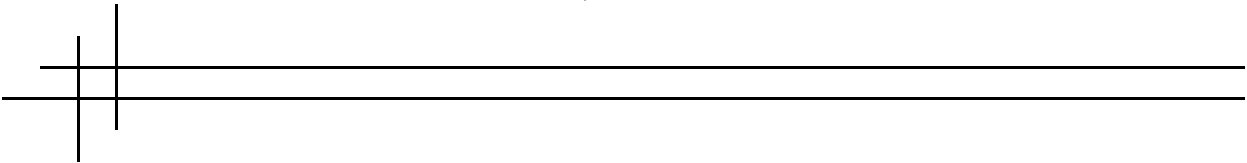


STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**

**ANNUAL FINANCIAL REPORT**  
June 30, 2015

**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, 2015

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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
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De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

## Independent Auditor's Report

Mr. Tim Keller  
State Auditor of the State of New Mexico  
Board Members of the Village of Melrose

Mr. Keller 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, 2015, 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, 2015, 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, 2015, 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, 2015, 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

#### *Required Supplementary Information*

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.

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for the Pension Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

The Vendor Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2015, 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 18, 2015

**FINANCIAL SECTION**

STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
Government-Wide Statement of Net Position  
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	\$ 1,393,055	\$ 274,095	\$ 1,667,150
Receivables			
Accounts	0	19,456	19,456
Taxes	14,343	1,186	15,529
Total Current Assets	<u>1,407,398</u>	<u>294,737</u>	<u>1,702,135</u>
Noncurrent Assets			
Restricted Cash	7,570	6,135	13,705
Capital Assets	8,466,823	3,953,433	12,420,256
Less: Accumulated Depreciation	<u>(3,011,908)</u>	<u>(1,049,326)</u>	<u>(4,061,234)</u>
Total Noncurrent Assets	<u>5,462,485</u>	<u>2,910,242</u>	<u>8,372,727</u>
Total Assets	<u>6,869,883</u>	<u>3,204,979</u>	<u>10,074,862</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	<u>10,045</u>	<u>0</u>	<u>10,045</u>
Total Deferred Outflows of Resources	<u>10,045</u>	<u>0</u>	<u>10,045</u>
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	14,782	4,292	19,074
Compensated Absences	15,321	13,615	28,936
Current Portion of Long-Term Debt	<u>39,283</u>	<u>0</u>	<u>39,283</u>
Total Current Liabilities	<u>69,386</u>	<u>17,907</u>	<u>87,293</u>
Noncurrent Liabilities			
Customer Deposits	0	6,135	6,135
Bonds and Notes	310,900	0	310,900
Pension Liability	<u>87,381</u>	<u>0</u>	<u>87,381</u>
Total Noncurrent Liabilities	<u>398,281</u>	<u>6,135</u>	<u>404,416</u>
Total Liabilities	<u>467,667</u>	<u>24,042</u>	<u>491,709</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	<u>34,241</u>	<u>0</u>	<u>34,241</u>
Total Deferred Inflows of Resources	<u>34,241</u>	<u>0</u>	<u>34,241</u>
<b>Net Position</b>			
Investment in Net Capital Assets	5,328,251	2,910,242	8,238,493
Restricted	422,622	0	422,622
Unrestricted	<u>627,147</u>	<u>270,695</u>	<u>897,842</u>
Total Net Position	<u>\$ 6,378,020</u>	<u>\$ 3,180,937</u>	<u>\$ 9,558,957</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, 2015

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	\$ 112,591	\$ 1,022	\$ 225,993	\$ 0	\$ 114,424	\$ 0	\$ 114,424
Public Safety	322,468	48,654	382,272	0	108,458	0	108,458
Public Works	178,319	5,615	0	0	(172,704)	0	(172,704)
Culture & Recreation	76,727		11,336	0	(65,391)	0	(65,391)
Health & Welfare	3,947	0	0	0	(3,947)	0	(3,947)
Interest Expense	8,814	0	0	0	(8,814)	0	(8,814)
Total Governmental Activities	<u>\$ 702,866</u>	<u>\$ 55,291</u>	<u>\$ 619,601</u>	<u>\$ 0</u>	<u>(27,974)</u>	<u>0</u>	<u>(27,974)</u>
<b>Business-type Activities</b>							
Water	\$ 170,645	\$ 114,807	\$ 0	\$ 14,374	0	(41,464)	(41,464)
Sewer	79,164	42,876	0	0	0	(36,288)	(36,288)
Solid Waste	90,315	73,973	0	0	0	(16,342)	(16,342)
Total Business-type Activities	<u>\$ 340,124</u>	<u>\$ 231,656</u>	<u>\$ 0</u>	<u>\$ 14,374</u>	<u>0</u>	<u>(94,094)</u>	<u>(94,094)</u>
<b>General Revenues</b>							
Gross Receipts Tax					14,400	16,328	30,728
Property Taxes					164,120	0	164,120
Gasoline Taxes					23,599	0	23,599
Other Taxes					15,189	0	15,189
Miscellaneous					28,243	0	28,243
Total General Revenues					<u>245,551</u>	<u>16,328</u>	<u>261,879</u>
Change in Net Position					<u>217,577</u>	<u>(77,766)</u>	<u>139,811</u>
Net Position - Beginning					6,278,420	3,258,703	9,537,123
Restatement					<u>(117,977)</u>	<u>0</u>	<u>(117,977)</u>
Restated Beginning Net Position					<u>6,160,443</u>	<u>3,258,703</u>	<u>9,419,146</u>
Net Position - Ending					<u>\$ 6,378,020</u>	<u>\$ 3,180,937</u>	<u>\$ 9,558,957</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, 2015

	<u>General</u>	<u>Special Revenue Fund Fire</u>	<u>Non-Major Governmental Funds</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 974,116	\$ 274,583	\$ 144,356
Receivables			
Taxes	14,343	0	0
Restricted Cash	0	7,570	0
<b>Total Assets</b>	<b>\$ 988,459</b>	<b>\$ 282,153</b>	<b>\$ 144,356</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 10,895	\$ 2,796	\$ 1,091
<b>Total Liabilities</b>	<b>10,895</b>	<b>2,796</b>	<b>1,091</b>
<b>Fund Balances</b>			
Restricted for			
Special Revenue Fund	0	279,357	143,265
Unrestricted	977,564	0	0
<b>Total Fund Balances</b>	<b>977,564</b>	<b>279,357</b>	<b>143,265</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 988,459</b>	<b>\$ 282,153</b>	<b>\$ 144,356</b>

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, 2015

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	<u>Total Governmental Funds</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,393,055
Receivables	
Taxes	14,343
Restricted Cash	<u>7,570</u>
Total Assets	<u><u>\$ 1,414,968</u></u>
<b>Liabilities and Fund Balance</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ <u>14,782</u>
Total Liabilities	<u>14,782</u>
<b>Fund Balances</b>	
Restricted for	
Special Revenue Fund	422,622
Unrestricted	<u>977,564</u>
Total Fund Balances	<u>1,400,186</u>
 Total Liabilities and Fund Balances	 \$ <u><u>1,414,968</u></u>

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

STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position  
 June 30, 2015

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Total Fund Balance - Governmental Funds \$ 1,400,186

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.

Capital Assets	\$ 8,466,823	
Accumulated Depreciation	<u>(3,011,908)</u>	5,454,915

Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	10,045	
Deferred Inflows Related to Pensions	<u>(34,241)</u>	(24,196)

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	(350,183)	
Pension Liability	(87,381)	
Compensated Absences	<u>(15,321)</u>	<u>(452,885)</u>

Total Net Position - Governmental Activities \$ 6,378,020

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, 2015

	General	Special Revenue Fund Fire	Non-Major Governmental Funds
<b>Revenues</b>			
Taxes			
Property	\$ 14,400	\$ 0	\$ 0
Gross Receipts	164,120	0	0
Gasoline	23,599	0	0
Franchise	3,673	0	0
Other	11,516	0	0
Charges for Services	56	0	44,429
License & Permits	966	0	0
Fees, Fines & Forfeitures	9,840	0	0
State & Local Grants	225,993	354,199	39,409
Miscellaneous	9,503	7,670	11,070
Total Revenues	<u>463,666</u>	<u>361,869</u>	<u>94,908</u>
<b>Expenditures</b>			
Current			
General Government	118,124	0	0
Public Safety	42,528	112,911	51,600
Public Works	93,121	0	0
Health & Welfare	3,083	0	0
Culture and Recreation	38,377	0	15,851
Capital Outlay	90,044	129,761	13,580
Debt Service			
Principal	0	38,317	0
Interest	0	8,814	0
Total Expenditures	<u>385,277</u>	<u>289,803</u>	<u>81,031</u>
Excess (Deficiency) of Revenues Over Expenditures	78,389	72,066	13,877
Fund Balances at Beginning of Year	<u>899,175</u>	<u>207,291</u>	<u>129,388</u>
Fund Balance End of Year	<u>\$ 977,564</u>	<u>\$ 279,357</u>	<u>\$ 143,265</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, 2015

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	Total Governmental Funds
Revenues	
Taxes	
Property	\$ 14,400
Gross Receipts	164,120
Gasoline	23,599
Franchise	3,673
Other	11,516
Charges for Services	44,485
License & Permits	966
Fees, Fines & Forfeitures	9,840
State & Local Grants	619,601
Miscellaneous	28,243
Total Revenues	<u>920,443</u>
Expenditures	
Current	
General Government	118,124
Public Safety	207,039
Public Works	93,121
Health & Welfare	3,083
Culture and Recreation	54,228
Capital Outlay	233,385
Debt Service	
Principal	38,317
Interest	8,814
Total Expenditures	<u>756,111</u>
Excess (Deficiency) of Revenues Over Expenditures	164,332
Fund Balances at Beginning of Year	<u>1,235,854</u>
Fund Balance End of Year	<u>\$ 1,400,186</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, 2015

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Net Change in Fund Balance \$ 164,332

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	\$ (226,023)	
Capital Outlays	<u>233,385</u>	7,362

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	10,045	
Pension Expense	<u>(3,645)</u>	6,400

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

38,317

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, 2014	16,487	
Compensated Absences, June 30, 2015	<u>(15,321)</u>	<u>1,166</u>

Changes in Net Position of Governmental Activities \$ 217,577

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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Gross Receipt Tax	\$ 173,900	\$ 179,449	\$ 167,319	\$ (12,130)
Property Tax	12,131	14,403	14,258	(145)
Franchise Tax	2,940	3,568	3,567	(1)
Gas Tax	19,800	24,100	23,827	(273)
Other Taxes	13,950	13,950	12,055	(1,895)
Charges for Services	285	367	56	(311)
Licenses & Permits	1,065	1,091	966	(125)
Fines & Forfeitures	11,600	11,600	9,840	(1,760)
State & Local Grants	195,000	208,993	225,993	17,000
Miscellaneous	81,566	81,566	9,503	(72,063)
Total Revenues	<u>512,237</u>	<u>539,087</u>	<u>467,384</u>	<u>(71,703)</u>
<b>Expenditures</b>				
<b>Executive</b>				
Operating Expenses	<u>18,326</u>	<u>18,326</u>	<u>16,563</u>	<u>1,763</u>
Total Executive	<u>18,326</u>	<u>18,326</u>	<u>16,563</u>	<u>1,763</u>
<b>Judicial</b>				
Operating Expenses	<u>17,953</u>	<u>18,049</u>	<u>15,641</u>	<u>2,408</u>
Total Judicial	<u>17,953</u>	<u>18,049</u>	<u>15,641</u>	<u>2,408</u>
<b>Financial</b>				
Operating Expenses	<u>111,052</u>	<u>161,680</u>	<u>85,889</u>	<u>75,791</u>
Total Financial	<u>111,052</u>	<u>161,680</u>	<u>85,889</u>	<u>75,791</u>
<b>Public Safety</b>				
Operating Expenses	66,311	46,873	42,845	4,028
Capital Outlay	<u>0</u>	<u>0</u>	<u>41,222</u>	<u>(41,222)</u>
Total Public Safety	<u>66,311</u>	<u>46,873</u>	<u>84,067</u>	<u>(37,194)</u>
<b>Highway &amp; Streets</b>				
Operating Expenses	417,362	164,206	85,605	78,601
Capital Outlay	<u>0</u>	<u>0</u>	<u>46,322</u>	<u>(46,322)</u>
Total Highway & Streets	<u>417,362</u>	<u>164,206</u>	<u>131,927</u>	<u>32,279</u>
<b>Health</b>				
Operating Expenses	<u>3,113</u>	<u>3,113</u>	<u>3,083</u>	<u>30</u>
Total Health	<u>3,113</u>	<u>3,113</u>	<u>3,083</u>	<u>30</u>
<b>Culture &amp; Recreation</b>				
Operating Expenses	51,319	56,987	43,357	13,630
Capital Outlay	<u>0</u>	<u>0</u>	<u>2,500</u>	<u>(2,500)</u>
Total Culture & Recreation	<u>51,319</u>	<u>56,987</u>	<u>45,857</u>	<u>11,130</u>
Total Expenditures	\$ <u>685,436</u>	\$ <u>469,234</u>	\$ <u>383,027</u>	\$ <u>86,207</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over Expenditures	\$ (173,199)	\$ 69,853	\$ 84,357	\$ 14,504
Cash Balance Beginning of Year	<u>889,759</u>	<u>889,759</u>	<u>889,759</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 716,560</u>	<u>\$ 959,612</u>	<u>\$ 974,116</u>	<u>\$ 14,504</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 84,357	
Net Change in Taxes Receivable			(3,719)	
Net Change in Accounts Payable			<u>(2,249)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 78,389</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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 319,068	\$ 307,168	\$ 354,199	\$ 47,031
Miscellaneous	0	0	7,670	7,670
Total Revenues	<u>319,068</u>	<u>307,168</u>	<u>361,869</u>	<u>54,701</u>
<b>Expenditures</b>				
Public Safety				
Operating Expenses	194,479	307,168	112,321	194,847
Capital Outlay	0	0	129,762	(129,762)
Debt Service				
Principal	0	0	38,317	(38,317)
Interest	0	0	8,814	(8,814)
Total Expenditures	<u>194,479</u>	<u>307,168</u>	<u>289,214</u>	<u>17,954</u>
Excess (Deficiency) of Revenues Over Expenditures	124,589	0	72,655	72,655
Cash Balance Beginning of Year	<u>209,498</u>	<u>209,498</u>	<u>209,498</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 334,087</u>	<u>\$ 209,498</u>	<u>\$ 282,153</u>	<u>\$ 72,655</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 72,655	
Net Change in Accounts Payable			<u>(589)</u>	
Net Change in Fund Balance			<u>\$ 72,066</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, 2015

Assets	Water	Sewer	Solid Waste	Total
Current Assets				
Cash and Cash Equivalents	\$ 181,295	\$ 52,250	\$ 40,550	\$ 274,095
Receivables (net of allowance for uncollectible accounts)				
Accounts	10,109	3,630	5,717	19,456
Taxes	926	0	260	1,186
Total Current Assets	<u>192,330</u>	<u>55,880</u>	<u>46,527</u>	<u>294,737</u>
Noncurrent Assets				
Restricted Assets	6,135	0	0	6,135
Capital Assets	1,893,505	1,929,450	130,478	3,953,433
Less: Accumulated Depreciation	<u>(386,325)</u>	<u>(587,543)</u>	<u>(75,458)</u>	<u>(1,049,326)</u>
Total Noncurrent Assets	<u>1,513,315</u>	<u>1,341,907</u>	<u>55,020</u>	<u>2,910,242</u>
Total Assets	<u>1,705,645</u>	<u>1,397,787</u>	<u>101,547</u>	<u>3,204,979</u>
Liabilities				
Current Liabilities				
Accounts Payable	1,754	92	2,446	4,292
Compensated Absences	<u>7,361</u>	<u>0</u>	<u>6,254</u>	<u>13,615</u>
Total Current Liabilities	<u>9,115</u>	<u>92</u>	<u>8,700</u>	<u>17,907</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>15,250</u>	<u>92</u>	<u>8,700</u>	<u>24,042</u>
Net Position				
Investment in Net Capital Assets	1,507,180	1,341,907	55,020	2,904,107
Unrestricted	<u>183,215</u>	<u>55,788</u>	<u>37,827</u>	<u>276,830</u>
Total Net Position	<u>\$ 1,690,395</u>	<u>\$ 1,397,695</u>	<u>\$ 92,847</u>	<u>\$ 3,180,937</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, 2015

	Water	Sewer	Solid Waste	Total
Operating Revenues				
Sales & Service	\$ 114,807	\$ 42,876	\$ 73,973	\$ 231,656
Total Operating Revenues	<u>114,807</u>	<u>42,876</u>	<u>73,973</u>	<u>231,656</u>
Operating Expenses				
Operating Expenses	133,692	44,635	82,278	260,605
Depreciation	35,477	34,529	8,037	78,043
Bad Debt	1,476	0	0	1,476
Total Operating Expenses	<u>170,645</u>	<u>79,164</u>	<u>90,315</u>	<u>340,124</u>
Operating Income (Loss)	<u>(55,838)</u>	<u>(36,288)</u>	<u>(16,342)</u>	<u>(108,468)</u>
Nonoperating Revenue (Expenses)				
State Grant	14,374	0	0	14,374
Infrastructure & Environmental Tax	12,901	0	3,427	16,328
Total Nonoperating Revenue (Expense)	<u>27,275</u>	<u>0</u>	<u>3,427</u>	<u>30,702</u>
Change in Net Position	(28,563)	(36,288)	(12,915)	(77,766)
Total Net Position - Beginning	<u>1,718,958</u>	<u>1,433,983</u>	<u>105,762</u>	<u>3,258,703</u>
Total Net Position - Ending	<u>\$ 1,690,395</u>	<u>\$ 1,397,695</u>	<u>\$ 92,847</u>	<u>\$ 3,180,937</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, 2015

	<u>Water</u>	<u>Sewer</u>
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 129,582	\$ 42,614
Cash Paid to Suppliers and Employees	(138,524)	(44,404)
Net Cash Provided by Operating Activities	<u>(8,942)</u>	<u>(1,790)</u>
Cash Flows from Noncapital Financing Activities		
Infrastructure & Environmental Tax	12,901	0
Net Cash Provided by Noncapital Financing Activities	<u>12,901</u>	<u>0</u>
Cash Flows from Capital & Related Financing Activities		
State Grant	14,374	0
Purchase of Capital Assets	(38,250)	(1,500)
Net Cash Provided by Capital & Related Financing Activities	<u>(23,876)</u>	<u>(1,500)</u>
Net Increase (Decrease) in Cash	(19,917)	(3,290)
Cash, Beginning of Year	<u>207,347</u>	<u>55,540</u>
Cash, End of Year	<u>\$ 187,430</u>	<u>\$ 52,250</u>
Reconciliation of Cash		
Cash and Cash Equivalents	\$ 181,295	52,250
Restricted Assets	6,135	0
	<u>\$ 187,430</u>	<u>\$ 52,250</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (55,838)	\$ (36,288)
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities		
Depreciation	35,477	34,529
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	3,091	(44)
(Increase) Decrease in Taxes Receivable	258	0
Increase (Decrease) in Accounts Payable	709	13
Increase (Decrease) in Compensated Absences	7,361	0
Net Cash Provided by Operating Activities	<u>\$ (8,942)</u>	<u>\$ (1,790)</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, 2015

	Solid Waste	Total
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 73,916	\$ 246,112
Cash Paid to Suppliers and Employees	(79,950)	(262,878)
Net Cash Provided by Operating Activities	<u>(6,034)</u>	<u>(16,766)</u>
Cash Flows from Noncapital Financing Activities		
Infrastructure & Environmental Tax	3,427	16,328
Net Cash Provided by Noncapital Financing Activities	<u>3,427</u>	<u>16,328</u>
Cash Flows from Capital & Related Financing Activities		
State Grant	0	14,374
Purchase of Capital Assets	(500)	(40,250)
Net Cash Provided by Capital & Related Financing Activities	<u>(500)</u>	<u>(25,876)</u>
Net Increase (Decrease) in Cash	(3,107)	(26,314)
Cash, Beginning of Year	<u>43,657</u>	<u>306,544</u>
Cash, End of Year	<u>\$ 40,550</u>	<u>\$ 280,230</u>
Reconciliation of Cash		
Cash and Cash Equivalents	40,550	274,095
Restricted Assets	0	6,135
	<u>\$ 40,550</u>	<u>\$ 280,230</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (16,342)	\$ (108,468)
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities		
Depreciation	8,037	78,043
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	(57)	2,990
(Increase) Decrease in Taxes Receivable	72	330
Increase (Decrease) in Accounts Payable	1,418	2,140
Increase (Decrease) in Compensated Absences	838	8,199
Net Cash Provided by Operating Activities	<u>\$ (6,034)</u>	<u>\$ (16,766)</u>

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

**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, LEPA 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.

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**

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

The government wide, 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.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduced the cost of the function to be financed from the Village's general revenues. Program revenues include charges for services or applicants who purchase, use or directly benefit from the goods or services provided by the given function including charges for use of the copier and fax, rental of the community building and fees and fines collected for public safety violations.

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.

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

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.

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.

STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
Notes to the Financial Statements  
June 30, 2015

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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.

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.

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.

Unearned and Unavailable 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.

*Fund Balances of Fund Financial Statements*

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

*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.

*Reconciliation of Budgetary Basis to GAAP Basis Statements*

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

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

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

Reconciliations are located at the bottom of each budget actual.

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**A. 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 6/30/15	Reconciled Balance	<u>Type</u>
Village of Melrose	\$ 1,542,216	\$ 1,503,604	Checking Non-Interesting
Water Savings #2	74,418	75,021	Savings- Interest
Sewer Savings	3,119	3,119	Savings- Interest
Fire Department	24,879	24,879	Savings- Interest
Cemetery Trust	1,001	1,001	Savings- Interest
General Fund-CD	42,897	42,897	Savings- Interest
Cemetery Fund-CD	9,262	9,262	Savings- Interest
Sewer Fund-CD	9,495	9,495	Savings- Interest
Water Meter Deposit-CD	4,000	4,000	Savings- Interest
TOTAL Deposited	<u>1,711,287</u>	<u>\$ 1,673,278</u>	
Less: FDIC Coverage	<u>(419,071)</u>		
Uninsured Amount	1,292,216		
50% collateral requirement	646,108		
Pledged securities	<u>1,465,000</u>		
Over (Under) requirement	<u>\$ 818,892</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
FFCB	3133ECX82	1,000,000	02/16/2021	TIB-Dallas, TX
		<u>1,465,000</u>		

**Bank of America**

<u>Name of Account</u>	Balance Per Bank 6/30/15	Reconciled Balance	<u>Type</u>
Fire Pumper	\$ 14	\$ 14	Savings
Class Afire Apparatus	7,563	7,563	Savings
TOTAL Deposited	<u>\$ 7,577</u>	<u>\$ 7,577</u>	

The Bank of America is the agent for New Mexico Finance Authority (Authority). The Authority is responsible for FDIC coverage and pledged securities.

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**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 419,071
Collateralized:	
Collateral held by the pledging bank in Village's name	1,465,000
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 1,718,864</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 \$1,711,287 was exposed to custodial credit risk.

**B. Receivables**

Receivables as of June 30, 2015, were as follows:

	<u>General</u>	<u>Utilities</u>
Property Taxes	\$ 440	\$ 0
Gross Receipts Taxes	11,485	1,186
Gasoline Taxes	1,858	0
Other Taxes	560	0
Accounts Receivables	0	19,456
	<u>\$ 14,343</u>	<u>\$ 20,642</u>

**C. Capital Assets**

Capital Assets Balances and Activity for the Year Ended June 30, 2015, is as follows:

	<u>Beginning Balance 6/30/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/15</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	37,722	0	5,377,640
Buildings & Improvements	929,212	33,634	0	962,846
Equipment	1,964,307	162,030	0	2,126,337
	<u>8,233,438</u>	<u>233,386</u>	<u>0</u>	<u>8,466,823</u>
Total Capital Assets	<u>8,233,438</u>	<u>233,386</u>	<u>0</u>	<u>8,466,823</u>
<b>Less Accumulated Depreciation</b>				
Infrastructure	573,244	24,700	0	597,944
Buildings & Improvements	1,331,163	74,754	0	1,405,917
Equipment	881,478	126,569	0	1,008,047
Total Accumulated Depreciation	<u>2,785,885</u>	<u>226,023</u>	<u>0</u>	<u>3,011,908</u>
Capital Assets, net	<u>\$ 5,447,553</u>	<u>\$ 7,363</u>	<u>\$ 0</u>	<u>\$ 5,454,915</u>

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Depreciation expense was charged to governmental activities as follows:

General	\$	166
Public Safety		115,429
Public Works		92,078
Health & Welfare		864
Culture & Recreation		17,486
Total depreciation expenses	\$	<u>226,023</u>

	Beginning Balance 6/30/14	Increases	Decreases	Ending Balance 6/30/15
<b>Business-Type Activities</b>				
<b>Water</b>				
Water System	\$ 1,826,361	\$ 37,251	\$ 0	\$ 1,863,612
Equipment	28,893	1,000	0	29,893
Total Capital				
Assets at Historical Cost	<u>1,855,254</u>	<u>38,251</u>	<u>0</u>	<u>1,893,505</u>
<b>Less Accumulated Depreciation</b>				
Water System	340,087	33,975	0	374,062
Equipment	10,761	1,502	0	12,263
Total Accumulated Depreciation	<u>350,848</u>	<u>35,477</u>	<u>0</u>	<u>386,325</u>
Capital Assets, net	<u>\$ 1,504,406</u>	<u>\$ 2,774</u>	<u>\$ 0</u>	<u>\$ 1,507,180</u>
	Beginning Balance 6/30/14	Increases	Decreases	Ending Balance 6/30/15
<b>Sewer</b>				
<b>Other Capital Assets</b>				
Sewer System	\$ 1,862,518	\$ 0	\$ 0	\$ 1,862,518
Equipment	65,432	1,500	0	66,932
Total Capital				
Assets at Historical Cost	<u>1,927,950</u>	<u>1,500</u>	<u>0</u>	<u>1,929,450</u>
<b>Less Accumulated Depreciation</b>				
Sewer System	539,818	31,757	0	571,575
Equipment	13,195	2,773	0	15,968
Total Accumulated Depreciation	<u>553,013</u>	<u>34,530</u>	<u>0</u>	<u>587,543</u>
Capital Assets, net	<u>\$ 1,374,937</u>	<u>\$ (33,030)</u>	<u>\$ 0</u>	<u>\$ 1,341,907</u>



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	Beginning Balance 6/30/14	Increases	Decreases	Ending Balance 6/30/15
<b>Solid Waste</b>				
Other Capital Assets				
Equipment	\$ 129,978	\$ 500	\$ 0	\$ 130,478
Total Capital Assets at Historical Cost	129,978	500	0	130,478
<b>Less Accumulated Depreciation</b>				
Equipment	67,421	8,037	0	75,458
Total Accumulated Depreciation	67,421	8,037	0	75,458
Capital Assets, net	\$ 62,557	\$ (7,537)	\$ 0	\$ 55,020

**E. Long-Term Liabilities and Other Liabilities**

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

**Governmental Activities**

	Beginning Balance 6/30/14	Additions	Reductions	Ending Balance 6/30/15	Amounts Due Within One Year
Notes Payable					
Fire Truck	\$ 220,155	\$ 0	\$ 34,064	\$ 186,091	\$ 34,972
Fire Truck	168,345	0	4,253	164,092	4,311
	\$ 388,500	\$ 0	\$ 38,317	\$ 350,183	\$ 39,283
Other Liabilities					
Compensated Absences	16,487	15,550	16,716	15,321	15,321

The compensated absences will be liquidated by the General Fund.

The annual requirements to amortize the above loans as of June 30, 2015, including interest payments are as follows:

	Principal	Interest	Total
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	42,956	3,276	46,232
2021-2023	141,733	2,436	144,169
	\$ 350,183	\$ 34,245	\$ 384,428

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**Business-Type Activities**

	Beginning Balance 6/30/14	Additions	Reductions	Ending Balance 6/30/15	Amounts Due Within One Year
Other Liabilities					
Compensated Absences	\$ 5,416	\$ 14,067	\$ 5,868	\$ 13,615	\$ 13,615

The compensated absences will be liquidated by the Water Fund.

**G. Retirement Plan**

Summary of Significant Accounting Policies

*Pensions.* For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

*Plan description.* The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

*Benefits provided.* For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

*Contributions.* The contribution requirements of defined benefit plan members and the Village are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf). The PERA coverage options that apply to Village are Municipal Plan 2 and Police 5. Statutorily required contributions to the pension plan from the Village were \$10,045 for the year ended June 30, 2015.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal Plan 2 at June 30, 2015, the Village reported a liability of \$87,381 for its proportionate share of the net pension liability. At June 30, 2014, the Village's proportion was .0112 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the Village recognized PERA Fund Division Municipal Plan 2 pension expense of \$3,645. At June 30, 2015, the Village reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions	0	(59)
Net difference between projected and actual earnings on pension plan investments	0	(34,182)
Changes in proportion and differences between the Village's contributions and proportionate share of contributions		0
Village's contributions subsequent to the measurement date	10,045	0
<b>Total</b>	<b>\$ 10,045</b>	<b>\$ (34,241)</b>

\$10,045 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (8,560)
2017	(8,560)
2018	(8,560)
2019	(8,561)
Total	<u>\$ (34,241)</u>

*Actuarial assumptions.* As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
(1) Investment rate of return	7.75% annual rate, net of investment expense
(2) Payroll growth	3.50% annual rate
(3) Projected salary increases	3.50 to 14.25% annual rate
(4) Includes inflation at	3.00% annual rate

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The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Village's net pension liability in the Municipal Plan 2 and Police 5 PERA Fund Divisions that the Village participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Village's proportionate share of the net pension liability	\$ 164,716	\$ 87,381	\$ 27,620

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

#### **H. Retiree Health Care**

##### **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, 2015, 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, 2015, 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, 2015, 2014 and 2013 were \$2,695, \$2,299 and \$2,146 respectively, which equal the required contributions for each year.

**I. 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.

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

**J. Commitments**

The Village has various construction commitments for repairs and improvement of facilities on June 30,

**K. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

**L. Subsequent Events**

Subsequent events were evaluated through November 18, 2015 which is the date the financial statements were available to be issued.

**M. Restatement**

Net Position was restated \$(117,977) for pension liability balance at the end of the prior year.

**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**

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 NMSA 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. The fund was created by the authority of state statute. (NMSA 7-12-15)

**Senior Citizens Fund**

To account for a grant received to purchase equipment for the Senior Citizens. Fund was created by village ordinance.

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Combining Balance Sheet  
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	Special Revenue Funds		
	EMS	Law Enforcement	Correction
Assets			
Cash and Cash Equivalents	\$ 113,774	\$ 0	\$ 8,709
Total Assets	<u>\$ 113,774</u>	<u>\$ 0</u>	<u>\$ 8,709</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 1,075	\$ 0	\$ 0
Total Liabilities	<u>1,075</u>	<u>0</u>	<u>0</u>
Fund Balance			
Restricted for			
Special Revenue Fund	112,699	0	8,709
Total Fund Balance	<u>112,699</u>	<u>0</u>	<u>8,709</u>
Total Liabilities and Fund Balance	<u>\$ 113,774</u>	<u>\$ 0</u>	<u>\$ 8,709</u>

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

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 Combining Balance Sheet  
 June 30, 2015

	Special Revenue Funds		
	Cemetery	Recreation	Senior Citizens
Assets			
Cash and Cash Equivalents	\$ 17,243	\$ 4,630	\$ 0
Total Assets	<u>\$ 17,243</u>	<u>\$ 4,630</u>	<u>\$ 0</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 16	\$ 0	\$ 0
Total Liabilities	<u>16</u>	<u>0</u>	<u>0</u>
Fund Balance			
Restricted for			
Special Revenue Fund	17,227	4,630	0
Total Fund Balance	<u>17,227</u>	<u>4,630</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 17,243</u>	<u>\$ 4,630</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
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 NONMAJOR FUNDS  
 Combining Balance Sheet  
 June 30, 2015

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	<u>Total</u>
Assets	
Cash and Cash Equivalents	\$ 144,356
Total Assets	<u>\$ 144,356</u>
Liabilities and Fund Balance	
Liabilities	
Accounts Payable	\$ 1,091
Total Liabilities	<u>1,091</u>
Fund Balance	
Restricted for	
Special Revenue Fund	<u>143,265</u>
Total Fund Balance	<u>143,265</u>
Total Liabilities and Fund Balance	<u>\$ 144,356</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, 2015

	Special Revenue Funds		
	EMS	Law Enforcement	Correction
Revenues			
Charges for Services	\$ 31,536	\$ 0	\$ 7,278
State Grant	8,073	20,000	0
Miscellaneous	993	0	0
Total Revenues	<u>40,602</u>	<u>20,000</u>	<u>7,278</u>
Expenditures			
Current			
Public Safety	24,342	20,000	7,258
Cultural & Recreation	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>24,342</u>	<u>20,000</u>	<u>7,258</u>
Excess (Deficiency) of Revenues Over Expenditures	16,260	0	20
Fund Balance at Beginning of Year	<u>96,439</u>	<u>0</u>	<u>8,689</u>
Fund Balance End of Year	<u>\$ 112,699</u>	<u>\$ 0</u>	<u>\$ 8,709</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, 2015

	Special Revenue Funds		
	Cemetery	Recreation	Senior Citizens
Revenues			
Charges for Services	\$ 5,615	\$ 0	\$ 0
State Grant	0	0	11,336
Miscellaneous	10,077	0	0
Total Revenues	<u>15,692</u>	<u>0</u>	<u>11,336</u>
Expenditures			
Current			
Public Safety	0	0	0
Cultural & Recreation	4,346	169	11,336
Capital Outlay	13,580	0	0
Total Expenditures	<u>17,926</u>	<u>169</u>	<u>11,336</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,234)	(169)	0
Fund Balance at Beginning of Year	<u>19,461</u>	<u>4,799</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 17,227</u>	<u>\$ 4,630</u>	<u>\$ 0</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, 2015

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	<u>Total</u>
Revenues	
Charges for Services	\$ 44,429
State Grant	39,409
Miscellaneous	<u>11,070</u>
Total Revenues	<u>94,908</u>
Expenditures	
Current	
Public Safety	51,600
Cultural & Recreation	15,851
Capital Outlay	<u>13,580</u>
Total Expenditures	<u>81,031</u>
Excess (Deficiency) of Revenues Over Expenditures	13,877
Fund Balance at Beginning of Year	<u>129,388</u>
Fund Balance End of Year	<u>\$ 143,265</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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Charges for Services	\$ 29,350	\$ 33,261	\$ 31,536	\$ (1,725)
State Grants	10,578	8,073	8,073	0
Miscellaneous	0	0	993	993
Total Revenues	<u>39,928</u>	<u>41,334</u>	<u>40,602</u>	<u>(732)</u>
<b>Expenditures</b>				
Public Safety				
Operating Expenses	<u>32,050</u>	<u>32,961</u>	<u>24,169</u>	<u>8,792</u>
Total Expenditures	<u>32,050</u>	<u>32,961</u>	<u>24,169</u>	<u>8,792</u>
Excess (Deficiency) of Revenues Over Expenditures	7,878	8,373	16,433	8,060
Cash Balance Beginning of Year	<u>97,341</u>	<u>97,341</u>	<u>97,341</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 105,219</u>	<u>\$ 105,714</u>	<u>\$ 113,774</u>	<u>\$ 8,060</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 16,433	
Net Change in Accounts Payable			<u>(173)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 16,260</u>	

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



STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
SPECIAL REVENUE-LAW ENFORCEMENT  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2015

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

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

STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
SPECIAL REVENUE-CORRECTION FUND  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Correction Fees	\$ 10,300	\$ 10,300	\$ 7,278	\$ (3,022)
Total Revenues	<u>10,300</u>	<u>10,300</u>	<u>7,278</u>	<u>(3,022)</u>
Expenditures				
Public Safety				
Operating Expenses	<u>8,350</u>	<u>8,350</u>	<u>7,258</u>	<u>1,092</u>
Total Expenditures	<u>8,350</u>	<u>8,350</u>	<u>7,258</u>	<u>1,092</u>
Excess (Deficiency) of Revenues Over Expenditures	1,950	1,950	20	(1,930)
Cash Balance Beginning of Year	<u>8,689</u>	<u>8,689</u>	<u>8,689</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 10,639</u>	<u>\$ 10,639</u>	<u>\$ 8,709</u>	<u>\$ (1,930)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>20</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>20</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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Charges for Services	\$ 4,500	\$ 4,500	\$ 5,615	\$ 1,115
Miscellaneous	4,300	13,200	10,077	(3,123)
Total Revenues	<u>8,800</u>	<u>17,700</u>	<u>15,692</u>	<u>(2,008)</u>
<b>Expenditures</b>				
Cultural & Recreation				
Operating Expenses	8,075	21,241	4,345	16,896
Capital Outlay	0	0	13,580	(13,580)
Total Expenditures	<u>8,075</u>	<u>21,241</u>	<u>17,925</u>	<u>3,316</u>
Excess (Deficiency) of Revenues Over Expenditures	725	(3,541)	(2,233)	1,308
Cash Balance Beginning of Year	<u>19,476</u>	<u>19,476</u>	<u>19,476</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 20,201</u>	<u>\$ 15,935</u>	<u>\$ 17,243</u>	<u>\$ 1,308</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (2,233)	
Net Change in Accounts Payable			(1)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (2,234)</u>	

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

STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
SPECIAL REVENUE-RECREATION  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	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>186</u>	<u>314</u>
Total Expenditures	<u>500</u>	<u>500</u>	<u>186</u>	<u>314</u>
Excess (Deficiency) of Revenues Over Expenditures	(500)	(500)	(186)	314
Cash Balance Beginning of Year	<u>4,816</u>	<u>4,816</u>	<u>4,816</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 4,316</u>	<u>\$ 4,316</u>	<u>\$ 4,630</u>	<u>\$ 314</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (186)	
Net Change in Accounts Payable			<u>17</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (169)</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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 0	\$ 11,700	\$ 11,336	\$ (364)
Total Revenues	<u>0</u>	<u>11,700</u>	<u>11,336</u>	<u>(364)</u>
<b>Expenditures</b>				
Culture and Recreation				
Capital Outlay	0	11,700	11,336	364
Total Expenditures	<u>0</u>	<u>11,700</u>	<u>11,336</u>	<u>364</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

**REQUIRED SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
 Schedules of Required Supplementary Information for Pension Plan

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**Schedule of the Village's Proportionate Share of the Net Pension Liability**

Last 10 Fiscal Years\*

	<u>2015</u>
Village's proportion of the net pension liability	0.01120%
Village's proportionate share of the net pension liability	\$ 87,381
Village's covered-employee payroll	\$ 135,739
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.37%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

**Schedule of Village's Contributions**

Last 10 Fiscal Years\*

	<u>2015</u>
Contractually required contribution	\$ 10,045
Contributions in relation to the contractually required contribution	<u>10,045</u>
Contribution deficiency (excess)	<u><u>0</u></u>
Village's covered-employee payroll	\$ 135,739
Contributions as a percentage of covered-employee payroll	7.40%

\* These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

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

STATE OF NEW MEXICO

**VILLAGE OF MELROSE**

Notes to Required Supplementary Information

For the Year Ended June 30, 2015

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*Changes of benefit terms.* The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement Association 2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement%20Association%202014.pdf).

*Changes of assumptions.* The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at [http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-014%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-014%20PERA%20Valuation%20Report_FINAL.pdf). The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.



**SUPPLEMENTAL INFORMATION RELATED TO  
MAJOR FUNDS**

## **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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Sales & Service	\$ 164,540	\$ 144,300	\$ 114,154	\$ (30,146)
Gross Receipts Tax	0	0	13,159	13,159
State Grant	0	14,375	14,374	(1)
Other	0	0	2,269	2,269
Total Revenues	<u>164,540</u>	<u>158,675</u>	<u>143,956</u>	<u>(14,719)</u>
<b>Expenditures</b>				
Operating Expenses	175,273	180,779	125,623	55,156
Capital Outlay	0	0	38,250	(38,250)
Total Expenditures	<u>175,273</u>	<u>180,779</u>	<u>163,873</u>	<u>16,906</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,733)	(22,104)	(19,917)	2,187
Cash Balance Beginning of Year	<u>207,347</u>	<u>207,347</u>	<u>207,347</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 196,614</u>	<u>\$ 185,243</u>	<u>\$ 187,430</u>	<u>\$ 2,187</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (19,917)	
Depreciation			(35,477)	
Capital Outlay			38,250	
Net Change in Accounts Receivable			(3,091)	
Net Change in Taxes Receivable			(258)	
Net Change in Accounts Payable			(709)	
Net Change in Compensated Absences			(7,361)	
Change in Net Position			<u>\$ (28,563)</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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Sales & Service	\$ 43,100	\$ 43,100	\$ 42,614	\$ (486)
Miscellaneous	0	0	218	218
Total Revenues	<u>43,100</u>	<u>43,100</u>	<u>42,832</u>	<u>(268)</u>
<b>Expenditures</b>				
Operating Expenses	43,551	52,944	44,622	8,322
Capital Outlay		0	1,500	(1,500)
Total Expenditures	<u>43,551</u>	<u>52,944</u>	<u>46,122</u>	<u>6,822</u>
Excess (Deficiency) of Revenues Over Expenditures	(451)	(9,844)	(3,290)	6,554
Cash Balance Beginning of Year	<u>55,540</u>	<u>55,540</u>	<u>55,540</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 55,089</u>	<u>\$ 45,696</u>	<u>\$ 52,250</u>	<u>\$ 6,554</u>
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (3,290)	
Depreciation			(34,529)	
Capital Outlay			1,500	
Net Change in Accounts Receivable			44	
Net Change in Accounts Payable			(13)	
Change in Net Position			<u>\$ (36,288)</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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Sales & Service	\$ 73,320	\$ 73,916	\$ 73,916	\$ 0
Environmental Gross Receipts Tax	4,500	4,500	3,500	(1,000)
Total Revenues	<u>77,820</u>	<u>78,416</u>	<u>77,416</u>	<u>(1,000)</u>
<b>Expenditures</b>				
Operating Expenses	94,821	90,942	80,023	10,919
Capital Outlay		0	500	(500)
Total Expenditures	<u>94,821</u>	<u>90,942</u>	<u>80,523</u>	<u>10,419</u>
Excess (Deficiency) of Revenues Over Expenditures	(17,001)	(12,526)	(3,107)	9,419
Cash Balance Beginning of Year	<u>43,657</u>	<u>43,657</u>	<u>43,657</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 26,656</u>	<u>\$ 31,131</u>	<u>\$ 40,550</u>	<u>\$ 9,419</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (3,107)	
Depreciation			(8,037)	
Capital Outlay			500	
Net Change in Taxes Receivable			(73)	
Net Change in Accounts Receivable			57	
Net Change in Accounts Payable			(1,417)	
Net Change in Compensated Absences			(838)	
Change in Net Position			<u>\$ (12,915)</u>	

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

**OTHER SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
Vendor Schedule  
For the Year Ended June 30, 2015

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Bid or Quote Number:	0045-13-CS Piggyback off of County of Bernalillo
Contract Amount:	\$ 101,410.00
Contracting Vendor:	Artesia Fire PO Box 1367 Artesia, NM 88221
Preference:	No
Scope of the work:	Fire Equipment

Other Vendors responding to the bid or quote: None

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. Tim Keller  
State Auditor of the State of New Mexico  
Board Members of the Village of Melrose

Mr. Keller 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, 2015, 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 18, 2015.

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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### 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 18, 2015

STATE OF NEW MEXICO  
**VILLAGE OF MELROSE**  
Schedule of Findings and Responses  
June 30, 2015

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**Prior Year Audit Findings**

2014-001 Per diem

Status

Resolved

**Current Year Audit Findings**

None

**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 18, 2015. In attendance were Tuck Monk-Mayor, Cathy Christesson-Clerk and De'Aun Willoughby, CPA.