principal	37,100	37,100	38,689	(1,589)
Interest	11,505	11,505	9,916	1,589
Total Expenditures	<u>110,823</u>	<u>110,823</u>	<u>109,374</u>	<u>1,449</u>
Excess (Deficiency) of Revenues Over Expenditures	114,938	114,938	116,387	1,449
Cash Balance Beginning of Year	<u>93,111</u>	<u>93,111</u>	<u>93,111</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 208,049</u>	<u>\$ 208,049</u>	<u>\$ 209,498</u>	<u>\$ 1,449</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 116,387	
Net Change in Accounts Payable			<u>226</u>	
Net Change in Fund Balance			<u>\$ 116,613</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Charges for Services	\$ 27,078	\$ 27,078	\$ 27,078	\$ 0
State Grants	10,578	10,578	10,493	(85)
Miscellaneous	1,339	1,339	839	(500)
Total Revenues	<u>38,995</u>	<u>38,995</u>	<u>38,410</u>	<u>(585)</u>
<b>Expenditures</b>				
Public Safety				
Operating Expenses	23,945	23,945	22,185	1,760
Capital Outlay				0
Total Expenditures	<u>23,945</u>	<u>23,945</u>	<u>22,185</u>	<u>1,760</u>
Excess (Deficiency) of Revenues Over Expenditures	15,050	15,050	16,225	1,175
Cash Balance Beginning of Year	<u>81,116</u>	<u>81,116</u>	<u>81,116</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 96,166</u>	<u>\$ 96,166</u>	<u>\$ 97,341</u>	<u>\$ 1,175</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 16,225	
Net Change in Accounts Payable			(348)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 15,877</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Sales and Service	\$ 14,249	\$ 14,249	\$ 15,118	\$ 869
State Grant	40,502	40,502	40,502	0
Federal Grant	24,140	24,140	23,754	(386)
Miscellaneous	16,294	16,294	13,174	(3,120)
Total Revenues	<u>95,185</u>	<u>95,185</u>	<u>92,548</u>	<u>(2,637)</u>
<b>Expenditures</b>				
Culture and Recreation				
Personnel Services	58,200	58,200	56,489	1,711
Operating Expenses	46,956	50,621	48,540	2,081
Total Expenditures	<u>105,156</u>	<u>108,821</u>	<u>105,029</u>	<u>2,081</u>
Excess (Deficiency) of Revenues Over Expenditures	(9,971)	(13,636)	(12,481)	1,155
Cash Balance Beginning of Year	<u>12,481</u>	<u>12,481</u>	<u>12,481</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,510</u>	<u>\$ (1,155)</u>	<u>\$ 0</u>	<u>\$ 1,155</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (12,481)	
Net change in Due from Grantor			(2,352)	
Net change in Accounts Payable			<u>1,663</u>	
Net Change in Fund Balance			<u>\$ (13,170)</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, 2014

ASSETS	Water	Sewer	Solid Waste	Total
Current Assets				
Cash and Cash Equivalents	\$ 201,212	\$ 55,540	\$ 43,657	\$ 300,409
Receivables (net of allowance for uncollectible accounts)				
Accounts	13,202	3,585	5,660	22,447
Taxes	1,183	0	333	1,516
Total Current Assets	<u>215,597</u>	<u>59,125</u>	<u>49,650</u>	<u>324,372</u>
Noncurrent Assets				
Restricted Assets	6,135	0	0	6,135
Capital Assets	1,855,254	1,927,950	129,978	3,913,182
Less: Accumulated Depreciation	<u>(350,848)</u>	<u>(553,013)</u>	<u>(67,421)</u>	<u>(971,282)</u>
Total Noncurrent Assets	<u>1,510,541</u>	<u>1,374,937</u>	<u>62,557</u>	<u>2,948,035</u>
Total Assets	<u>1,726,138</u>	<u>1,434,062</u>	<u>112,207</u>	<u>3,272,407</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	1,045	79	1,029	2,153
Compensated Absences	<u>0</u>	<u>0</u>	<u>5,416</u>	<u>5,416</u>
Total Current Liabilities	<u>1,045</u>	<u>79</u>	<u>6,445</u>	<u>7,569</u>
Noncurrent Liabilities				
Customer Deposits	<u>6,135</u>	<u>0</u>	<u>0</u>	<u>6,135</u>
Total Noncurrent Liabilities	<u>6,135</u>	<u>0</u>	<u>0</u>	<u>6,135</u>
Total Liabilities	<u>7,180</u>	<u>79</u>	<u>6,445</u>	<u>13,704</u>
NET POSITION				
Investment in Net Capital Assets	1,504,406	1,374,937	62,557	2,941,900
Unrestricted	<u>214,552</u>	<u>59,046</u>	<u>43,205</u>	<u>316,803</u>
Total Net Position	<u>\$ 1,718,958</u>	<u>\$ 1,433,983</u>	<u>\$ 105,762</u>	<u>\$ 3,258,703</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, 2014

	Water	Sewer	Solid Waste	Total
Operating Revenues				
Sales & Service	\$ 117,935	\$ 40,179	\$ 71,690	\$ 229,804
Total Operating Revenues	<u>117,935</u>	<u>40,179</u>	<u>71,690</u>	<u>229,804</u>
Operating Expenses				
Operating Expenses	114,749	21,777	78,380	214,906
Depreciation	35,084	33,637	7,686	76,407
Total Operating Expenses	<u>149,833</u>	<u>55,414</u>	<u>86,066</u>	<u>291,313</u>
Operating Income (Loss)	<u>(31,898)</u>	<u>(15,235)</u>	<u>(14,376)</u>	<u>(61,509)</u>
Nonoperating Revenue (Expenses)				
State Grant	76,814	0	0	76,814
Federal Grant	381,854	0	0	381,854
Infrastructure & Environmental Tax	3,706	0	3,566	7,272
Other	442	0	0	442
Total Nonoperating Revenue (Expense)	<u>462,816</u>	<u>0</u>	<u>3,566</u>	<u>466,382</u>
Change in Net Position	430,918	(15,235)	(10,810)	404,873
Total Net Position - Beginning	<u>1,288,040</u>	<u>1,449,218</u>	<u>116,572</u>	<u>2,853,830</u>
Total Net Position - Ending	<u>\$ 1,718,958</u>	<u>\$ 1,433,983</u>	<u>\$ 105,762</u>	<u>\$ 3,258,703</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, 2014

	<u>Water</u>	<u>Sewer</u>
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 123,129	\$ 39,955
Cash Paid to Suppliers and Employees	(126,010)	(21,822)
Net Cash Provided by Operating Activities	<u>(2,881)</u>	<u>18,133</u>
Cash Flows from Noncapital Financing Activities		
Infrastructure & Environmental Tax	3,706	0
Net Cash Provided by Noncapital Financing Activities	<u>3,706</u>	<u>0</u>
Cash Flows from Capital & Related Financing Activities		
State Grant	76,814	0
Federal Grant	381,854	0
Purchase of Capital Assets	(495,339)	(9,900)
Principal Paid	0	0
Interest Paid	442	0
Net Cash Provided by Capital & Related Financing Activities	<u>(36,229)</u>	<u>(9,900)</u>
Net Increase (Decrease) in Cash	(35,404)	8,233
Cash, Beginning of Year	<u>242,751</u>	<u>47,307</u>
Cash, End of Year	<u>\$ 207,347</u>	<u>\$ 55,540</u>
Reconciliation of Cash		
Cash and Cash Equivalents	\$ 201,212	55,540
Restricted Assets	6,135	0
	<u>\$ 207,347</u>	<u>\$ 55,540</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (31,898)	\$ (15,235)
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities		
Depreciation	35,084	33,637
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	1,352	(224)
(Increase) Decrease in Taxes Receivable	(207)	0
Increase (Decrease) in Accounts Payable	(2,414)	(45)
Increase (Decrease) in Compensated Absences	(4,698)	0
Increase (Decrease) in Customer Deposits	(100)	0
Net Cash Provided by Operating Activities	<u>\$ (2,881)</u>	<u>\$ 18,133</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, 2014

	Solid Waste	Total
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 71,416	\$ 234,500
Cash Paid to Suppliers and Employees	(77,019)	(224,851)
Net Cash Provided by Operating Activities	<u>(5,603)</u>	<u>9,649</u>
Cash Flows from Noncapital Financing Activities		
Infrastructure & Environmental Tax	3,566	7,272
Net Cash Provided by Noncapital Financing Activities	<u>3,566</u>	<u>7,272</u>
Cash Flows from Capital & Related Financing Activities		
State Grant	0	76,814
Federal Grant	0	381,854
Purchase of Capital Assets	(14,018)	(519,257)
Principal Paid	0	0
Interest Paid	0	442
Net Cash Provided by Capital & Related Financing Activities	<u>(14,018)</u>	<u>(60,147)</u>
Net Increase (Decrease) in Cash	(16,055)	(43,226)
Cash, Beginning of Year	<u>59,712</u>	<u>349,770</u>
Cash, End of Year	<u>\$ 43,657</u>	<u>\$ 306,544</u>
Reconciliation of Cash		
Cash and Cash Equivalents	43,657	300,409
Restricted Assets	0	6,135
	<u>\$ 43,657</u>	<u>\$ 306,544</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (14,376)	\$ (61,509)
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities		
Depreciation	7,686	76,407
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	(275)	853
(Increase) Decrease in Taxes Receivable	(64)	(271)
Increase (Decrease) in Accounts Payable	505	(1,954)
Increase (Decrease) in Compensated Absences	921	(3,777)
Increase (Decrease) in Customer Deposits	0	(100)
Net Cash Provided by Operating Activities	<u>\$ (5,603)</u>	<u>\$ 9,649</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 Activities) 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, LEPP 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.

**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.

**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

Employees in full-time non-probationary positions are entitled to paid vacation time. The accrue of vacation leave is determined the amount of tenure the employee has with the municipality. 1 through 59 months-6.6 hours a month, 60 months through 71 months-8 hours a month, 72 months through 107 months-9.33 hours a month, 108 months through 131 months-10 hours a month, 132 months through 155 months-10.66 hours a month, 156 months through 179 months-11.33 hours a month, 180 months through 203 months-12 hours a month, 204 months through 227 months-12.66 hours a month, 228 months through 263 months-14 hours a month, 264 months through 287 months-14.66 hours a month, 288 months through 311 months-15.33 hours a month, 312 months through 335 months-16 hours a month and 336 months or more-16.66 hours a month. Employees are allowed to carry over from one calendar year to the next up to 240 hours. The maximum payout for vacation time is 240 hours.

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).

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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>Name of Account</u>	Balance Per Bank 6/30/14	Reconciled Balance	<u>Type</u>
Village of Melrose	\$ 1,400,928	\$ 1,375,152	Checking Non-Interesting
Water Savings #2	66,534	66,534	Savings- Interest
Sewer Savings	3,103	3,103	Savings- Interest
Fire Department	24,825	24,825	Savings- Interest
Cemetery Trust	1,001	1,001	Savings- Interest
CDBG	100	100	Checking Non-Interesting
General Fund-CD	42,726	42,726	Savings- Interest
Cemetery Fund-CD	9,225	9,225	Savings- Interest
Sewer Fund-CD	9,457	9,457	Savings- Interest
Water Meter Deposit-CD	4,000	4,000	Savings- Interest
TOTAL Deposited	<u>1,561,899</u>	<u>\$ 1,536,123</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	1,311,899		
50% collateral requirement	655,950		
Pledged securities	<u>1,436,370</u>		
Over (Under) requirement	<u>\$ 780,421</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>
Clovis NM Tax Rev BQ Call Rev	189387CT8	\$ 465,000	06/01/2030	TIB-Dallas, TX
GNMA II	36178VMG3	971,370	10/20/2063	TIB-Dallas, TX
		<u>1,436,370</u>		

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**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	1,311,899
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 1,561,899</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 of \$1,561,899 was exposed to custodial credit risk.

**NOTE E: CAPITAL ASSETS**

Capital Assets Balances and Activity for the Year Ended June 30, 2014, is as follows:

	<u>Beginning Balance 6/30/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/14</u>
<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	1,927,626	36,682	0	1,964,308
	<u>8,196,756</u>	<u>36,682</u>	<u>0</u>	<u>8,233,438</u>
Total Capital Assets	<u>8,196,756</u>	<u>36,682</u>	<u>0</u>	<u>8,233,438</u>
<b>Less Accumulated Depreciation</b>				
Infrastructure	550,381	22,863	0	573,244
Buildings & Improvements	1,258,924	72,239	0	1,331,163
Equipment	758,009	123,469	0	881,478
Total Accumulated Depreciation	<u>2,567,314</u>	<u>218,571</u>	<u>0</u>	<u>2,785,885</u>
Capital Assets, net	<u>\$ 5,629,442</u>	<u>\$ (181,889)</u>	<u>\$ 0</u>	<u>\$ 5,447,553</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 166
Public Safety	110,042
Public Works	89,888
Health & Welfare	864
Culture & Recreation	17,611
Total depreciation expenses	<u>\$ 218,571</u>



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	Beginning Balance 6/30/13	Increases	Decreases	Ending Balance 6/30/14
<b>Business-Type Activities</b>				
<b>Water</b>				
Water System	\$ 1,340,922	\$ 485,439	\$ 0	\$ 1,826,361
Equipment	18,993	9,900	0	28,893
Total Capital	<u>1,359,915</u>	<u>485,439</u>	<u>0</u>	<u>1,855,254</u>
Assets at Historical Cost	<u>1,359,915</u>	<u>485,439</u>	<u>0</u>	<u>1,855,254</u>
<b>Less Accumulated Depreciation</b>				
Water System	306,248	33,839	0	340,087
Equipment	9,516	1,245	0	10,761
Total Accumulated Depreciation	<u>315,764</u>	<u>35,084</u>	<u>0</u>	<u>350,848</u>
Capital Assets, net	<u>\$ 1,044,151</u>	<u>\$ 450,355</u>	<u>\$ 0</u>	<u>\$ 1,504,406</u>
	Beginning Balance 6/30/13	Increases	Decreases	Ending Balance 6/30/14
<b>Sewer</b>				
Other Capital Assets				
Sewer System	\$ 1,862,518	\$ 0	\$ 0	\$ 1,862,518
Equipment	55,532	9,900	0	65,432
Total Capital	<u>1,918,049</u>	<u>9,900</u>	<u>0</u>	<u>1,927,950</u>
Assets at Historical Cost	<u>1,918,049</u>	<u>9,900</u>	<u>0</u>	<u>1,927,950</u>
<b>Less Accumulated Depreciation</b>				
Sewer System	508,062	31,756	0	539,818
Equipment	11,314	1,881	0	13,195
Total Accumulated Depreciation	<u>519,376</u>	<u>33,637</u>	<u>0</u>	<u>553,013</u>
Capital Assets, net	<u>\$ 1,398,673</u>	<u>\$ (23,737)</u>	<u>\$ 0</u>	<u>\$ 1,374,937</u>
	Beginning Balance 6/30/13	Increases	Decreases	Ending Balance 6/30/14
<b>Solid Waste</b>				
Other Capital Assets				
Equipment	\$ 115,960	\$ 14,018	\$ 0	\$ 129,978
Total Capital	<u>115,960</u>	<u>14,018</u>	<u>0</u>	<u>129,978</u>
Assets at Historical Cost	<u>115,960</u>	<u>14,018</u>	<u>0</u>	<u>129,978</u>
<b>Less Accumulated Depreciation</b>				
Equipment	59,735	7,686	0	67,421
Total Accumulated Depreciation	<u>59,735</u>	<u>7,686</u>	<u>0</u>	<u>67,421</u>
Capital Assets, net	<u>\$ 56,225</u>	<u>\$ 6,332</u>	<u>\$ 0</u>	<u>\$ 62,557</u>

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June 30, 2014

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**NOTE F: LONG TERM DEBT**

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

**Governmental Activities**

	Beginning Balance 6/30/13	Additions	Reductions	Ending Balance 6/30/14	Amounts Due Within One Year
Notes Payable					
Fire Truck	\$ 254,639	\$ 0	\$ 34,484	\$ 220,155	\$ 33,846
Fire Truck	172,550	0	4,205	168,345	4,253
	<u>\$ 427,189</u>	<u>\$ 0</u>	<u>\$ 38,689</u>	<u>\$ 388,500</u>	<u>\$ 38,099</u>
Other Liabilities					
Compensated Absences	14,692	3,520	1,725	16,487	16,487

The compensated absences will be liquidated by the General Fund.

The annual requirements to amortize the above loans as of June 30, 2014, including interest payments are as follows:

	Principal	Interest	Total
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	43,600	4,960	48,560
2020-2023	186,496	5,713	192,209
	<u>\$ 390,089</u>	<u>\$ 44,567</u>	<u>\$ 434,656</u>

**Business-Type Activities**

	Beginning Balance 6/30/13	Additions	Reductions	Ending Balance 6/30/14	Amounts Due Within One Year
Other Liabilities					
Compensated Absences	\$ 9,194	\$ 4,136	\$ 7,914	\$ 5,416	\$ 5,416

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, 2014, 2013 and 2012 were \$8,046, \$7,510, and \$7,106, 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, 2014, 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, 2014, 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, 2014, 2013 and 2012 were \$2,299, \$2,146 and \$1,862 respectively, which equal the required contributions for each year.

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Notes to the Financial Statements  
June 30, 2014

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**NOTE J: RECEIVABLES**

Receivables as of June 30, 2014, were as follows:

	General	Utilities
Gross Receipts Taxes	\$ 14,684	\$ 1,516
Property Taxes	299	0
Gasoline Taxes	2,086	0
Other Taxes	992	0
Accounts Receivables	0	22,447
	<u>\$ 18,061</u>	<u>\$ 23,963</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.

**NOTE O: MELROSE SENIOR CITIZENS**

Effect July 1, 2014, Melrose Senior Citizens financial record's are accounted for by the Senior Citizens Center in Clovis, New Mexico as required by the Eastern New Mexico Area on Aging.

**SUPPLEMENTAL INFORMATION RELATED TO  
NON MAJOR FUNDS**

**NONMAJOR FUNDS**

**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**

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, 2014

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	<u>Special Revenue Funds</u>		
	<u>Law Enforcement</u>	<u>Correction</u>	<u>Cemetery</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 8,689	\$ 19,476
Total Assets	<u>\$ 0</u>	<u>\$ 8,689</u>	<u>\$ 19,476</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 15
Total Liabilities	<u>0</u>	<u>0</u>	<u>15</u>
Fund Balance			
Restricted for			
Special Revenue Fund	<u>0</u>	<u>8,689</u>	<u>19,461</u>
Total Fund Balance	<u>0</u>	<u>8,689</u>	<u>19,461</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 8,689</u>	<u>\$ 19,476</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, 2014

	<u>Special Revenue Funds</u>	
	<u>Recreation</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,816	\$ 32,981
Total Assets	<u>\$ 4,816</u>	<u>\$ 32,981</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts Payable	\$ 17	\$ 32
Total Liabilities	<u>17</u>	<u>32</u>
Fund Balance		
Restricted for		
Special Revenue Fund	<u>4,799</u>	<u>32,949</u>
Total Fund Balance	<u>4,799</u>	<u>32,949</u>
Total Liabilities and Fund Balance	<u>\$ 4,816</u>	<u>\$ 32,981</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, 2014

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	<u>Special Revenue Funds</u>		
	Law <u>Enforcement</u>	<u>Correction</u>	<u>Cemetery</u>
Revenues			
Charges for Services	\$ 0	\$ 9,916	\$ 3,712
State Grant	20,000	0	0
Miscellaneous	<u>2,352</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>22,352</u>	<u>9,916</u>	<u>3,712</u>
Expenditures			
Current			
Public Safety	16,170	8,076	0
Cultural & Recreation	0	0	6,774
Capital Outlay	<u>6,182</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>22,352</u>	<u>8,076</u>	<u>6,774</u>
Excess (Deficiency) of Revenues Over Expenditures	0	1,840	(3,062)
Fund Balance at Beginning of Year	<u>0</u>	<u>6,849</u>	<u>22,523</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 8,689</u>	<u>\$ 19,461</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, 2014

	Special Revenue Funds	
	Recreation	Total
Revenues		
Charges for Services	\$ 0	\$ 13,628
State Grant	0	20,000
Miscellaneous	0	2,352
Total Revenues	<u>0</u>	<u>35,980</u>
Expenditures		
Current		
Public Safety	0	24,246
Cultural & Recreation	321	7,095
Capital Outlay	0	6,182
Total Expenditures	<u>321</u>	<u>37,523</u>
Excess (Deficiency) of Revenues Over Expenditures	(321)	(1,543)
Fund Balance at Beginning of Year	<u>5,120</u>	<u>34,492</u>
Fund Balance End of Year	<u>\$ 4,799</u>	<u>\$ 32,949</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 20,000	\$ 20,000	\$ 20,000	\$ 0
Other	2,352	2,352	2,352	0
Total Revenues	<u>22,352</u>	<u>22,352</u>	<u>22,352</u>	<u>0</u>
<b>Expenditures</b>				
Public Safety				
Operating Expenses	20,000	22,352	16,170	6,182
Capital Outlay	<u>0</u>	<u>0</u>	<u>6,182</u>	<u>(6,182)</u>
Total Expenditures	<u>20,000</u>	<u>22,352</u>	<u>22,352</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	2,352	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>2,352</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>0</u>	
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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Correction Fees	\$ 6,480	\$ 6,480	\$ 9,916	\$ 3,436
Other	3,276	3,276	0	(3,276)
Total Revenues	<u>6,480</u>	<u>6,480</u>	<u>9,916</u>	<u>3,436</u>
<b>Expenditures</b>				
Public Safety				
Operating Expenses	<u>8,276</u>	<u>8,276</u>	<u>8,076</u>	<u>200</u>
Total Expenditures	<u>8,276</u>	<u>8,276</u>	<u>8,076</u>	<u>200</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,796)	(1,796)	1,840	3,636
Cash Balance Beginning of Year	<u>6,849</u>	<u>6,849</u>	<u>6,849</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 5,053</u>	<u>\$ 5,053</u>	<u>\$ 8,689</u>	<u>\$ 3,636</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 1,840</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,840</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Charges for Services	\$ 3,715	\$ 3,715	\$ 3,713	\$ (2)
Total Revenues	<u>3,715</u>	<u>3,715</u>	<u>3,713</u>	<u>(2)</u>
<b>Expenditures</b>				
Cultural & Recreation				
Personnel	4,357	4,357	3,704	653
Operating Expenses	<u>8,165</u>	<u>8,165</u>	<u>3,106</u>	<u>5,059</u>
Total Expenditures	<u>12,522</u>	<u>12,522</u>	<u>6,810</u>	<u>5,712</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,807)	(8,807)	(3,097)	5,710
Cash Balance Beginning of Year	<u>22,573</u>	<u>22,573</u>	<u>22,573</u>	<u>0</u>
Cash Balance End of Year	\$ <u>13,766</u>	\$ <u>13,766</u>	\$ <u>19,476</u>	\$ <u>5,710</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (3,097)	
Net Change in Accounts Payable			<u>35</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(3,062)</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, 2014

	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				
Operating Expenses	<u>500</u>	<u>500</u>	<u>322</u>	<u>178</u>
Total Expenditures	<u>500</u>	<u>500</u>	<u>322</u>	<u>178</u>
Excess (Deficiency) of Revenues Over Expenditures	(500)	(500)	(322)	178
Cash Balance Beginning of Year	<u>5,138</u>	<u>5,138</u>	<u>5,138</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 4,638</u>	<u>\$ 4,638</u>	<u>\$ 4,816</u>	<u>\$ 178</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (322)	
Net Change in Accounts Payable			<u>1</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (321)</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Sales & Service	\$ 168,994	\$ 168,994	\$ 119,187	\$ (49,807)
Gross Receipts Tax	3,500	3,500	3,500	0
State Grant	76,815	76,815	76,814	(1)
Federal Grant	381,854	381,854	381,854	0
Other	30	30	442	412
Total Revenues	<u>631,193</u>	<u>631,193</u>	<u>581,797</u>	<u>(49,396)</u>
<b>Expenditures</b>				
Personnel Services	56,960	56,960	56,960	0
Operating Expenses	62,952	62,952	64,902	(1,950)
Capital Outlay	550,992	550,992	495,339	55,653
Total Expenditures	<u>670,904</u>	<u>670,904</u>	<u>617,201</u>	<u>53,703</u>
Excess (Deficiency) of Revenues Over Expenditures	(39,711)	(39,711)	(35,404)	4,307
Cash Balance Beginning of Year	<u>242,751</u>	<u>242,751</u>	<u>242,751</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 203,040</u>	<u>\$ 203,040</u>	<u>\$ 207,347</u>	<u>\$ 4,307</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (35,404)	
Depreciation			(35,084)	
Capital Outlay			495,339	
Net Change in Accounts Receivable			(1,352)	
Net Change in Taxes Receivable			207	
Net Change in Accounts Payable			2,414	
Net Change in Compensated Absences			4,698	
Net Change in Customer Deposits			100	
Change in Net Position			<u>\$ 430,918</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Sales & Service	\$ 40,100	\$ 40,100	\$ 39,955	\$ (145)
Total Revenues	<u>40,100</u>	<u>40,100</u>	<u>39,955</u>	<u>(145)</u>
<b>Expenditures</b>				
Personnel	8,613	8,613	8,612	1
Operating Expenses	18,776	18,776	13,210	5,566
Capital Outlay	10,191	10,191	9,900	291
Total Expenditures	<u>37,580</u>	<u>37,580</u>	<u>31,722</u>	<u>5,858</u>
Excess (Deficiency) of Revenues Over Expenditures	2,520	2,520	8,233	5,713
Cash Balance Beginning of Year	<u>47,307</u>	<u>47,307</u>	<u>47,307</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 49,827</u>	<u>\$ 49,827</u>	<u>\$ 55,540</u>	<u>\$ 5,713</u>
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 8,233	
Depreciation			(33,637)	
Capital Outlay			9,900	
Net Change in Accounts Receivable			224	
Net Change in Accounts Payable			45	
Change in Net Position			<u>\$ (15,235)</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Service	\$ 70,500	\$ 70,500	\$ 71,416	\$ 916
Environmental Gross Receipts Tax	4,300	4,300	3,503	(797)
Total Revenues	<u>74,800</u>	<u>74,800</u>	<u>74,919</u>	<u>119</u>
Expenditures				
Personnel	41,143	41,143	41,143	0
Operating Expenses	40,387	40,387	35,813	4,574
Capital Outlay	14,019	14,019	14,018	1
Total Expenditures	<u>95,549</u>	<u>95,549</u>	<u>90,974</u>	<u>4,575</u>
Excess (Deficiency) of Revenues Over Expenditures	(20,749)	(20,749)	(16,055)	4,694
Cash Balance Beginning of Year	<u>59,712</u>	<u>59,712</u>	<u>59,712</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 38,963</u>	<u>\$ 38,963</u>	<u>\$ 43,657</u>	<u>\$ 4,694</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (16,055)	
Depreciation			(7,686)	
Capital Outlay			14,018	
Net Change in Taxes Receivable			63	
Net Change in Accounts Receivable			275	
Net Change in Accounts Payable			(504)	
Net Change in Compensated Absences			(921)	
Change in Net Position			<u>\$ (10,810)</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, 2014, 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 September 29, 2014.

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2014-001

#### 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; 2014-001.

#### 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

September 29, 2014

Prior Year Audit Findings	Status
12-1 Stale Checks	Resolved
13-1 Pledged Securities	Resolved

**Current Year Audit Findings**

**2014-001 Per diem-Compliance and Internal Control-Significant Deficiency**

**Condition**

During our field work we noticed that the Village is paying 100% of the per diem amount before the expense has occurred rather than the 80% allowed.

**Criteria**

NMPRC 2.42.2.10 Travel advances-Upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC. Requests for travel advances shall not be submitted to the financial control division of the department of finance and administration more than two weeks prior to travel unless, by processing the request earlier, significant savings can be realized for travel by common carrier or for registration fees for seminars and conferences.

**Cause**

Management was not aware of this rule.

**Effect**

Employees may not be motivated to bring in receipts proving expenses, travel and attendance unless additional money is due them.

**Recommendation**

Only 80% of the per diem should be advanced.

**Response**

We will only advance 80% of the per diem allowed.

**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 September 29, 2014. In attendance were Tuck Monk-Mayor, Cathy Christesson-Clerk and De'Aun Willoughby, CPA.