



State of New Mexico
Village of Melrose

Annual Financial Report
June 30, 2016

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



	<u>Page</u>
Official Roster.....	4
Independent Auditor's Report.....	5-6

Financial Sections

Basic Financial Statements

Government Wide Financial Statements

Statement of Net Position.....	8
Statement of Activities.....	9

Fund Financial Statements

Governmental Funds - Balance Sheet.....	10-11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	13-14
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	15

Major Funds

General Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Non-GAAP Budgetary Basis).....	16-17
---	-------

Fire Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Non-GAAP Budgetary Basis).....	18
---	----

Proprietary Funds

Statement of Net Position.....	19
Statement of Revenues, Expenses and Changes in Net Position.....	20
Statement of Cash Flows.....	21-22

Notes to Financial Statements.....	23-39
------------------------------------	-------

Supplemental Information Related to Nonmajor Funds

Combining Non-Major Governmental Funds

Combining Balance Sheet - by Fund Type.....	42-43
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - by Fund Type.....	44-45

	<u>Page</u>
Non-Major Capital Projects Funds	
EMS Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Non-GAAP Budgetary Basis).....	46
Law Enforcement Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Non-GAAP Budgetary Basis).....	47
Correction Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Non-GAAP Budgetary Basis).....	48
Cemetery Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Non-GAAP Budgetary Basis).....	49
Recreation Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Non-GAAP Budgetary Basis).....	50
Required Supplemental Information	
Schedules of Required Supplementary Information for Pension Plan.....	52
Notes to Required Supplementary Information for Pension Plan.....	53
Other Supplemental Information	
Proprietary Funds	
Water	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Non-GAAP Budgetary Basis).....	56
Sewer	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Non-GAAP Budgetary Basis).....	57
Solid Waste	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Non-GAAP Budgetary Basis).....	58
Vendor Schedule	59
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	60-61
Schedule of Findings and Responses.....	62

State of New Mexico
Village of Melrose
Official Roster
June 30, 2016

Board of Trustees

Tuck N. Monk
Barry Green
Bobbie Rogers
H. P. Cargile
Ronald Moore

Mayor
Mayor-Pro Tem
Trustee
Trustee
Trustee

Administrative Official

Cathy Christesson

Clerk/Treasurer

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. 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 fund of Village of Melrose (Village), as of and for the year ended June 30, 2016, 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, 2016, 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, 2016, 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 fund 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, 2016, 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 28, 2016, 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 28, 2016

Financial Section

State of New Mexico
Village of Melrose
Government-Wide Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 1,696,629	\$ 203,696	\$ 1,900,325
Receivables			
Accounts	0	19,815	19,815
Taxes	15,578	1,229	16,807
Total Current Assets	<u>1,712,207</u>	<u>224,740</u>	<u>1,936,947</u>
Noncurrent Assets			
Restricted Cash	1,590	7,510	9,100
Capital Assets	8,985,280	4,023,367	13,008,647
Less: Accumulated Depreciation	<u>(3,182,372)</u>	<u>(1,131,575)</u>	<u>(4,313,947)</u>
Total Noncurrent Assets	<u>5,804,498</u>	<u>2,899,302</u>	<u>8,703,800</u>
Total Assets	<u>7,516,705</u>	<u>3,124,042</u>	<u>10,640,747</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions			
Changes in Proportion	8,340	0	8,340
Contributions Subsequent to Measurement Date	<u>10,296</u>	<u>0</u>	<u>10,296</u>
Total Deferred Outflows of Resources	<u>18,636</u>	<u>0</u>	<u>18,636</u>
Liabilities			
Current Liabilities			
Accounts Payable	7,916	7,207	15,123
Compensated Absences	3,964	1,778	5,742
Current Portion of Long-Term Debt	<u>40,594</u>	<u>0</u>	<u>40,594</u>
Total Current Liabilities	<u>52,474</u>	<u>8,985</u>	<u>61,459</u>
Noncurrent Liabilities			
Customer Deposits	0	7,510	7,510
Bonds and Notes	270,306	0	270,306
Pension Liability	<u>128,468</u>	<u>0</u>	<u>128,468</u>
Total Noncurrent Liabilities	<u>398,774</u>	<u>7,510</u>	<u>406,284</u>
Total Liabilities	<u>451,248</u>	<u>16,495</u>	<u>467,743</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions			
Actuarial Experience	2,846	0	2,846
Changes of Assumptions	50	0	50
Investment Experience	<u>406</u>	<u>0</u>	<u>406</u>
Total Deferred Inflows of Resources	<u>3,302</u>	<u>0</u>	<u>3,302</u>
Net Position			
Investment in Net Capital Assets	5,633,846	2,899,302	8,533,148
Restricted	690,089	0	690,089
Unrestricted	<u>756,856</u>	<u>208,245</u>	<u>965,101</u>
Total Net Position	<u>\$ 7,080,791</u>	<u>\$ 3,107,547</u>	<u>\$ 10,188,338</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, 2016

Functions/Programs	Program Revenues				Net(Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General	\$ 124,860	\$ 11,461	\$ 146,809	\$ 0	\$ 33,410	\$ 0	\$ 33,410
Public Safety	265,496	54,070	314,622	100,000	203,196	0	203,196
Public Works	179,823	3,025	0	432,500	255,702	0	255,702
Culture & Recreation	58,114	0	0	0	(58,114)	0	(58,114)
Health & Welfare	864	0	0	0	(864)	0	(864)
Interest Expense	7,874	0	0	0	(7,874)	0	(7,874)
Total Governmental Activities	<u>\$ 637,031</u>	<u>\$ 68,556</u>	<u>\$ 461,431</u>	<u>\$ 532,500</u>	<u>425,456</u>	<u>0</u>	<u>425,456</u>
Business-type Activities							
Water	\$ 167,141	\$ 105,540	\$ 0	\$ 0	0	(61,601)	(61,601)
Sewer	69,531	42,599	0	0	0	(26,932)	(26,932)
Solid Waste	92,041	81,259	0	0	0	(10,782)	(10,782)
Total Business-type Activities	<u>\$ 328,713</u>	<u>\$ 229,398</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>(99,315)</u>	<u>(99,315)</u>
General Revenues							
Gross Receipts Tax					14,602	17,981	32,583
Property Taxes					173,966	0	173,966
Gasoline Taxes					19,271	0	19,271
Other Taxes					8,219	0	8,219
Miscellaneous					61,257	7,945	69,202
Total General Revenues					<u>277,315</u>	<u>25,926</u>	<u>303,241</u>
Change in Net Position					702,771	(73,389)	629,382
Net Position - Beginning					<u>6,378,020</u>	<u>3,180,936</u>	<u>9,558,956</u>
Net Position - Ending					<u>\$ 7,080,791</u>	<u>\$ 3,107,547</u>	<u>\$ 10,188,338</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, 2016

	<u>General</u>	<u>Special Revenue Fund Fire</u>	<u>Non-Major Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 1,005,460	\$ 512,367	\$ 178,802
Receivables			
Taxes	15,578	0	0
Restricted Cash	0	1,590	0
Total Assets	\$ 1,021,038	\$ 513,957	\$ 178,802
Liabilities and Fund Balance			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 5,246	\$ 191	\$ 2,479
Total Liabilities	5,246	191	2,479
Fund Balances			
Restricted for			
Special Revenue Fund	0	513,766	176,323
Unrestricted	1,015,792	0	0
Total Fund Balances	1,015,792	513,766	176,323
Total Liabilities and Fund Balances	\$ 1,021,038	\$ 513,957	\$ 178,802

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, 2016

	<u>Total Governmental Funds</u>
Assets	
Cash and Cash Equivalents	\$ 1,696,629
Receivables	
Taxes	15,578
Restricted Cash	<u>1,590</u>
Total Assets	<u>\$ 1,713,797</u>
Liabilities and Fund Balance	
Liabilities	
Current Liabilities	
Accounts Payable	\$ <u>7,916</u>
Total Liabilities	<u>7,916</u>
Fund Balances	
Restricted for	
Special Revenue Fund	690,089
Unrestricted	<u>1,015,792</u>
Total Fund Balances	<u>1,705,881</u>
Total Liabilities and Fund Balances	<u>\$ 1,713,797</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, 2016

Total Fund Balance - Governmental Funds \$ 1,705,881

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	\$ 8,985,280	
Accumulated Depreciation	<u>(3,182,372)</u>	5,802,908

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	18,636	
Deferred Inflows Related to Pensions	<u>(3,302)</u>	15,334

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	(310,900)	
Pension Liability	(128,468)	
Compensated Absences	<u>(3,964)</u>	<u>(443,332)</u>

Total Net Position - Governmental Activities \$ 7,080,791

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, 2016

	General	Special Revenue Fund Fire	Non-Major Governmental Funds
Revenues			
Taxes			
Property	\$ 14,602	\$ 0	\$ 0
Gross Receipts	173,966	0	0
Gasoline	19,271	0	0
Franchise	5,576	0	0
Other	2,643	0	0
Charges for Services	11,729	0	47,051
License & Permits	691	0	0
Fees, Fines & Forfeitures	9,776	0	0
State & Local Grants	621,406	345,238	27,287
Miscellaneous	58,454	158	15,534
Total Revenues	<u>918,114</u>	<u>345,396</u>	<u>89,872</u>
Expenditures			
Current			
General Government	130,872	0	0
Public Safety	44,725	63,822	35,291
Public Works	74,413	0	0
Culture and Recreation	42,005	0	5,141
Capital Outlay	587,872	0	16,382
Debt Service			
Principal	0	39,291	0
Interest	0	7,874	0
Total Expenditures	<u>879,887</u>	<u>110,987</u>	<u>56,814</u>
Excess (Deficiency) of Revenues Over Expenditures	38,227	234,409	33,058
Fund Balances at Beginning of Year	<u>977,565</u>	<u>279,357</u>	<u>143,265</u>
Fund Balance End of Year	<u>\$ 1,015,792</u>	<u>\$ 513,766</u>	<u>\$ 176,323</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, 2016

	Total Governmental Funds
Revenues	
Taxes	
Property	\$ 14,602
Gross Receipts	173,966
Gasoline	19,271
Franchise	5,576
Other	2,643
Charges for Services	58,780
License & Permits	691
Fees, Fines & Forfeitures	9,776
State & Local Grants	993,931
Miscellaneous	74,146
Total Revenues	<u>1,353,382</u>
Expenditures	
Current	
General Government	130,872
Public Safety	143,838
Public Works	74,413
Culture and Recreation	47,146
Capital Outlay	604,254
Debt Service	
Principal	39,291
Interest	7,874
Total Expenditures	<u>1,047,688</u>
Excess (Deficiency) of Revenues Over Expenditures	305,694
Fund Balances at Beginning of Year	<u>1,400,187</u>
Fund Balance End of Year	<u>\$ 1,705,881</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, 2016

Net Change in Fund Balance \$ 305,694

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	\$ (242,688)	
Capital Outlays	604,254	
Gain or Loss on Disposition of Capital Assets	<u>(13,580)</u>	347,986

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	10,296	
Pension Expense	<u>(11,853)</u>	(1,557)

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

39,291

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, 2015	15,321	
Compensated Absences, June 30, 2016	<u>(3,964)</u>	<u>11,357</u>

Changes in Net Position of Governmental Activities \$ 702,771

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, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Gross Receipt Tax	\$ 184,464	\$ 184,464	\$ 173,555	\$ (10,909)
Property Tax	14,565	14,565	14,518	(47)
Franchise Tax	5,429	5,429	5,428	(1)
Gas Tax	24,100	24,100	19,657	(4,443)
Other Taxes	1,667	1,667	1,666	(1)
Charges for Services	13,082	13,082	11,729	(1,353)
Licenses & Permits	1,065	1,065	691	(374)
Fines & Forfeitures	13,300	13,300	9,776	(3,524)
State & Local Grants	621,407	621,407	621,405	(2)
Miscellaneous	37,469	37,469	38,455	986
Total Revenues	916,548	916,548	896,880	(19,668)
Expenditures				
Executive				
Operating Expenses	20,235	20,235	17,896	2,339
Total Executive	20,235	20,235	17,896	2,339
Judicial				
Operating Expenses	18,939	18,939	15,905	3,034
Total Judicial	18,939	18,939	15,905	3,034
Financial				
Operating Expenses	107,349	107,349	95,377	11,972
Total Financial	107,349	107,349	95,377	11,972
Public Safety				
Operating Expenses	66,042	66,042	44,615	21,427
Total Public Safety	66,042	66,042	44,615	21,427
Highway & Streets				
Operating Expenses	104,268	104,268	88,484	15,784
Capital Outlay	552,198	552,198	558,197	(5,999)
Total Highway & Streets	656,466	656,466	646,681	9,785
Health				
Operating Expenses	0	0	0	0
Total Health	0	0	0	0
Culture & Recreation				
Operating Expenses	70,040	70,040	43,062	26,978
Capital Outlay	0	0	2,000	(2,000)
Total Culture & Recreation	70,040	70,040	45,062	24,978
Total Expenditures	\$ 939,071	\$ 939,071	\$ 865,536	\$ 73,535

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, 2016

	<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	\$ (22,523)	\$ (22,523)	\$ 31,344	\$ 53,867
Cash Balance Beginning of Year	<u>974,116</u>	<u>974,116</u>	<u>974,116</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 951,593</u>	<u>\$ 951,593</u>	<u>\$ 1,005,460</u>	<u>\$ 53,867</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 31,344	
Net Change in Taxes Receivable			1,235	
Net Change in Accounts Payable			<u>5,648</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 38,227</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, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 347,365	\$ 347,365	\$ 345,238	\$ (2,127)
Miscellaneous	100	100	158	58
Total Revenues	<u>347,465</u>	<u>347,465</u>	<u>345,396</u>	<u>(2,069)</u>
Expenditures				
Public Safety				
Operating Expenses	61,566	61,566	66,427	(4,861)
Capital Outlay	14,985	14,985	0	14,985
Debt Service				
Principal	43,229	43,229	39,291	3,938
Interest	0	0	7,874	(7,874)
Total Expenditures	<u>119,780</u>	<u>119,780</u>	<u>113,592</u>	<u>6,188</u>
Excess (Deficiency) of Revenues Over Expenditures	227,685	227,685	231,804	4,119
Cash Balance Beginning of Year	<u>282,153</u>	<u>282,153</u>	<u>282,153</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 509,838</u>	<u>\$ 509,838</u>	<u>\$ 513,957</u>	<u>\$ 4,119</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 231,804	
Net Change in Accounts Payable			<u>2,605</u>	
Net Change in Fund Balance			<u>\$ 234,409</u>	

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

State of New Mexico
Village of Melrose
Proprietary Funds
Statement of Fund Net Position
June 30, 2016

Assets	Water	Sewer	Solid Waste	Total
Current Assets				
Cash and Cash Equivalents	\$ 127,221	\$ 51,033	\$ 25,442	\$ 203,696
Receivables (net of allowance for uncollectible accounts)				
Accounts	9,296	3,767	6,752	19,815
Taxes	959	0	270	1,229
Total Current Assets	<u>137,476</u>	<u>54,800</u>	<u>32,464</u>	<u>224,740</u>
Noncurrent Assets				
Restricted Assets	7,510	0	0	7,510
Capital Assets	1,940,492	1,939,722	143,153	4,023,367
Less: Accumulated Depreciation	<u>(424,839)</u>	<u>(622,431)</u>	<u>(84,305)</u>	<u>(1,131,575)</u>
Total Noncurrent Assets	<u>1,523,163</u>	<u>1,317,291</u>	<u>58,848</u>	<u>2,899,302</u>
Total Assets	<u>1,660,639</u>	<u>1,372,091</u>	<u>91,312</u>	<u>3,124,042</u>
Liabilities				
Current Liabilities				
Accounts Payable	3,740	1,328	2,139	7,207
Compensated Absences	322	0	1,456	1,778
Total Current Liabilities	<u>4,062</u>	<u>1,328</u>	<u>3,595</u>	<u>8,985</u>
Noncurrent Liabilities				
Customer Deposits	7,510	0	0	7,510
Total Noncurrent Liabilities	<u>7,510</u>	<u>0</u>	<u>0</u>	<u>7,510</u>
Total Liabilities	<u>11,572</u>	<u>1,328</u>	<u>3,595</u>	<u>16,495</u>
Net Position				
Investment in Net Capital Assets	1,515,653	1,317,291	58,848	2,891,792
Unrestricted	133,414	53,472	28,869	215,755
Total Net Position	<u>\$ 1,649,067</u>	<u>\$ 1,370,763</u>	<u>\$ 87,717</u>	<u>\$ 3,107,547</u>

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

State of New Mexico
Village of Melrose
Proprietary Funds
Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

	Water	Sewer	Solid Waste	Total
Operating Revenues				
Sales & Service	\$ 105,540	\$ 42,599	\$ 81,259	\$ 229,398
Total Operating Revenues	<u>105,540</u>	<u>42,599</u>	<u>81,259</u>	<u>229,398</u>
Operating Expenses				
Operating Expenses	127,727	34,642	83,194	245,563
Depreciation	38,513	34,889	8,847	82,249
Bad Debt	901	0	0	901
Total Operating Expenses	<u>167,141</u>	<u>69,531</u>	<u>92,041</u>	<u>328,713</u>
Operating Income (Loss)	<u>(61,601)</u>	<u>(26,932)</u>	<u>(10,782)</u>	<u>(99,315)</u>
Nonoperating Revenue (Expenses)				
Gain on Sale of Capital Assets	6,245	0	1,700	7,945
Infrastructure & Environmental Tax	14,029	0	3,952	17,981
Total Nonoperating Revenue (Expense)	<u>20,274</u>	<u>0</u>	<u>5,652</u>	<u>25,926</u>
Change in Net Position	(41,327)	(26,932)	(5,130)	(73,389)
Total Net Position - Beginning	<u>1,690,394</u>	<u>1,397,695</u>	<u>92,847</u>	<u>3,180,936</u>
Total Net Position - Ending	<u>\$ 1,649,067</u>	<u>\$ 1,370,763</u>	<u>\$ 87,717</u>	<u>\$ 3,107,547</u>

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

State of New Mexico
Village of Melrose
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2016

	<u>Water</u>	<u>Sewer</u>
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 127,068	\$ 42,462
Cash Paid to Suppliers and Employees	(153,053)	(33,405)
Net Cash Provided by Operating Activities	<u>(25,985)</u>	<u>9,057</u>
Cash Flows from Noncapital Financing Activities		
Infrastructure & Environmental Tax	14,029	0
Net Cash Provided by Noncapital Financing Activities	<u>14,029</u>	<u>0</u>
Cash Flows from Capital & Related Financing Activities		
Gain on Sale of Capital Assets	6,245	0
Purchase of Capital Assets	(46,988)	(10,274)
Net Cash Provided by Capital & Related Financing Activities	<u>(40,743)</u>	<u>(10,274)</u>
Net Increase (Decrease) in Cash	(52,699)	(1,217)
Cash, Beginning of Year	<u>187,430</u>	<u>52,250</u>
Cash, End of Year	<u>\$ 134,731</u>	<u>\$ 51,033</u>
Reconciliation of Cash		
Cash and Cash Equivalents	\$ 127,221	51,033
Restricted Assets	7,510	0
	<u>\$ 134,731</u>	<u>\$ 51,033</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (61,601)	\$ (26,932)
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities		
Depreciation	38,513	34,889
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	813	(136)
(Increase) Decrease in Taxes Receivable	(34)	0
Increase (Decrease) in Accounts Payable	1,986	1,236
Increase (Decrease) in Compensated Absences	(7,039)	0
Increase (Decrease) in Meter Deposits	1,377	0
Net Cash Provided by Operating Activities	<u>\$ (25,985)</u>	<u>\$ 9,057</u>

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

State of New Mexico
Village of Melrose
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2016

	Solid Waste	Total
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 80,224	\$ 249,754
Cash Paid to Suppliers and Employees	(88,309)	(274,767)
Net Cash Provided by Operating Activities	<u>(8,085)</u>	<u>(25,013)</u>
Cash Flows from Noncapital Financing Activities		
Infrastructure & Environmental Tax	3,952	17,981
Net Cash Provided by Noncapital Financing Activities	<u>3,952</u>	<u>17,981</u>
Cash Flows from Capital & Related Financing Activities		
Gain on Sale of Capital Assets	1,700	7,945
Purchase of Capital Assets	(12,675)	(69,937)
Net Cash Provided by Capital & Related Financing Activities	<u>(10,975)</u>	<u>(61,992)</u>
Net Increase (Decrease) in Cash	(15,108)	(69,024)
Cash, Beginning of Year	<u>40,550</u>	<u>280,230</u>
Cash, End of Year	<u>\$ 25,442</u>	<u>\$ 211,206</u>
Reconciliation of Cash		
Cash and Cash Equivalents	25,442	203,696
Restricted Assets	0	7,510
	<u>\$ 25,442</u>	<u>\$ 211,206</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (10,782)	\$ (99,315)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	8,847	82,249
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	(1,035)	(358)
(Increase) Decrease in Taxes Receivable	(11)	(45)
Increase (Decrease) in Accounts Payable	(306)	2,916
Increase (Decrease) in Compensated Absences	(4,798)	(11,837)
Increase (Decrease) in Meter Deposits	0	1,377
Net Cash Provided by Operating Activities	<u>\$ (8,085)</u>	<u>\$ (25,013)</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 two categories: governmental and proprietary. 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.

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.

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 6/30/16	Reconciled Balance	<u>Type</u>
Village of Melrose	\$ 1,752,706	\$ 1,730,711	Checking Non-Interesting
Water Savings #2	82,193	82,193	Savings- Interest
Sewer Savings	3,133	3,133	Savings- Interest
Fire Department	24,927	24,927	Savings- Interest
Cemetery Trust	1,001	1,001	Savings- Interest
General Fund-CD	43,048	43,048	Savings- Interest
Cemetery Fund-CD	9,295	9,295	Savings- Interest
Sewer Fund-CD	9,528	9,528	Savings- Interest
Water Meter Deposit-CD	4,000	4,000	Savings- Interest
TOTAL Deposited	<u>1,929,831</u>	<u>\$ 1,907,836</u>	
Less: FDIC Coverage	<u>(427,124)</u>		
Uninsured Amount	1,502,707		
50% collateral requirement	751,354		
Pledged securities	<u>1,465,000</u>		
Over (Under) requirement	<u>\$ 713,647</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 6/30/16	Reconciled Balance	<u>Type</u>
Fire Pumper	\$ 76	\$ 76	Savings
Class Afire Apparatus	1,513	1,513	Savings
Total Deposited	<u>\$ 1,589</u>	<u>\$ 1,589</u>	

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

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>\$ 1,931,420</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 \$1,931,420 was exposed to custodial credit risk.

B. Receivables

Receivables as of June 30, 2016, were as follows:

	<u>General</u>	<u>Utilities</u>
Property Taxes	\$ 526	\$ 0
Gross Receipts Taxes	11,896	1,229
Gasoline Taxes	1,471	0
Other Taxes	1,685	0
Accounts Receivables	0	19,815
	<u>\$ 15,578</u>	<u>\$ 21,044</u>

C. Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2016, is as follows:

	<u>Beginning Balance 6/30/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/16</u>
Governmental Activities				
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	5,377,640	552,197	0	5,929,837
Buildings & Improvements	962,846	0	0	962,846
Equipment	2,126,338	52,057	85,799	2,092,596
	<u>8,233,438</u>	<u>604,254</u>	<u>85,799</u>	<u>8,985,279</u>
Total Capital Assets	<u>8,233,438</u>	<u>604,254</u>	<u>85,799</u>	<u>8,985,279</u>
Less Accumulated Depreciation				
Infrastructure	597,944	24,700	0	622,644
Buildings & Improvements	1,405,917	85,798	0	1,491,715
Equipment	1,008,047	132,190	72,224	1,068,013
Total Accumulated Depreciation	<u>2,785,885</u>	<u>242,688</u>	<u>72,224</u>	<u>3,182,372</u>
Capital Assets, net	<u>\$ 5,447,553</u>	<u>\$ 361,566</u>	<u>\$ 13,575</u>	<u>\$ 5,802,907</u>

State of New Mexico
Village of Melrose
Notes to the Financial Statements
June 30, 2016

Depreciation expense was charged to governmental activities as follows:

General	\$	166
Public Safety		121,658
Public Works		104,284
Health & Welfare		864
Culture & Recreation		15,716
Total depreciation expenses	\$	<u>242,688</u>

	Beginning Balance 6/30/15	Increases	Decreases	Ending Balance 6/30/16
Business-Type Activities				
Water				
Water System	\$ 1,863,612	\$ 42,987	\$ 0	\$ 1,906,599
Equipment	29,893	4,000	0	33,893
Total Capital				
Assets at Historical Cost	<u>1,893,505</u>	<u>46,987</u>	<u>0</u>	<u>1,940,492</u>
Less Accumulated Depreciation				
Water System	374,062	36,244	0	410,306
Equipment	12,263	2,270	0	14,533
Total Accumulated Depreciation	<u>386,325</u>	<u>38,514</u>	<u>0</u>	<u>424,839</u>
Capital Assets, net	<u>\$ 1,504,406</u>	<u>\$ 8,473</u>	<u>\$ 0</u>	<u>\$ 1,515,653</u>
	Beginning Balance 6/30/15	Increases	Decreases	Ending Balance 6/30/16
Sewer				
Other Capital Assets				
Sewer System	\$ 1,862,518	\$ 0	\$ 0	\$ 1,862,518
Equipment	66,932	10,272	0	77,204
Total Capital				
Assets at Historical Cost	<u>1,927,950</u>	<u>10,272</u>	<u>0</u>	<u>1,939,722</u>
Less Accumulated Depreciation				
Sewer System	571,575	31,756	0	603,331
Equipment	15,968	3,132	0	19,100
Total Accumulated Depreciation	<u>553,013</u>	<u>34,888</u>	<u>0</u>	<u>622,431</u>
Capital Assets, net	<u>\$ 1,374,937</u>	<u>\$ (24,616)</u>	<u>\$ 0</u>	<u>\$ 1,317,291</u>

State of New Mexico
Village of Melrose
Notes to the Financial Statements
June 30, 2016

	Beginning Balance 6/30/15	Increases	Decreases	Ending Balance 6/30/16
Solid Waste				
Other Capital Assets				
Equipment	\$ 130,478	\$ 12,675	\$ 0	\$ 143,153
Total Capital Assets at Historical Cost	129,978	12,675	0	143,153
Less Accumulated Depreciation				
Equipment	75,458	8,847	0	84,305
Total Accumulated Depreciation	67,421	8,847	0	84,305
Capital Assets, net	\$ 62,557	\$ 3,828	\$ 0	\$ 58,848

E. Long-Term Liabilities and Other Liabilities

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

Governmental Activities

	Beginning Balance 6/30/15	Additions	Reductions	Ending Balance 6/30/16	Amounts Due Within One Year
Notes Payable					
Fire Truck	\$ 186,091	\$ 0	\$ 34,972	\$ 151,119	\$ 36,214
Fire Truck	164,092	0	4,311	159,781	4,380
	\$ 388,500	\$ 0	\$ 39,283	\$ 310,900	\$ 40,594
Other Liabilities					
Compensated Absences	\$ 15,321	\$ 10,738	\$ 22,095	\$ 3,964	\$ 3,964

The compensated absences will be liquidated by the General Fund.

The annual requirements to amortize the above loans as of June 30, 2016, including interest payments are as follows:

	Principal	Interest	Total
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	45,883	1,461	47,344
2022-2023	95,850	976	96,826
	\$ 310,900	\$ 25,075	\$ 335,975

Business-Type Activities

	Beginning Balance 6/30/15	Additions	Reductions	Ending Balance 6/30/16	Amounts Due Within One Year
Other Liabilities					
Compensated Absences	\$ 13,615	\$ 8,718	\$ 20,555	\$ 1,778	\$ 1,778

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, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.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. 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 \$10,296 for the year ended June 30, 2016.

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, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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, 2016, the Village reported a liability of \$128,468 for its proportionate share of the net pension liability. At June 30, 2015, the Village's proportion was 0.0126%, which was an increase of 0.0014% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Village recognized PERA Fund Division Municipal Plan 2 pension expense of \$8,739. At June 30, 2016, the Village reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

State of New Mexico
Village of Melrose
Notes to the Financial Statements
June 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ (2,846)
Changes of assumptions	0	(50)
Net difference between projected and actual earnings on pension plan investments	0	(406)
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	8,340	0
Village's contributions subsequent to the measurement date	10,296	0
Total	\$ 18,636	\$ (3,302)

\$10,296 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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	\$ (3,403)
2017	(3,403)
2018	(3,403)
2019	6,907
2020	0
Total	\$ (3,302)

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, 2014 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, 2015 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, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
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) Projected benefit payment	100 years
(3) Payroll growth	3.50% annual rate
(4) Projected salary increases	3.50 to 14.25% annual rate
(5) Includes inflation at	3.00% annual rate

State of New Mexico
Village of Melrose
Notes to the Financial Statements
June 30, 2016

(6) Mortality Assumption	RP-2000 Mortality Tables (combined table for healthy post-retirees, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
(7) Experience Study Dates	July 1, 2008 to June 30, 2013

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	\$ 218,730	\$ 128,468	\$ 53,421

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 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.

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, 2016, 2015 and 2014 were \$2,695, \$2,783 and \$2,299 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 on June 30, 2016.

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 28, 2016 which is the date the financial statements were available to be issued.

**Supplemental Information Related to
Nonmajor 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)

State of New Mexico
Village of Melrose
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2016

	Special Revenue Funds		
	EMS	Law Enforcement	Correction
Assets			
Cash and Cash Equivalents	\$ 140,472	\$ 9,836	\$ 8,289
Total Assets	<u>\$ 140,472</u>	<u>\$ 9,836</u>	<u>\$ 8,289</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 1,284	\$ 952	\$ 243
Total Liabilities	<u>1,284</u>	<u>952</u>	<u>243</u>
Fund Balance			
Restricted for			
Special Revenue Fund	139,188	8,884	8,046
Total Fund Balance	<u>139,188</u>	<u>8,884</u>	<u>8,046</u>
Total Liabilities and Fund Balance	<u>\$ 140,472</u>	<u>\$ 9,836</u>	<u>\$ 8,289</u>

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

State of New Mexico
Village of Melrose
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2016

	<u>Special Revenue Funds</u>		
	<u>Cemetery</u>	<u>Recreation</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 16,041	\$ 4,164	\$ 178,802
Total Assets	<u>\$ 16,041</u>	<u>\$ 4,164</u>	<u>\$ 178,802</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 2,479
Total Liabilities	<u>0</u>	<u>0</u>	<u>2,479</u>
Fund Balance			
Restricted for			
Special Revenue Fund	<u>16,041</u>	<u>4,164</u>	<u>176,323</u>
Total Fund Balance	<u>16,041</u>	<u>4,164</u>	<u>176,323</u>
Total Liabilities and Fund Balance	<u>\$ 16,041</u>	<u>\$ 4,164</u>	<u>\$ 178,802</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, 2016

	Special Revenue Funds		
	EMS	Law Enforcement	Correction
Revenues			
Charges for Services	\$ 37,385	\$ 0	\$ 6,641
State Grant	7,287	20,000	0
Miscellaneous	4,588	9,982	0
Total Revenues	<u>49,260</u>	<u>29,982</u>	<u>6,641</u>
Expenditures			
Current			
Public Safety	22,771	5,216	7,304
Cultural & Recreation	0	0	0
Capital Outlay	0	15,882	0
Total Expenditures	<u>22,771</u>	<u>21,098</u>	<u>7,304</u>
Excess (Deficiency) of Revenues Over Expenditures	26,489	8,884	(663)
Fund Balance at Beginning of Year	<u>112,699</u>	<u>0</u>	<u>8,709</u>
Fund Balance End of Year	<u>\$ 139,188</u>	<u>\$ 8,884</u>	<u>\$ 8,046</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, 2016

	<u>Special Revenue Funds</u>		
	<u>Cemetery</u>	<u>Recreation</u>	<u>Total</u>
Revenues			
Charges for Services	\$ 3,025	\$ 0	\$ 47,051
State Grant	0	0	27,287
Miscellaneous	964	0	15,534
Total Revenues	<u>3,989</u>	<u>0</u>	<u>89,872</u>
Expenditures			
Current			
Public Safety	0	0	35,291
Cultural & Recreation	4,675	466	5,141
Capital Outlay	500	0	16,382
Total Expenditures	<u>5,175</u>	<u>466</u>	<u>56,814</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,186)	(466)	33,058
Fund Balance at Beginning of Year	<u>17,227</u>	<u>4,630</u>	<u>143,265</u>
Fund Balance End of Year	<u>\$ 16,041</u>	<u>\$ 4,164</u>	<u>\$ 176,323</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, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Charges for Services	\$ 37,385	\$ 37,385	\$ 37,385	\$ 0
State Grants	8,200	8,200	7,287	(913)
Miscellaneous	5,000	5,000	4,588	(412)
Total Revenues	<u>50,585</u>	<u>50,585</u>	<u>49,260</u>	<u>(1,325)</u>
Expenditures				
Public Safety				
Operating Expenses	<u>32,567</u>	<u>32,567</u>	<u>22,562</u>	<u>10,005</u>
Total Expenditures	<u>32,567</u>	<u>32,567</u>	<u>22,562</u>	<u>10,005</u>
Excess (Deficiency) of Revenues Over Expenditures	18,018	18,018	26,698	8,680
Cash Balance Beginning of Year	<u>113,774</u>	<u>113,774</u>	<u>113,774</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 131,792</u>	<u>\$ 131,792</u>	<u>\$ 140,472</u>	<u>\$ 8,680</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 26,698	
Net Change in Accounts Payable			<u>(209)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 26,489</u>	

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

State of New Mexico
Village of Melrose
Special Revenue Fund-Law Enforcement
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 20,000	\$ 20,000	\$ 20,000	\$ 0
Miscellaneous	9,983	9,983	9,982	(1)
Total Revenues	<u>29,983</u>	<u>29,983</u>	<u>29,982</u>	<u>(1)</u>
Expenditures				
Public Safety				
Operating Expenses	2,878	2,878	4,264	(1,386)
Capital Outlay	17,269	17,269	15,882	1,387
Total Expenditures	<u>20,147</u>	<u>20,147</u>	<u>20,146</u>	<u>1</u>
Excess (Deficiency) of Revenues Over Expenditures	9,836	9,836	9,836	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 9,836</u>	<u>\$ 9,836</u>	<u>\$ 9,836</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 9,836	
Net Change in Accounts Payable			<u>(952)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 8,884</u>	

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

State of New Mexico
Village of Melrose
Special Revenue Fund-Correction Fund
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Correction Fees	\$ 10,300	\$ 10,300	\$ 6,641	\$ (3,659)
Total Revenues	<u>10,300</u>	<u>10,300</u>	<u>6,641</u>	<u>(3,659)</u>
Expenditures				
Public Safety				
Operating Expenses	<u>8,350</u>	<u>8,350</u>	<u>7,061</u>	<u>1,289</u>
Total Expenditures	<u>8,350</u>	<u>8,350</u>	<u>7,061</u>	<u>1,289</u>
Excess (Deficiency) of Revenues Over Expenditures	1,950	1,950	(420)	(2,370)
Cash Balance Beginning of Year	<u>8,709</u>	<u>8,709</u>	<u>8,709</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 10,659</u>	<u>\$ 10,659</u>	<u>\$ 8,289</u>	<u>\$ (2,370)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (420)	
Net Change in Accounts Payable			<u>(243)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (663)</u>	

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

State of New Mexico
Village of Melrose
Special Revenue Fund-Cemetery
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget (Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Charges for Services	\$ 4,500	\$ 4,500	\$ 3,025	\$ (1,475)
Miscellaneous	3,578	3,578	963	(2,615)
Total Revenues	<u>8,078</u>	<u>8,078</u>	<u>3,988</u>	<u>(4,090)</u>
Expenditures				
Cultural & Recreation				
Operating Expenses	8,325	8,325	4,690	3,635
Capital Outlay	4,500	4,500	500	4,000
Total Expenditures	<u>12,825</u>	<u>12,825</u>	<u>5,190</u>	<u>7,635</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,747)	(4,747)	(1,202)	3,545
Cash Balance Beginning of Year	<u>17,243</u>	<u>17,243</u>	<u>17,243</u>	<u>0</u>
Cash Balance End of Year	\$ <u>12,496</u>	\$ <u>12,496</u>	\$ <u>16,041</u>	\$ <u>3,545</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,202)	
Net Change in Accounts Payable			16	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(1,186)</u>	

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

State of New Mexico
Village of Melrose
Special Revenue Fund-Recreation
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Cigarette Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Culture & Recreation				
Operating Expenses	<u>466</u>	<u>466</u>	<u>466</u>	<u>0</u>
Total Expenditures	<u>466</u>	<u>466</u>	<u>466</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(466)	(466)	(466)	0
Cash Balance Beginning of Year	<u>4,630</u>	<u>4,630</u>	<u>4,630</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 4,164</u>	<u>\$ 4,164</u>	<u>\$ 4,164</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (466)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (466)</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

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

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
Village's proportion of the net pension liability	0.01120%	0.01260%
Village's proportionate share of the net pension liability	\$ 87,381	\$ 128,468
Village's covered-employee payroll	\$ 135,739	\$ 139,135
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.37%	92.33%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	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>	<u>2016</u>
Contractually required contribution	\$ 10,045	\$ 10,296
Contributions in relation to the contractually required contribution	<u>10,045</u>	<u>10,293</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Village's covered-employee payroll	\$ 135,739	\$ 139,135
Contributions as a percentage of covered-employee payroll	7.40%	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, 2016

Changes in 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_2015.pdf.

Changes of Assumptions – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at: http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-302015%20PERA%20Valuation%20Report_FINAL.pdf.

Other Supplemental Information

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, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales & Service	\$ 147,945	\$ 147,945	\$ 106,813	\$ (41,132)
Gross Receipts Tax	5,000	5,000	13,996	8,996
State Grant	0	0	0	0
Other	11,257	11,257	6,259	(4,998)
Total Revenues	<u>164,202</u>	<u>164,202</u>	<u>127,068</u>	<u>(37,134)</u>
Expenditures				
Operating Expenses	139,028	139,028	117,868	21,160
Capital Outlay	51,912	51,912	46,988	4,924
Ute Water Project	16,000	16,000	14,911	1,089
Debt Service	8,200	8,200	0	8,200
Total Expenditures	<u>215,140</u>	<u>215,140</u>	<u>179,767</u>	<u>35,373</u>
Excess (Deficiency) of Revenues Over Expenditures	(50,938)	(50,938)	(52,699)	(1,761)
Cash Balance Beginning of Year	<u>187,430</u>	<u>187,430</u>	<u>187,430</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 136,492</u>	<u>\$ 136,492</u>	<u>\$ 134,731</u>	<u>\$ (1,761)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (52,699)	
Depreciation			(38,513)	
Capital Outlay			46,988	
Net Change in Accounts Receivable			(813)	
Net Change in Taxes Receivable			34	
Net Change in Accounts Payable			(1,986)	
Net Change in Compensated Absences			7,039	
Net Change in Meter Deposits			(1,377)	
Change in Net Position			<u>\$ (41,327)</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, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales & Service	\$ 43,100	\$ 43,100	\$ 42,462	\$ (638)
Total Revenues	<u>43,100</u>	<u>43,100</u>	<u>42,462</u>	<u>(638)</u>
Expenditures				
Operating Expenses	36,916	36,916	33,406	3,510
Capital Outlay	<u>13,335</u>	<u>13,335</u>	<u>10,273</u>	<u>3,062</u>
Total Expenditures	<u>50,251</u>	<u>50,251</u>	<u>43,679</u>	<u>6,572</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,151)	(7,151)	(1,217)	5,934
Cash Balance Beginning of Year	<u>52,250</u>	<u>52,250</u>	<u>52,250</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 45,099</u>	<u>\$ 45,099</u>	<u>\$ 51,033</u>	<u>\$ 5,934</u>
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,217)	
Depreciation			(34,888)	
Capital Outlay			10,273	
Net Change in Accounts Receivable			136	
Net Change in Accounts Payable			<u>(1,236)</u>	
Change in Net Position			<u>\$ (26,932)</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, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales & Service	\$ 80,300	\$ 80,300	\$ 80,224	\$ (76)
Environmental Gross Receipts Tax	4,500	4,500	3,943	(557)
Other	1,700	1,700	1,700	0
Total Revenues	<u>86,500</u>	<u>86,500</u>	<u>85,867</u>	<u>(633)</u>
Expenditures				
Operating Expenses	92,410	92,410	88,300	4,110
Capital Outlay	14,867	14,867	12,675	2,192
Total Expenditures	<u>107,277</u>	<u>107,277</u>	<u>100,975</u>	<u>6,302</u>
Excess (Deficiency) of Revenues Over Expenditures	(20,777)	(20,777)	(15,108)	5,669
Cash Balance Beginning of Year	<u>40,550</u>	<u>40,550</u>	<u>40,550</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 19,773</u>	<u>\$ 19,773</u>	<u>\$ 25,442</u>	<u>\$ 5,669</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (15,108)	
Depreciation			(8,847)	
Capital Outlay			12,675	
Net Change in Taxes Receivable			10	
Net Change in Accounts Receivable			1,035	
Net Change in Accounts Payable			307	
Net Change in Compensated Absences			4,798	
Change in Net Position			<u>\$ (5,130)</u>	

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

State of New Mexico
Village of Melrose
 Vendor Schedule
 For the Year Ended June 30, 2016

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
1	Construction - Sole Bidder	Abraham's Construction	495,644.61	503,094.45	Abraham's Const 7605 Morrow Ave NE Albuquerque, NM 87110	in state	n/a	Street Improvements/ Re-Construction at Higby and 5th Streets

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 fund, of the Village of Melrose (Village) as of and for the year ended June 30, 2016, 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 28, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2016-001

Compliance and Other Matters

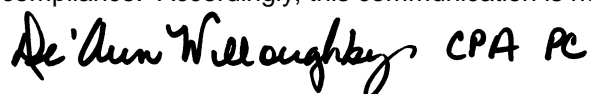
As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses; 2016-001.

The Village's Responses to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "De'Ann Willoughby CPA PC". The signature is written in a cursive style.

Clovis, New Mexico

November 28, 2016

Prior Year Audit Findings
None

Current Year Audit Findings

2016-001 Payroll-Compliance and Internal Control-Significant Deficiency

Condition

Of the 6 sampled 2 were incomplete, 2 were completed incorrectly, and 2 could not be located.

Criteria

As per U.S. Citizens and Immigration Services Employers have certain responsibilities under immigration law during the hiring process. The employer sanctions provisions, found in section 274A of the Immigration and Nationality Act (INA), were added by the Immigration Reform and Control Act of 1986 (IRCA). These provisions further changed with the passage of the Immigration Act of 1990 and the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA) of 1996. Complete and retain a Form I-9 for each employee required to complete the form.

Cause

The clerk had not read the instructions for the I-9 or understood the consequences of not completing the I-9s correctly.

Effect

Improper completion, retention or making it available for inspection fines range from \$100 to \$1,100 for each I-9.

Recommendation

All I-9 should be reviewed and updated as necessary. The clerk could use both the I-9 instructions as well as the U.S. Citizenship and Immigration Services M-274 Handbook for Employers to provide them with the tools needed to ensure all I-9 are completed correctly and timely.

Response

We have reviewed every I-9 and corrected or completed a new one as necessary.

The Clerk is responsible for this finding and has resolved it.

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 28, 2016. In attendance were Tuck Monk-Mayor, Bobbie Rogers - Trustee, Cathy Christesson-Clerk and De'Aun Willoughby, CPA.